

## CHAPTER 14

# GENERAL FUND

The General Fund is usually the largest and single most important fund of a municipality. Most of a municipality's revenue resources are accounted for in it, and substantially all of the day-to-day departmental operating expenditures are financed and accounted for in it.

The principal revenue resources which flow into the General Fund include those from real estate and personal property taxes, motor vehicle and other excises, departmental receipts, and various State Aid. With the exception of the portion of the annual budget which is funded through general revenue sharing funds, and enterprise revenues, substantially all of the normal and recurring departmental expenditures are accounted for in the General Fund.

The General Fund will also have transactions with other funds. The types of interfund transactions may include quasi-external transactions, reimbursements, loans, advances, operating transfers and residual equity transfers. Each of these interfund activities is defined below, together with the appropriate accounting for such transactions.

## Budget

A municipality's annual budget will be formally recorded in budgetary accounts and integrated into the General Fund general ledger. Chapter 13, Budget Entries, presents an in-depth discussion of the budget process in Massachusetts, a description of each of the budgetary accounts, and a step-by-step approach for developing the Journal entries to record the annual budget.

## General Fund Accounting

As with all governmental funds, the focus of general fund accounting is on sources and uses of "available spendable resources." This measurement focus requires the use of the modified accrual basis of accounting, as prescribed with the Accounting Principles Section on Basis of Accounting Principle #8 in Chapter 2 of this Manual.

The principal source of revenue for the General Fund is the property tax. The previous accounting system prescribed a full accrual approach for recording revenues related to these taxes. This was done by the recording of the amount contained in the warrant committed by the assessors to the tax collector. Initially, the revised UMAS Manual prescribed the same approach with instructions to adjust at the end of the year to reflect the modified accrual basis.

This revision to the U.M.A.S. Manual is taking the opposite approach. All revenue sources, including real and personal property taxes will be fully reserved until collected. This, in its simplest terms means that during the year all general fund revenues will be accounted for on the cash basis of accounting.

The accounting for expenditures may be done on a full accrual basis if the governmental entity has decided to utilize an encumbrance system for budgetary control purposes. Although this is the preferred approach, it is not used in the illustrative journal entries for reasons of simplicity.

If the accounting entity, on the other hand, does not adopt an encumbrance system, then expenditures should be recorded on a cash basis.

Revenues will need to be adjusted at the end of the year to reflect their results on a modified accrual basis. A discussion of these entries is contained within Chapter 2. Basically, the adjustments are to reflect the results of revenues on a cash basis for sixty (60) days beyond the end of the fiscal year. This approach conforms with N.C.G.A.'s interpretation number 3 issued in June 1981 (1).

Expenditures will need to be adjusted at the end of the year to reflect their results on a modified accrual basis. A matrix showing the suggested treatment is shown on the next two pages of this manual.

National Council on Governmental Accounting Interpretation No. 3 - Revenue Recognition -Property Taxes.

(table shown here in original manual)

The journal entries illustrate the entire accounting cycle for one fiscal year beginning with the opening trial balance, and ending -with a closing trial balance, which has been prepared after posting of the journal entries presented in the chapter. Dollar values have been assigned to the entries to assist the reader in following the presentation. The financial statements set forth in Chapter 11 are based on the illustrated journal entries in this chapter and the other chapters of Section IV of this manual.

## Illustrative Journal Entries – Organization

Accounting for the activities of the General Fund is depicted through a series of journal entries in the following pages. In most instances, the journal entries have been arranged in the order in which they would occur during the fiscal year. The entries have been grouped under the following general categories:

- Opening entries
- Budgetary entries
- Expenditures and other cash disbursements
  - Payroll expenditures
  - Vendor expenditures
  - Supplemental Appropriations
- Interfund transactions and transfers
  - Interfund Transactions
  - Transfers
- Revenues
  - Real estate and personal property taxes
  - Excises
  - Tax Liens
  - Tax Foreclosures
  - Taxes in Litigation
  - State Distribution Receipts (Cherry Sheet)

- Departmental receivables
- Other revenue
- Other transactions
  - Investment of excess cash
  - Temporary borrowings
  - Petty cash
- Special topics
  - Operating Transfers
  - Court Judgments
  - Miscellaneous entries
  - Annual town meeting
- Year-end transactions
  - Adjusting entries
  - Closing entries
- Encumbrances

## Opening Entries

The opening entries record the opening trial balance carried over from the prior year and restore the accounts to the basis of accounting on which they will be maintained during the year. (See Basis of Accounting, Chapter 2.)

1. The trial balance after final adjustment at the close of the prior year-end is brought forward and recorded as the current year's beginning trial balance.

