When, Where, Why:
Journal Entries & Due-To/Due-From Explained

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(this presentation is not eligible for CPE credit)

CKH GROUP

www.ckhgroup.com

Introduction

We are a small business CPA firm located in Atlanta, GA and Hawkinsville, GA offering **powerful government contracting solutions in the areas of assurance, tax, accounting, and advisory** to Federal, State, and Local governments.

With over 23+ years in the business, we bring a wealth of knowledge to accomplish our mission to provide our communities and financial leaders with quality accounting support, made accessible by our local resources and dedication.

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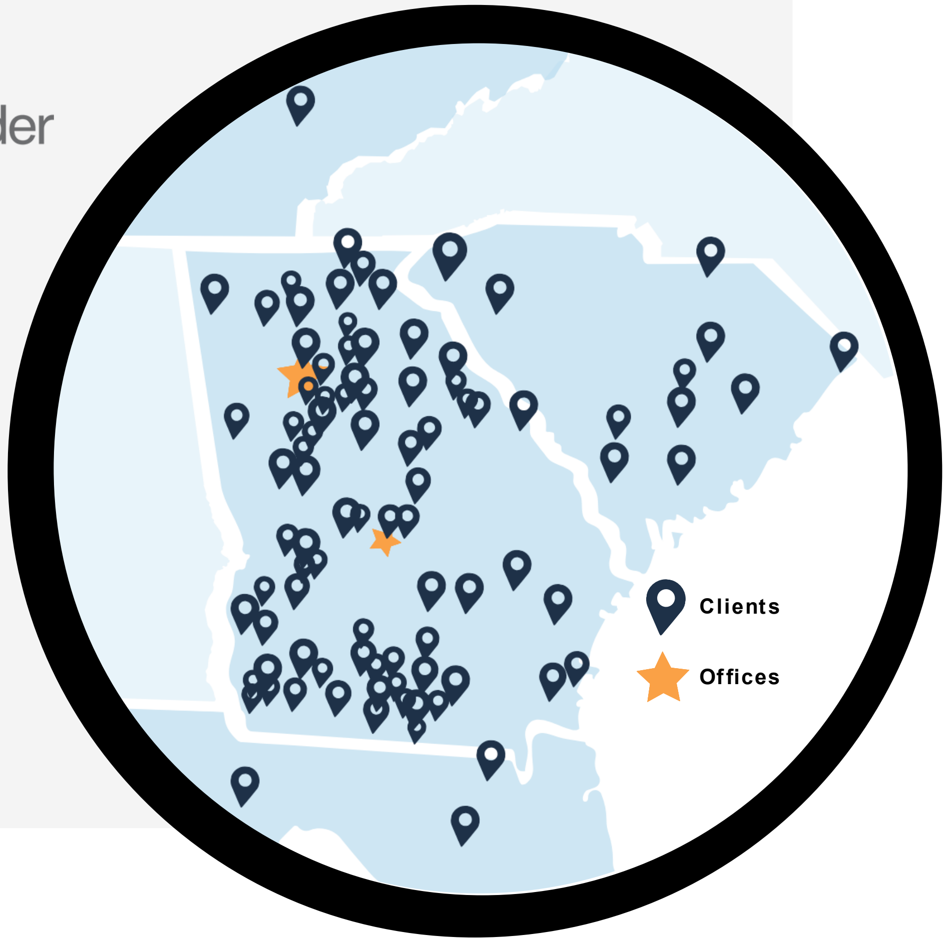
80+
Gov. Client Locations

