

APPENDIX A

CONVERSION

In the Spring of 1981, the State Department of Revenue promulgated a revised system, of accounting for municipalities to be implemented by users over a period of several years. The revised accounting system has been designed to accommodate most of the requirements of generally accepted accounting principles (GAAP) as set forth in the publication *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR) and thereby facilitate financial reporting in accordance with GAAP. It is anticipated that the municipal accountant will assume the primary responsibility for converting a municipality's present accounting system to the revised system.

However, if the new system is to be installed with the minimum of disruption to the daily operations of a municipality, it should be obvious that other affected officials should be included, not only in the implementation phase, but also in the planning phase as well. It is the objective of this Appendix to present a step -by-step process for making the conversion to the revised system. This process begins with the decision of a municipality to install the system and is completed at the point when opening trial balances have been established for each fund as of July 1 in the year of implementation. It is not the objective of this chapter to describe the normal and recurring transactions of a municipality. These have been described and illustrated in Chapters 13 through 20 of this manual.

Overview of Conversion

The conversion process can be thought to include a planning phase and an implementation phase. In the planning phase, consideration must be given to changes that will be necessary in the following areas:

- Chart of accounts
- Fund structure
- Content and format of the general ledger
- Content and format of books of original entry
- Content and format of various internal forms which support the present system
- Internal reporting requirements
- System of internal control

Although, as has been noted above, the municipal accountant will be responsible for final decisions in many of these areas, other municipal officials should be involved in the planning process. The implementation phase will involve the actual conversion of the accounting records, and changes to the related books of account, supporting forms and control systems. Among the tasks to be completed during implementation will be the following:

- Conversion of the accounting records under the present system, to the new system as of the first day of the fiscal year
- Design and implementation of forms necessary to facilitate accounting under the new system
- Monitoring of the system implementation

It is recognized that the planning phase will necessarily differ from one municipality to another, depending, among other things, on its size, staff capacity and types of municipal activities. Whatever the differences, however, every municipality will be dealing with the same basic objective, that of changing from one system of accounting to another. In order to understand the principal changes that will be necessary, a brief description is presented in the following

paragraphs of the key elements of the structure of the present system, followed by a description of how those elements will change in the revised system.

The balance of the chapter then addresses the "how to" of the implementation phase.

Structure of Present System

The structure of the present system is presented in the exhibit on page A-3. The exhibit shows the records and documents that are common to most accounting systems in communities of the Commonwealth. The degree to which accounting systems have been developed in Massachusetts communities is largely dependent upon the community's size, budget and diversity of municipal services offered. However, most communities will have accounting records which include several funds and a chart of accounts, a general ledger, general journal, a subsidiary ledger for cash receipts, a subsidiary ledger for appropriations and expenditures, treasurer's report of receipts, warrants authorizing expenditures, and budgets. The exhibit also shows the major reports that are compiled from the existing accounting system including Schedule A, Report of Receipts and Disbursements, a balance sheet, and a statement of expenditures compared with appropriations. The various ledgers, journals, and documents used in the present system are briefly explained in the following section.

Account Groups and Chart of Accounts

The account groups and accounts used in the present accounting system are described in a publication entitled, "Functions of General Ledger Accounts for Uniform Municipal Accounting System" (UMAS) and is available from the Bureau of Accounts, Department of Revenue. Under UMAS, the accounts have been divided into four separate groups which included the general accounts, the deferred revenue accounts, the fixed debt accounts and the trust and investment accounts. Each of these group of accounts was self-balancing. The general accounts were further divided between revenue and non-revenue accounts. The revenue accounts were used to account for most municipal services provided by the community, including such services as public works, police, fire, administration, water, wastewater, and health care. The non-revenue- accounts were used to segregate funds that have been raised to finance the construction of capital facilities.

OVERVIEW OF PRESENT ACCOUNTING SYSIEM (DIAGRAM not included)

While in most communities the various account groups were segregated into self-balancing groups of accounts, it has not been unusual to find that the account groups were incorporated into a single self-balancing group of accounts, from which a single balance sheet could be prepared with appropriate disclosure of the non-revenue account balances.

