

SECTION XII--INTERPRETATIONS

ACCOUNTING INTERPRETATION NO. 7

Subject: Accounting for and Reporting Taxes Receivable, Tax Revenue and Estimated Uncollectible Taxes Receivable.

Taxes receivable and tax revenue can be properly accounted for and reported as follows:

We suggest to maintain the governmental funds' general ledger on the cash basis throughout the year and adjust it to the modified accrual basis at December 31, the following entries should be made:

| | | | |
|-----|--------------------------|----|----|
| (1) | Current Taxes Receivable | xx | |
| | Deferred Revenue | | xx |

This entry is made at the time the tax levies are certified to the county auditor, but no later than December 31 each year. The amounts recorded should equal the levies spread by the county auditor.

| | | | |
|-----|-------------|----|----|
| (2) | Cash | xx | |
| | Tax Revenue | | xx |

This entry is made each month as the current taxes are collected and remitted to the municipality by the county.

| | | | |
|-----|--------------------------|----|----|
| (3) | Deferred Revenue | xx | |
| | Current Taxes Receivable | | xx |

This entry is made December 31 each year to reduce current taxes receivable and deferred revenue equal to the amounts received from the county auditor for current taxes between February 1 and December 31 of that year.

| | | | |
|-----|-----------------------------|----|----|
| (4) | Delinquent Taxes Receivable | xx | |
| | Current Taxes Receivable | | xx |

This entry is made December 31 each year to move the remaining uncollected current year's taxes receivable from current taxes receivable to delinquent taxes receivable.