40k+
Hours of Gov. Accounting



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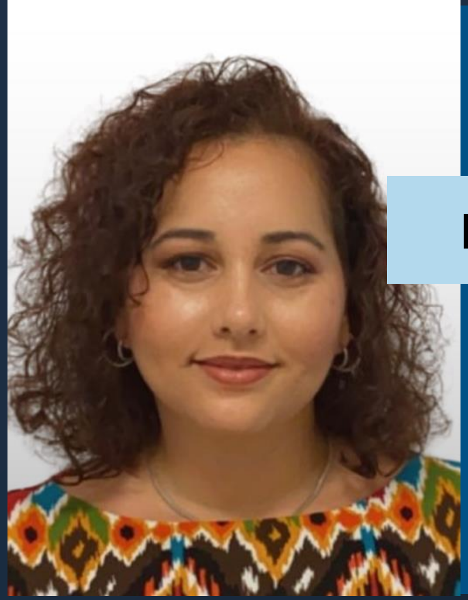

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Agenda

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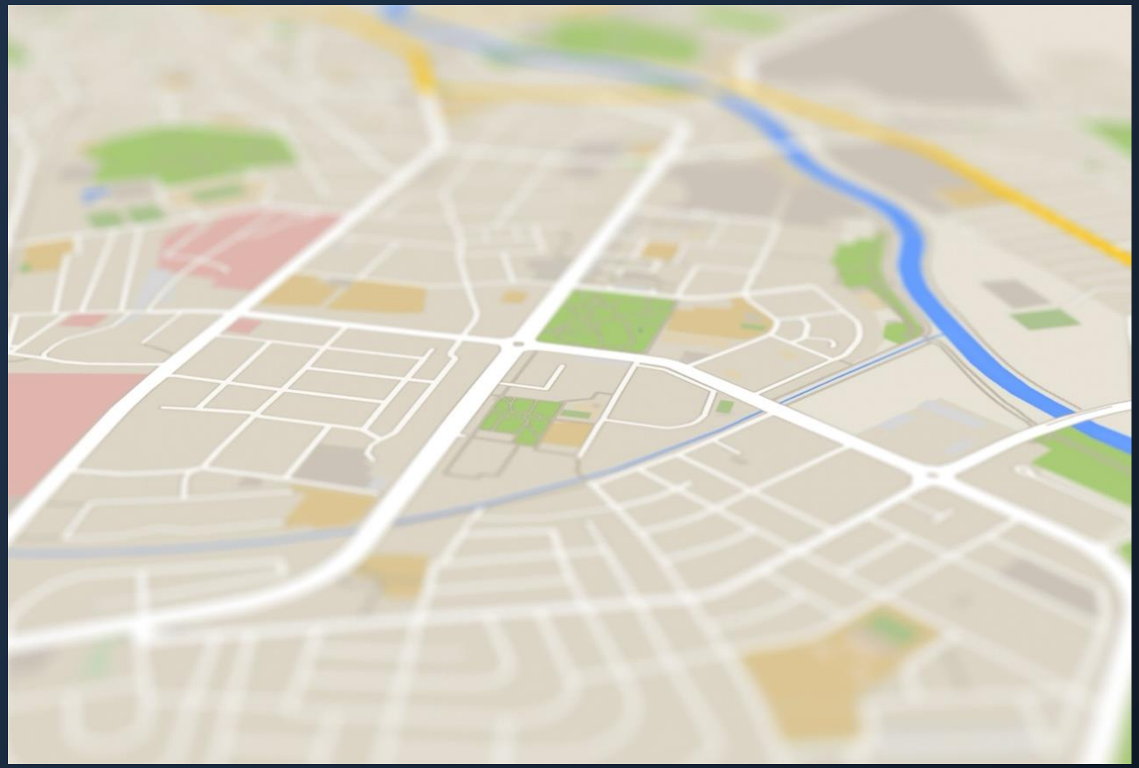
    2. When to Utilize Different Types of Journal Entries
    3. JE examples
    4. Where Journal Entries Impact
    5. Best Practices and Common Mistakes
    6. Why JEs matter

3. **Due To / Due From and Interfund Accounting**
    1. What is Interfund Accounting
    2. Types of Interfund Activity
    3. Where Interfund Activity Impacts
    4. Due To / Due From Accounts
    5. Transfer vs Due To / Due From
    6. Journal Entry Examples
    7. Common Mistakes and How to Avoid them

4. **Conclusion**

JOURNAL ENTRIES (JE)

"I never get a chance to fix my mistakes"



"Recalculating; I don't make errors, I make adjustments"

WHAT IS A JOURNAL ENTRY

In our presentation we will cover:

A journal entry is an adjustment to accounting records

Used to →

Correct, allocate, or record transactions

At its core, a Journal Entry is a way to tell your accounting system that something needs to be recorded, corrected, or adjusted.