The chart of accounts is presented in UMAS with appropriate explanations of the transactions that should be recorded within each of the accounts. The chart of accounts is considerably detailed, often providing separate accounts for similar transactions which in other systems would be relegated to subsidiary ledgers. Examples of this detail are the real estate and personal property accounts, where a separate account is established for each of the levy years. UMAS does not suggest a uniform numbering of the accounts.

The General Ledger

The general ledger is a summary ledger into which all revenues, cash receipts, expenditures, cash disbursements, assets, liabilities, equity and other accounts are posted. The accounts in the general ledger are arranged in accordance with the way the accountant maintains his account groupings. If the account groupings are combined, there is a single general ledger which is self-balancing; when the accounts are segregated by account groups, the general ledger reflects the segregation and will consist of several separate self-balancing groups of accounts.

The General Journal

The general journal is a journal into which transactions are initially recorded prior to posting to the general ledger accounts. The purposes for which the general journal is used vary widely among municipalities. While some municipalities will record all entries in the general journal prior to their recording in the general ledger accounts, many municipalities will record only the unusual and nonrecurring types of entries in the general journal. Routine entries used to record receipts and expenditures are summarized in special journals and posted directly to the general ledger from the special purpose journals. The general journal contains the cross reference to the general ledger account posted, and the general ledger account will normally be referenced with the journal entry number or page.

Subsidiary Ledger for Cash Receipts

Cash receipts are reported to the accountant by the treasurer and collector on a regular basis; i.e., daily, weekly, or sometimes monthly. The general practice is for the accountant to summarize the cash receipts in a special purpose ledger to facilitate posting to the general ledger accounts. The subsidiary ledger, when used, is also a helpful record for summarizing the receipts of the municipality for the purpose of preparing statutory reports, such as the annual report of cash receipts and disbursements (Schedule A). A subsidiary cash receipt record also provides the necessary information to be included in the recap sheet for the purpose of setting tax rates for the next fiscal period. The use of a subsidiary ledger for cash receipts varies among communities and is more prevalently found in municipalities with greater volumes of transactions. In some cases the subsidiary ledger may be maintained by the treasurer, in which case he will prepare a single monthly report of receipts to the accountant.

Subsidiary Ledger for Appropriations and Expenditures

The subsidiary ledger for appropriations and expenditures provides detailed control over the appropriations and authorization made by the governing body. In most communities the subsidiary ledger will be separate from the general ledger. In these situations, the general ledger would contain only the control account for appropriation. However, in some communities the subsidiary appropriation accounts may be included with the general ledger accounts, in which case there would be no need for control balances. The detailed appropriation accounts are used primarily for control purposes to assure that appropriations are not exceeded by expenditures. The subsidiary accounts are used for preparing monthly, quarterly, or annual reports of appropriations and expenditures, and are also used for reporting the detailed disbursements as required in the annual report (Schedule A). The subsidiary ledger accounts are generally arranged in an order which reflects the function (i.e., general government), department (i.e., treasurer) and expense object (i.e., salary).

Treasurer's Report of Receipts

The treasurer's report of receipts is the document used by the treasurer to report formally to the accountant the amount and nature of cash received for a given period. Usually, the report of receipts is preprinted and includes separate line items for the accounts for which daily activity is expected, such as collections from real estate taxes, personal property taxes, departmental receivables, motor vehicle excise, water billings, etc. Miscellaneous items are usually listed separately on the report. These would include amounts received for grants, shared revenues, etc. The treasurer's report of receipts is the principal supporting documentation from which transactions are posted to the revenue accounts of the general ledger and/or the subsidiary cash receipts ledger.

Disbursement Warrants

A disbursement warrant is a document used for summarizing vendor invoices, payroll, and other liabilities which are to be paid by the municipality. The warrant offers municipal officials responsible for authorizing such expenditures, an opportunity for reviewing the payment request and indicating their approval in a designated area on the warrant. In cities the warrant is usually approved by the city auditor and city manager, while in towns the authorization will be that of the accountant and the selectmen. Approved warrants are subsequently forwarded to the treasurer, whose responsibility is to prepare the checks in accordance with the amounts authorized on the warrant.