WHAT IS A JOURNAL ENTRY?

JOURNAL ENTRY EXAMPLE

Unique Reference Number ★

J/E NUMBER: ####

DATE	ACCOUNT	DEBIT	CREDIT
MMM DD, YYYY	ACCOUNT #1	X	
	ACCOUNT #2		X

Posting Date

Accounts Affected by the JE

DESCRIPTION

Details About the Transaction

Every journal entry must balance. If debits and credits don't match the entry is incomplete.

Always follows:
Debit = Credit

★ Best practice ★
Create consistent sequential reference number format if not automatically generated.

When to Utilize Different Types of Accounting Journal Entries

- Recurring
- Accruals and Deferrals
- Reclassifying Entries
- Allocation Entries
- Reversing Journal Entries
- Adjusting Entries
- Proposed Audit Adjustments
- Opening/Closing Entries

These types are not mutually exclusive!

REAL LIFE EXAMPLES
(using an example June 30 year end)

Accruals - payroll, accrued audit fees, or accrued grant revenue

J/E NUMBER: 11111

Date	Account	Debit	Credit
6/30/2026	Salaries Expense	$15,000	
6/30/2026	Salaries Payable		$15,000

To adjust payroll expense and payroll liabilities for wages earned through June 30 but not paid until July

Reclassifications – expense coded to wrong GL, or a purchase charged to the wrong fund,

J/E NUMBER: 11112

Date	Account	Debit	Credit
6/30/2026	Capital Outlay	$5,000	
6/30/2026	Repairs & Maintenance		$5,000

To reclassify expense to repairs and maintenance incorrectly coded to Capital Outlay

Year-End Adjustments – accruals, prepaid expense, depreciation, or due to/ due from

J/E NUMBER: 11113

Date	Account	Debit	Credit
6/30/2026	Depreciation Expense	$25,000	
6/30/2026	Accumulated Depreciation		$25,000

Year-end adjustment to account for annual insurance premium paid in advance

5 MOST COMMON YEAR END ADJUSTMENTS

1. Accrued Payroll
2. Accounts Payable Accruals
3. Grant Receivables
4. Due To / Due From Adjustments
5. Capital Asset & Depreciation Entries

WHERE JEs IMPACT

Journal Entry

General Ledger
Master record of all financial activity

Trial Balance
The ‘accounting scoreboard’

Financial Statements
A collection of financial reports

Four things to always review before posting:

1. Amount
2. Account number
3. Fund number
4. Descriptions.

Reminder:

Balanced does NOT always mean correct.

Reports Include:

Balance Sheets
Statement of Revenues & Expenditures
Budget-to-Actual Report
Fund Statement
Income Statements

One journal entry may look small on the screen... but it can ripple through your entire financial system.