Budgets

Every community prepares an annual budget which itemizes in detail the appropriations authorized by the governing body. Appropriations are usually arranged by responsibility area, such as department and within department by object of expenditure. In few cases do budgets include revenue summaries. Budgetary information is summarized on the recap sheet and is a major item considered in setting the tax rate. Detailed budgetary information is recorded in the subsidiary ledger for appropriations and expenditures.

Structure of Revised System

The revised system was designed to facilitate the preparation of financial statements for a municipality in accordance with generally accepted accounting principles. Since a requirement of this type of reporting is a multiple fund structure, it was necessary to review the accounts and activities under the present system and determine which types of transactions and activities should be accounted for in each of the fund types. Accordingly the fund structure and the supporting chart of accounts represent the most significant and fundamental difference between the revised system and its predecessor. The exhibit on page A-7 reflects this major change by showing several general ledgers corresponding to the number of funds adopted by the municipality. The exhibit also shows how the revenue ledger, which replaces the former cash receipts ledger, the general ledger or ledgers and the subsidiary appropriation ledger, combine to provide the financial statements of the municipality.

While the basic structure of the new system is similar to that of the former system, both in terms of the information which must be captured and in the flow of information as it travels through the accounting system, the new fund structure will mandate the capture of financial information in a way which summarizes the transactions by fund. The changes required to be made to the accounting ledgers and other supporting documents are described in the following sections.

OVERVIEW OF REVISED ACCOUNTING SYSTEM (DIAGRAM not included)

Funds and Chart of Accounts

The revised accounting system consists of six types of funds and one group of accounts. The six types include the General Fund, special revenue fund, capital projects fund, special assessment fund, trust and agency fund, enterprise fund and the long-term debt account group. These funds are self-balancing (i.e., debits equal credits) and are organized for the purpose of segregating specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The six funds listed above are types only, which means that more than one enterprise fund could be used by a municipality (for example, one for the water enterprise and another for the electric utility activities within a municipality). There can, however, be only one General Fund.

The chart of accounts provides the list of accounts to be used in the new system. The accounts have been arranged and numbered uniformly so that an account used in more than one fund will be numbered the same and identified separately only by the fund designation. For example, cash in the General Fund is account number 101, and in the special revenue fund number it is 101 also. The determination as to in which account the transaction should be posted is dependent upon the fund designator, 01 for the General Fund and 20 for the special revenue fund. The chart of accounts contains a description of the transactions that are to be posted to each account.

The General Ledger

There is no difference in the general ledger of the new system as compared with that of the old system, except that the new general ledger will reflect separate self-balancing groups of accounts for each fund used in the accounting system of the municipality. The municipality may incorporate all funds within a single ledger, or maintain a separate ledger for each fund. Accounts contained in the general ledger will then be coded using the coding structure recommended in the chart of accounts.

The General Journal

The general journal is made complicated by the existence of several funds. Although a single general journal could be used to summarize recorded transactions, it is recommended that a separate journal be maintained for each of the funds selected by the municipality. To facilitate handling of the number of records from each fund, a municipality may wish to include extra pages in the general ledger before each fund, which could be used for general journal entries. Thus, the general ledger for each fund will contain a related general journal located directly before the general ledger accounts. This system will provide a separate general journal for each fund and should reduce the number of posting errors that may be made when a single general journal is used for several funds.

Subsidiary Ledger for Revenue

The subsidiary ledger for revenue replaces and enhances the former cash receipts ledger that was used in many municipalities. However, whereas under the former system a receipts ledger was optional, the revised system makes mandatory the need to account for detailed revenue sources. In order to accomplish this most easily, most municipalities will maintain subsidiary revenue ledgers.

The revenue ledger is a subsidiary ledger for recording the detailed estimates of revenue and the corresponding amount of actual revenue received during the accounting period. The subsidiary ledger should be operated on a double-entry basis to reduce clerical and bookkeeping errors. A subsidiary revenue ledger will generally be maintained for the General Fund. Whether or not subsidiary records should be maintained for other funds will depend on the volume of detail. Where a subsidiary record is not considered necessary, the detail information account would be carried in the general ledger.

Subsidiary Ledger for Appropriations and Expenditures

The subsidiary ledger for appropriations is no different from that which was used in the former system, except that the accounts should be arranged in accordance with the funds selected for the municipality and within the fund by department. Appropriations for each fund are detailed in the annual budget.

Treasurer's Report of Receipts

The treasurer's report of receipts follows closely upon the design established in the former system, except that receipts must be classified by fund and within fund in accordance with the detail prescribed by the chart of accounts.

Disbursement Warrants

Disbursement warrants will maintain the same basic structure as those for the former system, except that expenditure items must be segregated by fund. One of two methods can be used for segregating expenditures. The first involves segregating expenditures by fund and developing a separate warrant for each fund. The second and probably preferred, is to organize the warrant by fund with subtotals for each fund. A summary journal entry may be prepared at the bottom of each warrant in accordance with the subtotals developed in the body of the warrant.

Budgets

Budgets under the revised system will for the present time be voted and approved in a format similar to the past. The new system does, however, provide a set of "budget classification work sheets" to facilitate the process of recording the annual budgetary entries in a format consistent with the revised fund structure and chart of accounts.

An important change in the new system will be the inclusion of revenue estimates for each fund. It is recommended that revenue estimates be developed by responsibility center, usually at the department level. The details of appropriations and estimated revenues included in the budget may then be used for establishing the subsidiary ledgers.

Procedures for Converting to the New System

This section contains a step-by-step guide for converting to the revised statutory accounting system. It is suggested that the steps outlined in the following sections be followed in the same chronological order when converting. The approach described herein deals initially with the design of the funds and the chart of accounts which might be considered to be the heart of the accounting system. Once this area has been properly defined for the municipality, the structure through which transactions are captured and summarized in the general ledger will follow accordingly. The procedures have been developed after giving consideration to the fact that the present system does not stress fund structure and as a result, the budgetary process does not lend itself easily to classification by fund. Municipal accountants are urged to discuss the new reporting formats that will be required under fund accounting with appropriate officials, such as the city or town treasurer, budget departments and other departments, for the purpose of revising report formats to conform to the new accounting structure.

The conversion process is an eight-step process which includes the following tasks:

1. Reclassify and number the existing accounts
2. Determine funds to be implemented
3. Develop trial balances by fund
4. Finalize the opening trial balances
5. Prepare the general ledgers and enter the opening trial balances
6. Determine format of the general journal and subsidiary ledgers
7. Determine format of disbursement warrants and reports of receipts
8. Instruct personnel

Steps 1-4 describe the detail procedures by which the balances in a municipality's general ledger accounts as of the date of the system implementation are transferred to the accounts established under the revised system.

A series of four worksheets entitled "Account Classification Worksheets" (ACW) has been provided to aid in both effecting this transfer and documenting the process. The worksheet will form an integral part of the conversion process "audit trail" and should therefore be retained as a permanent record of the municipality. These tasks are explained in detail in the following sections.

Step 1. *Reclassify & Number Existing Accounts*

The first task is to reclassify the existing accounts in order to conform with the accounts that have been recommended in the new system. Reclassification is necessary due to the account titles which have been changed for some accounts and for the new budgetary and operating accounts which have been recommended for the new system.

A worksheet entitled, "Account Classification Worksheet -Conversion to Revised Account Structure" (ACW-1) has been provided to assist the accountant in completing this task. It will be necessary, however, for the accountant to become familiar with Chapters 5 through 8 of the accounting manual in order to complete the worksheet expeditiously. Exhibit 1 to this appendix has been provided to illustrate the preparation of form ACW-1. As will be noted:

Columns 2 - 4 describe each of the accounts used in the present system. The accounts have been entered as they appeared in the general ledger and have been grouped by fund.

Columns 5 - 6 reflect a trial balance of the original accounts in the general ledger.

Column 7 documents reclassifications made to the old accounts in converting to the new chart of accounts. Generally, reclassifications are necessary where there is not a "one-to-one" crossover. There are, however, several other types of adjustments reflected in the example which should be understood.

Columns 8 - 10 describe each of the accounts to be used in the revised system, together with the account number.

Columns 11 - 12 reflect a trial balance of the new accounts.

This completes the first task in converting the system.