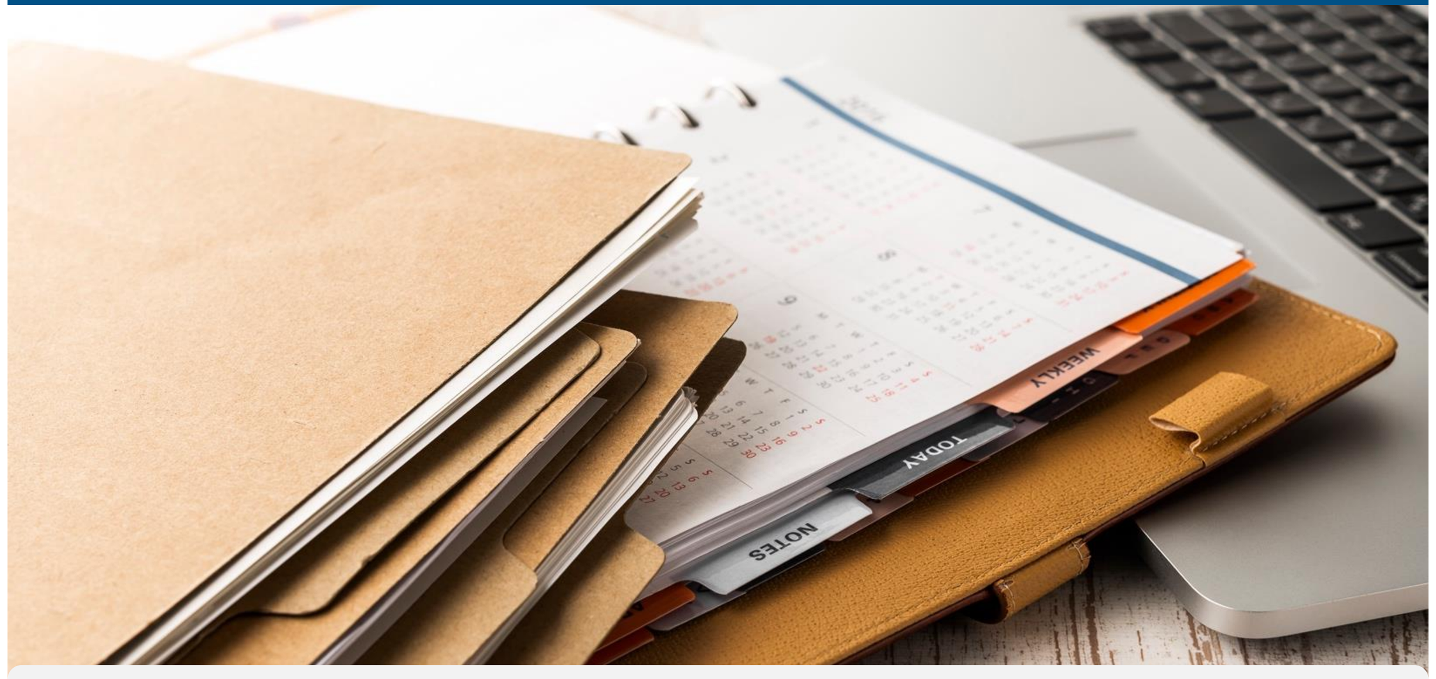
JOURNAL ENTRIES BEST PRACTICES

- ☑ Use Clear Descriptions
- ☑ Attach Supporting Documentation
- ☑ Verify Debits Equal Credits
- ☑ Review Budget Impact to confirm accuracy of JE
- ☑ Check your own work
- ☑ Use Appropriate Approval Procedures
- ☑ Post Entries Timely
- ☑ Never DELETE History

A good journal entry tells a complete story. A great journal tells the story so clearly that the auditor never has to ask about it.