Step 2. *Determine Funds to be Implemented*

The revised accounting system incorporates six fund types and one group of accounts. Generally, every municipality will have a need to use the general fund, the special revenue fund(s) and the trust and agency fund(s). Whether or not the other funds, (the capital project funds(s), the special assessment fund(s) and the enterprise fund(s)) and the long-term debt account group should be used will depend on whether or not a municipality has activities and transactions which should be properly accounted for in one of these funds. In some cases it will not be necessary

to implement all the funds and the account group. Chapter 5 of the manual describes the types of transactions which should be accounted for in each fund. In order to determine the funds to be implemented, it will first be necessary for a municipality to understand Chapter 5, which describes the funds recommended under the system, and second, to review its services and activities and the nature of each of its resources to determine which funds are applicable. In completing this task, it is important to note that one objective of the revised system is to minimize the number of funds that are used. Therefore, a subjective evaluation will have to be made to decide whether certain activities are sufficiently material and important relative to the size of the overall budget of a municipality to warrant the additional effort required to account for it in a separate fund entity. Once the fund structure has been selected, the accountant may proceed to develop a trial balance for each fund.

Step 3. *Develop Trial Balances by Fund*

The task of developing individual trial balances for each fund should be reasonably straightforward after the first two steps described above have been completed. The accountant will be assisted in this process by "Account Classification Worksheets" 2 and 3 which have been designed to accomplish the task in a two-step approach, as follows:

ACW-2, Classification of Funds by Fund Type - Begins with the "Revised Trial Balance" prepared on Form ACW-1 and classifies each account by fund type.

ACW-3, Classification of Fund Type Accounts by Individual Fund - Begins with the "fund type" trial balances prepared on Form ACW-2 and further classifies each account by individual fund.

The preparation of each of these worksheets has been illustrated in Exhibits 2 and 3. Although the completion of these forms will be largely a mechanical task, there are several points which will need consideration. Thus:

- a. In order to spread the accounts by fund type on Form ACW-2, it will be necessary that not only their function be clearly understood, but also their related debits and credits. This depth of understanding should, however, have been derived during Step 2, when the number and type of funds to be implemented were considered.
- b. In most municipalities, cash, other than revenue sharing cash, has been accounted for in one account in the general ledger. With the implementation of a multi-fund structure, it will be necessary to decide how cash will be accounted for in establishing the opening trial balance. There are several methods which are acceptable.

Allocation method - where each fund's share of the total cash is allocated or spread to the particular fund.

Due to/due from method - where all of the cash, other than the general revenue sharing cash, is accounted for in the General Fund, and each fund's share of the total cash is recorded as a "due from general fund."

- c. If there are any accounts, other than cash, which include amounts which will be classified to more than one fund type or individual fund, it will be necessary to prepare an analysis of the account balance in order to determine the portion of the balance to spread to each fund type or individual fund.

Step 4. *Finalize the Opening Trial Balance*

In order to finalize the opening trial balance, it will be necessary to make certain adjustments to convert the individual trial balances determined on ACW-3 to a basis of accounting appropriate for the particular fund. The adjustments that would be required are the normal and recurring year-end types of adjustments which would be recorded for the fund type as discussed in Chapters 14 - 20 of the manual. Again, an account classification worksheet (ACW-4) has been provided to aid the accountant in this process. Exhibit 4 illustrates the use of ACW-4 and the finalization of the opening trial balance for each individual fund.

Step 5. *Prepare the General Ledgers and Enter the Opening Trial Balances*

Once the accounts have been numbered, the general ledger may be prepared. Each ledger page should contain the name of the account and related account number. From the worksheets developed in Task 4, the trial balance should be entered by fund into the new general ledger. The accuracy of the posting should be confirmed by taking an adding machine summary of the debits and credits to ensure that the total debits equal the total credits. Upon the satisfactory completion of this task, the general ledger will be ready for the posting of current year transactions from the various journals and source documents.

Step 6. *Determine Format of the General Journal and Subsidiary Ledgers*

As noted previously, a single general journal may be used to record the journal entries for all funds, or a separate general journal may be used for each fund. Although the use of separate

general journals will add to the number of records a municipality maintains, it is believed that this approach will be most beneficial in the final analysis. The use of separate journals will facilitate:

- Posting of transactions by fund
- Delegation of responsibilities by fund
- Necessary referencing and audit by fund

Where separate general journals are established, it will reduce the number of books being physically handled if the general journal pages are filed in the front of each fund's general ledger. The pages should be numbered to assure proper control.

Where subsidiary ledgers are established for revenues, other financing sources, appropriations, expenditures and other financing uses, the forms should be designed not only to account for transactions, but also to simplify periodic reporting. This will generally be accomplished by providing separate columns on the ledger record to account for budget and actual transactions, together with a column to reflect the balance of budgeted revenues remaining to be collected, the balance of unexpended appropriations, etc.

Step 7. *Determine Format of Disbursement Warrants and Reports of Receipts*

All of the various supporting and documentary forms utilized in the accounting process by a municipality will need to be reviewed in light of the very substantial changes that will have been made to the fund and account structure. Perhaps the two most important forms which should be addressed are the treasurer's disbursement warrants and the treasurer/collector's report of cash receipts. Both of these forms should be redesigned to take into consideration the multi-fund structure and the new chart of accounts. Generally, where check disbursements or cash receipts affecting more than one fund are to be reported on the same form, it will simplify the accounting process if amounts are segregated and summarized by individual fund.

Step 8. *Instruct Personnel*

The final task in the conversion process and one of the key ingredients for a successful conversion is the training of personnel. In this context, the term training embraces not only the systems and procedures related to the assembly and recording of financial data, but also an understanding of the financial reporting and control aspects. Any overall plan for training should recognize the different levels of understanding that will be required for various municipal officials and other personnel. Among the factors which should be considered in formulating a training plan are the following:

Who and what - all of the management personnel in a municipality should have a reasonable familiarity with the reporting aspect of the revised system. This will be necessary if they are to make effective use of the reported information in managing their respective areas of responsibility. The term management personnel should be construed in a broad sense to include individuals operating in an executive or legislative capacity, as well as department heads.

The management personnel should also have a working understanding of accounting systems and procedures as they relate to their own departments, and some comprehension of how these tie into the overall system. Personnel employed in the finance related departments will be required to have an in-depth understanding of the entire system.

When - It will be beneficial if as many of the management personnel as possible are asked to get involved in the planning process. If this phase of the conversion process is done properly, management will in essence have been trained during much of the development of the system. personnel employed in the finance function will need detailed training in the specific areas for which they have responsibility. This training should take place after the various forms have been redesigned, but before the inception of the new fiscal year.

Careful monitoring of the system and personnel over the first three or four months of implementation will serve to reinforce the training.

Conversion Illustrations

The balance of the chapter illustrates the use of the Account Classification Worksheets(ACW) in converting the accounting records of a municipality to the revised system. The municipality that was selected for illustration was a pilot community. The following worksheets are presented.

- Exhibit 1 - Conversion to Revised Account Structure (ACW-1)
(only Exhibits 1-4a to 1-4e included in this version)
- Exhibit 2 - Classification of Accounts by Fund Type (ACW-2)
(not included in this version)
- Exhibit 3 - Classification of Fund Type Account by Individual Fund (AC-W-3)
(not included in this version)
- Exhibit 4 - Finalization of Individual Fund Opening Trial Balance (ACW-4)
(not included in this version)

Journal entries, together with a description of each entry, have been provided for explanatory purposes to accompany ACW-1, Conversion to Revised Account Structure (Exhibit 1). As will be noted, there are no journal entries recorded with ACW-2 (Exhibit 2) and ACW-3 (Exhibit 3). The journal entries reflected on ACW-4, Finalization of individual Fund Opening Trial Balance (Exhibit 4), convert the individual fund trial balances to a basis of accounting appropriate for the particular fund. Detailed entries have not been written up for each fund since the purpose of the few entries that are made in each fund is generally similar. A brief explanation of the purpose of these entries is provided along with Exhibit 4.

Although formal journal entries are not required as part of the conversion process, their preparation is suggested. Both the worksheet, and the journal entries, if prepared, should be retained as a permanent record of the conversion process.