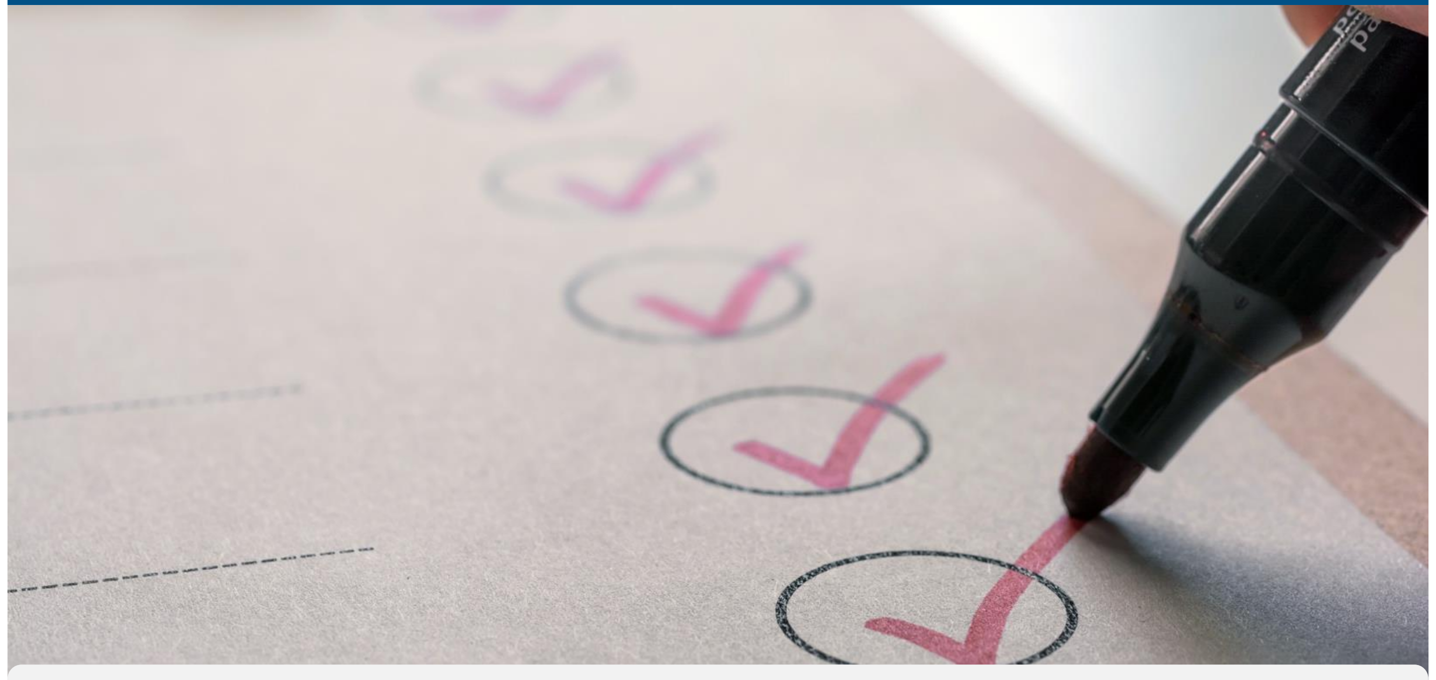
BEFORE WE MOVE THE MONEY… WHO OWES WHO

JOURNAL ENTRIES RECORD THE STORY



- Corrections
- Adjustments
- Accruals
- Reclassification

INTERFUND ACCOUNTING TRACKS THE RELATIONSHIPS



- One fund pays for another
- Shared costs are allocated
- Resources are transferred
- Due To / Due From balances are created

Journal Entries tell us what happened.
Interfund Accounting tells us who is responsible.

DUE TO & DUE FROM (INTERFUND ACCOUNTING)

WHAT IS INTERFUND ACCOUNTING?

The tracking/recording of financial transactions between different funds within a single government entity*.

(Which may present as due-to/due-from on the balance sheet)

***Interfund activity is not the same as inter-governmental activity**

General Fund

Utility Fund

Special Revenue Fund

Each instance of interfund activity results in at least two separate journal entries (one in each affected fund)

Types of Interfund Activity

Reciprocal

Interfund Services Provided and Used

Example:
Utility usage- A city's General Fund parks department pays the municipal Water Utility Enterprise Fund for water used to irrigate public grounds.

Interfund Loans

Example:
The General Fund lends $10,000 to the Parks & Recreation Fund to pay for summer staff because the Parks Fund does not receive property tax revenue until later in the year.