MUNICIPALITY JOURNAL ENTRIES

Exhibit 1-4a

ACCOMPANYING ACW-1,. CONVERSION TO REVISED ACCOUNT STRUCTURING

The balance carried in certain accounts under the former system may, when transferred to the revised account structure, be classified to two or more separate accounts.

1. The cash account is classified to two separate accounts under the revised system.

1140	Cash - Unrestricted Checking	22,635.76	
1150	Cash - Unrestricted Savings	212,579.98	
	Cash		235,206.74

To classify cash account to the revised system

2. The revenue investment account is classified to two separate accounts under the revised system.

1130	U.S. Obligations	500,000.00	
1140	Combined investments	208,624.00	
	Revenue Investments		708,629.00

To classify revenue investments account to the revised system

3. The nonrevenue investments account is classified to two separate accounts under the revised system.

1150	Cash - Unrestricted Savings	218,099.41	
	Certificate of Deposit	500,000.00	
	Nonrevenue investments		718,099.41

To classify the nonrevenue investments
account to the revised system

4. The trust funds, cash and securities account, is classified to several specific cash and investment type of accounts under the revised system.

1150	Cash - Unrestricted Savings	159,637.38	
1120	Certificate of Deposit	100,000.00	
1160	Stocks	12,802.84	
1170	Bonds	50,000	
	Trust Fund - Cash and Securities		322,440.22

To classify the trust fund -cash security
account to the revised system

EXHIBIT 1-4b

The balance carried in certain accounts under the former system may, when transferred to the revised account structure, be combined with several other accounts and be classified to one account.

5. All of the, various State and county over and uneerassessment accounts will be carried in the control account in the general ledger in the revised system. Subsidiary records should be maintained for the individual accounts.

3152	Fund Balance Designated for		
	Over/Underassessments	369.89	
	County Tax	7,658.01	
	County Hospital	9,041.49	
	Metropolitan Area Planning	457.84	
	Metropolitan Parks		3,426.98
	MBTA		14,100.25

To classify the various State and county over/underassessment accounts to account 93152, Fund Balance Designated for Over/ Underassessments

6. The various federal grants related to school programmed activities will be carried in the control account in the general ledger in the revised system. Subsidiary records should be maintained for the individual accounts.

	SchoolTitle I Grant	70,716.74	
	SchoolPL-94 Grant	78,721.31	
3228	Fund Balance – Other		
	School		149,438.05

To classify the various federal grants to education to account #3228, Fund Balance - Other School

EXHIBIT 1-4c

7. Under the revised system, account #1590, Reserve for Uncollected Special Assessment, represents the offset or reserve against all of the various special assessment receivable accounts. Accordingly, all of the so called "Revenue Reserve Until Collected" accounts related to special assessments will be classified to this account.

	Apportioned Sewers Due in 1982	205.40	
	Apportioned Sewers Due in 1983	205.40	
	Suspended Sewers Assessment		
	Revenue	2,414.03	
	Revenue Reserved Until		
	Collected, Betterments	3,918.26	
1590	Reserve for Uncollected		
	Special Assessments		6,743.09

To classify various revenue reserved
until collected accounts to account #1590,
Reserve for Uncollected Special Assessments

8. All of the trust fund balances are combined and classified to account #3151, Unreserved Fund Balance. Subsidiary records should be maintained for the individual trusts.

	Noah I. Laimee Fund	163,339.34	
	I. Rita Book Fund	38,679.20	
	Sendam E. Tuskull Fund	20,871.75	
3151	Unreserved Fund Balance		222,890.29

To classify the various trust funds to account #3151,
Unreserved Fund Balance

Under the former system, it was the practice to record the subsequent year's budget when it was voted by the authorizing body. In addition, the appropriation of available funds was recorded by transferring such funds from the related account to reduce the subsequent year's revenue account. Under the revised system, the subsequent year's budget would not be recorded until the first day of the subsequent fiscal year. In order to reverse the subsequent year's budget accounts, however, it will first be necessary to reclassify the available funds which were appropriated to the budget to account #3102, Fund Balance - Reserved for Expenditures. This account is classified as a part of fund balance and reflects the fact that such amounts have been "ear-marked" to fund the subsequent year's budget. The subsequent year's revenue and appropriation budgetary accounts are then reversed and eliminated from the trial balance.