Nonreciprocal

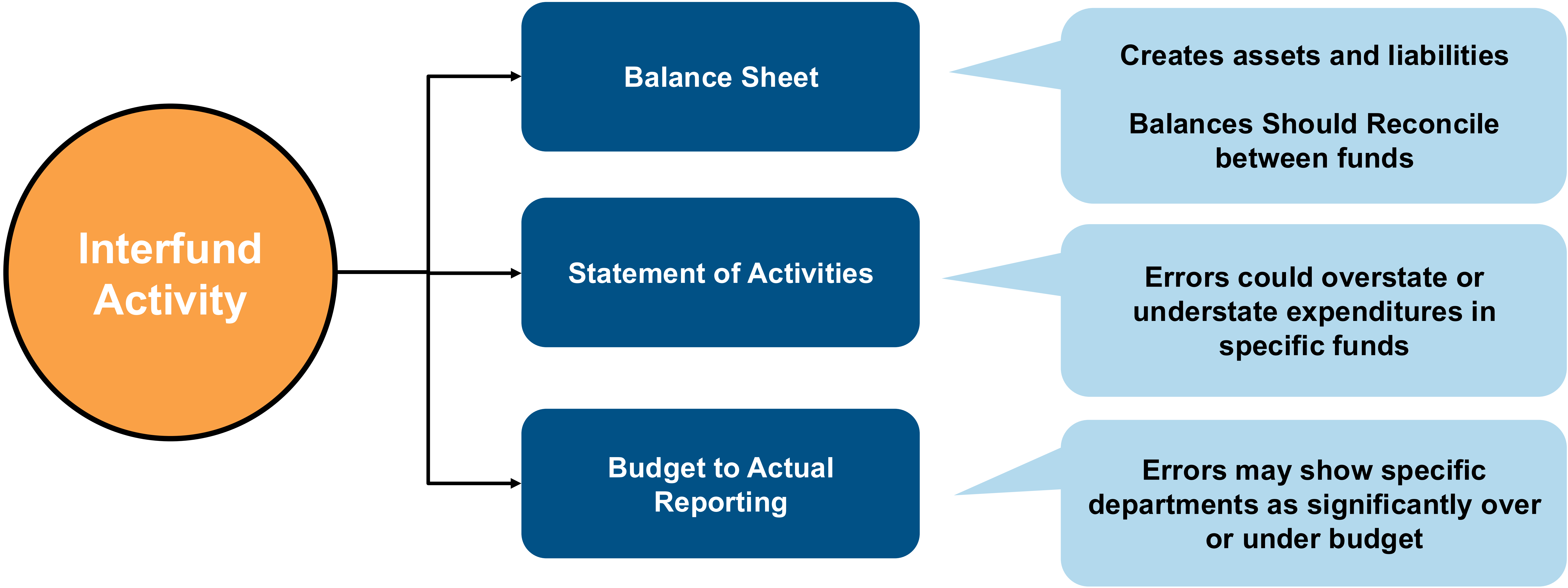
Transfers In

Example:
The Debt Service Fund receives $100,000 from the General Fund for debt payments on a municipal bond (e.g., for building a new city hall)

Transfer Out

Example:
Moving money from the General Fund to a Debt Service Fund to make scheduled principal and interest payments on a municipal bond (e.g., for building a new city hall)

WHERE INTERFUND ACTIVITY IMPACTS



Interfund accounting affects:
who owns the cash, who incurred the expense, and who ultimately owes the money.

DUE TO / DUE FROM ACCOUNTS

What is a Due To / Due From Account?

Due To / Due From accounts used to record payables and receivables between different funds. They act as internal 'IOUs' to keep accounting ledgers balanced.

Due From
Receivable- "Someone owes me"

Accounts appear as **assets**

Due To
Payable - "I owe someone else"

Accounts appear as **liabilities**

Accurate use of Due To / Due From Accounts are critical to properly report the <u>comingling of funds.</u>

POOLED CASH

What is cash pooling?