EXHIBIT 1-4d

9. The amount of available funds voted to be utilized in funding the subsequent year's budget is classified to account #3102, Fund Balance - Reserved for Expenditures under the revised system.

	Revenue, 1982	250,000.00	
3102	Fund Balance - Reserved for Expenditures		250,000.00

To reclassify the authorization of "available funds"
from the revenue account to account #3102,
Fund Balance - Reserved for Expenditures

10. The subsequent year's budgetary accounts are revised and eliminated from the trial balance.

	Appropriation, 1982	9,988,911.88	
	Revenue, 1982		9,988,911.88

To revise the subsequent year's budgetary accounts

Under the revised system, the balance in the bonds authorized account will always be equal to the balance in the bonds authorized and unissued account. In order to restore this equality, it will be necessary to increase the balance in the bonds authorized and unissued account with an offsetting entry to debit account J1929, Amounts to be Provided for Payment of Notes Payable.

11.

1929	Amount to be Provided for Payment of Notes Payable	850,000.00	
1989	Bonds Authorized and Unissued		850,000.00

To adjust the balance in the bonds authorized and unissued
account to the balance in the bonds authorized account

Amounts classified as either continued appropriations (revenue) or encumbrances outstanding under the former system will be considered to represent proper encumbrances and will be classified to account #3101, Fund Balance Reserved for Encumbrances. This account is classified as a part of fund balance and reflects the fact that such amounts have been "ear-marked" to fund prior year obligations.

EXHIBIT 1-4e

12.

	Continued Appropriation (Revenue)	401,854.26	
	Encumbrance	142,558.30	
3101	Fund Balance Reserved for Encumbrances		544,412.56

To reclassify outstanding year-end appropriations
(revenue) and encumbrances to account #3101,
Fund Balance Reserved for Encumbrances

Property taken by a municipality for the nonpayment of real estate taxes is classified in the accounting records to the account, Tax Possessions. Under the former system, this receivable was fully reserved until such time as the property was sold or redeemed. Under the revised system, revenue will be recognized upon the "taking." Accordingly, it will be necessary to reclassify the related "Revenue Reserved Until Collected" account to account #3151, Unreserved Fund Balance.

13.

	Revenue Reserved Until Collected, Tax Possessions	59,902.16	
3151	Unreserved Fund Balance		59,902.16

To eliminate the reserve related to the tax possessions
account and transfer the amount to account #3151,
Unreserved Fund Balance

Any separate principal and income accounts which may have been maintained for other trust type accounts (i.e., stabilization and conservation fund) should be combined under the appropriate unreserved fund balance account.

14.

	Trust Fund Income -		
	Stabilization	24,110.45	
3730	Fund Balance - Stabilization		24,110.45
	To classify the stabilization unexpended income account to account #3730, Fund Balance Stabilization		

EXHIBIT 4-1

**MUNICIPALITY ACCOMPANYING ACW-4
FINALIZATION OF INDIVIDUAL FUND
OPENING TRIAL BALANCE**

The adjusting entries recorded for each fund convert the individual fund trial balances to a basis of accounting appropriate for the particular fund. The types of adjustments illustrated in this example, together with other normal year-end adjustments applicable to a particular fund type, are explained in detail in Chapters 14 through 20 of the manual.

Since the entries in cash fund are generally similar, the detailed general entries have not been provided with this example; however, the reader will find that in each fund:

Entry 1 - Records as revenue, interest accrued at year-end

Entry 2 - Converts the accounting for various accounts receivable outstanding at year-end to the appropriate basis, i.e., modified accrued basis for governmental funds, accrual basis for enterprise funds

The Enterprise Funds have one additional adjustment, Entry 3, which reclassifies the account #1930, Amount to be Provided for Payment of Bonds, to account #3550, Unreserved Retained Earnings. This journal entry recognizes the specific accounting requirements for debt proceeds in the Enterprise Fund. At least one additional journal entry will be made by the municipality to record the cost of capital assets acquired or constructed. This entry will be recorded in most municipalities sometime after the date of system implementation when the information is researched and obtained.