- Multiple funds share one bank account
- Each fund maintains separate cash balances in the accounting records

Interfund Impact

- Due To / Due From relationships
- Accurate fund reporting

Example:

- General Fund Cash: $500,000
- Water Fund Cash: $100,000
- Stormwater Fund Cash: ($20,000)
- Total Bank Balance: $580,000

INTERFUND TRANSFERS VS DUE TO/DUE FROM

Interfund Transfers

Repayment not expected

Financial Statement Impact

- The sending fund records a Transfer Out
- The receiving fund records a Transfer In

Types of Transfers:

- Operating Transfers
- Capital Transfers
- Recurring Transfers
- Non-Recurring Transfers

Due To / Due From

Repayment is expected

Financial Statement Impact

- The paying fund records a Due From account
- The receiving fund records a Due To account

Where it Appears: (Interfund Transfers)

On the **Statement of Revenues, Expenditures, and Changes in Fund Balance.** Typically under:

- Other Financing Sources
- Other Financing Uses

Where it Appears: (Due To / Due From)

On the **Balance Sheet**. Typically, under:

- Interfund Receivables
- Interfund Payables

JOURNAL ENTRY EXAMPLES

INTERFUND TRANSFER

J/E NUMBER: 12345

DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2026	General Fund Bank Act		$10,000
JAN 01, 2026	Trans out to Cap Proj Fund	$10,000	
JAN 01, 2026	Cap Proj Fund Bank	$10,000	
JAN 01, 2026	Transfer in from Gen Fund		$10,000

Transfer to Cap Project fund from General Fund for construction project

DUE TO / DUE FROM

J/E NUMBER: 12346

DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2026	General Fund Bank Act		$10,000
JAN 01, 2026	Due From StormWater	$10,000	
JAN 01, 2026	Payroll Expense	$10,000	
JAN 01, 2026	Due to General Fund		$10,000

General Fund payment of payroll expense on behalf of stormwater fund

Example: General Fund transfers $10,000 to a Capital Projects Fund to support a construction project.

Example: General Fund pays $10,000 in payroll expenses on behalf of Stormwater Fund

IDENTIFYING ERRORS AND MISSING ENTRIES

MISSING ENTRIES

J/E NUMBER: 12347

DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2026	Airport Fund Bank		$10,000
JAN 01, 2026	Insurance Expenses	$10,000	

Insurance payment

Example: The Airport Fund paid a $10,000 insurance invoice that actually belongs to the Sanitation Fund.

CORRECTED ERROR

Correct Entry For Airport Fund

J/E NUMBER: 12345

DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2026	Airport Fund Bank		$10,000
JAN 01, 2026	Due From Sanitation	$10,000	

Airport Fund payment of insurance invoice on behalf of sanitation fund

Correct Entry For Sanitation Fund

J/E NUMBER: 12346

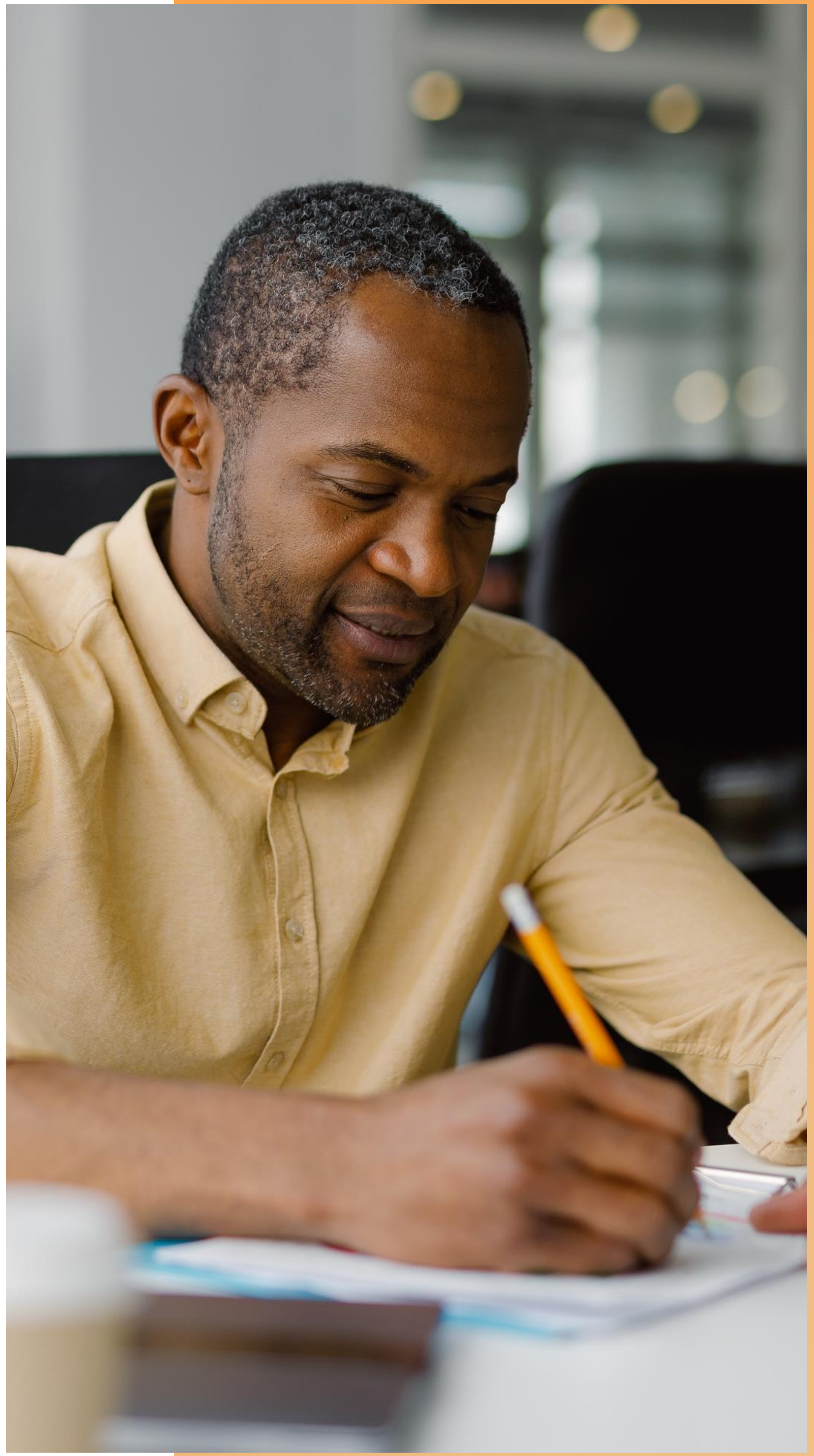
DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2026	Due to Airport		$10,000
JAN 01, 2026	Insurance Expense	$10,000	

Airport Fund payment of insurance invoice on behalf of sanitation fund

Example: The Airport Fund paid a $10,000 insurance invoice that actually belongs to the Sanitation Fund.

MISTAKES AND BEST PRACTICES

Common Mistakes	How to Avoid Them
Misclassifying Transfers versus Due To / Due From Activity	✓ Properly distinguish between transfers and receivables/payables
Netting interfund activity instead of reporting gross	✓ Establish clear policies and procedures
Lack of supporting documentation	✓ Maintain proper supporting documentation in a centralized location/organized structure
Improper financial statement presentation	✓ Ensure accurate financial statement reporting
Failure to reconcile interfund balances	✓ Reconcile interfund balances regularly – monthly at minimum
Not accounting for or recording interfund activity	✓ Properly account for interfund activity



Every Due From should have a matching Due To.

Every balance should have supporting documentation.

Every interfund transaction should have a clear purpose.

KEY TAKEAWAYS + CONCLUSION

TODAY'S KEY TAKEAWAYS

Journal entries are a way to tell your accounting system that something needs to be recorded, corrected, or adjusted.

Accurate Journal entry postings are critical to maintaining financial accuracy, audit readiness, and clear reporting

Interfund accounting is essential for managing governmental resources across multiple funds

Accurately utilizing Due To / Due From accounts helps ensure accurate reporting, proper fund management, and stronger audit readiness.

- **Good journal entries** create accurate records.
- **Good interfund** accounting creates accurate relationships between funds.
- **Together,** they create reliable financial statements and a smoother audit process.

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