01-1040	Cash - Unrestricted Checking	\$ 424,250	
01-1060	Cash - Restricted Checking	750	
01-1120	Certificates of Deposit	550,000	
01-1211	Personal Property Taxes Receivable 1982	50,000	
01-1221	Real Estate Taxes Receivable 1982	295,000	
01-1222	Real Estate Taxes Receivable 1981	5,000	
01-1229	Deferred Revenue - Property Taxes		\$ 205,000
01-1231	Provision for Abatements & Exemptions 1982		40,000
01-1232	Provision for Abatements & Exemptions 1981		5,000
01-1240	Tax Liens Receivable	32,250	
01-1250	Deferred Revenue - Tax Liens Receivable		32,250
01-1301	Motor Vehicle Excise Receivable 1982	215,500	
01-1310	Deferred Revenue - Motor Vehicle Excise		185,500
01-1470	Departmental Receivables	75,000	
01-1489	Deferred Revenue - Departmental Receivables		65,000
01-1750	Tax Foreclosures	8,250	
01-2110	Warrants Payable		450,000
01-2120	Accounts Payable		35,000
01-2211	Federal Income Tax Withholdings Payable		10,000
01-2212	State Income Tax Withholdings Payable		2,500
01-2220	Retirement Withholdings Payable		1,750
01-2230	Insurance Withholdings Payable		2,250
01-2290	Accrued Payroll Payable - School Teachers		65,000
01-2530	Excess on Sale of Lands of Low Value		750
01-3101	Fund Balance Reserved for Encumbrances		60,000
01-3102	Fund Balance Reserved for Expenditures		100,000
01-31-30	Fund Balance Reserved for Extraordinary and Unforeseen Expenditures		22,500
01-3151	Unreserved Fund Balance		386,400

01-3152	Fund Balance Reserved for Over/Under Assessments	1,000	
01-3155	Fund Balance Designated for Unprovided Abatements and Exemptions	2,250	
01-3156	Fund Balance Designated for Court Judgments	<u>9,650</u>	
		\$ 1,668,900	\$ 1,668,900

To record the opening entry in the General Fund  
as shown by a trial balance of accounts as of the  
close of the prior fiscal year.

2. In order to restore the accounting to the proper basis, the "Deferred Revenue" accounts reclassified at the close of the prior year must be reestablished.

01-1920	Revenue	140,000	
01-1229	Deferred Revenue - Property Taxes		100,000
01-1310	Deferred Revenue - Motor Vehicle Excise		30,000
01-1489	Deferred Revenue - Departmental Receivables		10,000

To reestablish the deferred revenue accounts

Subsidiary ledger entry for this journal entry would be:

01-4120	Property Taxes	100,000	
01-4150	Motor Vehicle Excise	30,000	
01-4190	Departmental Receivables	10,000	
01-4000	Subsidiary Revenue Control		140,000

- 3.

01-2110	Warrants Payable	450,000	
01-2120	Accounts Payable	35,000	
01-2290	Accrued Payroll Payable - School Teachers	65,000	
01-1040	Cash - Unrestricted Checking		550,000

To record warrants payable, accounts  
payable, and accrued salaries payable

- 4.

01-3102	Fund Balance Reserved for Expenditures	100,000	
01-3151	Unreserved Fund Balance		100,000

To reverse entry appropriating "free cash"  
to reduce the tax rate (see journal entry 5A,

## Budgetary Entries

The budget entries for the General Fund are described in Chapter 13, Budget Entries.

## Expenditures and Other Cash Disbursements

The following journal entries assume that the local unit involved does not utilize an encumbrance system (that is, a system of recording purchase orders). Although all municipalities are encouraged to utilize an encumbrance system, it is not required at the present time. Encumbrances are therefore covered below under "Special Topics". All expenditures or cash disbursements must be authorized by an approved treasury warrant. Sec 56, Ch 41, MGL. (See investment of excess cash under "Other Transactions.")

### ***Payroll expenditures***

Accounting for payrolls is complicated by the need to account for amounts withheld from employees for remittance to State and Federal taxing authorities and other agencies. The examples given below reflect the practice commonly found in Massachusetts municipalities, whereby the payroll warrant is prepared for the gross amount and individual checks are prepared for the net pay of each employee and for the total of the various withholding amounts. The withholding checks are then redeposited into the treasury and reported to the municipal accountant as a cash receipt. Amounts withheld should continue to be recorded in this manner.

5. Payroll is computed for the period from various supporting documentation submitted by each municipal department. After review and approval by the accountant, it is entered on a treasurer's payroll disbursement warrant.

01-2920	Expenditures - Current Year	150,000	
01-1040	Cash - Unrestricted Checking		150,000

To record the payroll expenditures - warrant

Subsidiary ledger entry for this journal entry would be:

01-5551	Salaries and Wages, Full-time	115,000	
01-5552	Salaries and Wages, Part-time		35,000
01-5000	Subsidiary Appropriations Control		150,000

6. In connection with the payroll warrant, checks drawn for the total of the various amounts withheld from employees are deposited with the treasurer prior to their being transmitted to the appropriate agency. Such amounts are reported through the treasurer's report of cash received.

01-1040	Cash, Unrestricted Checking	52,000	
01-2211	Federal Income Tax Withholdings Payable		30,000
01-2212	State Income Tax Withholdings Payable		9,000

01-2220	Retirement Withholdings Payable	91000
01-2230	Insurance Withholdings Payable	4,000

To record the receipt of the payroll withholdings

7. The remittance of amounts withheld to taxing authorities and other agencies is reported through the treasurer's disbursement warrant. At the same time that such amounts are being remitted, the municipality would forward its share of the expense.

01-2211	Federal Income Tax Withholdings Payable	40,000	
01-2212	State Income Tax Withholdings Payable	11,000	
01-2220	Retirement Withholdings Payable	40,000	
01-2230	Insurance Withholdings Payable	18,000	
01-2920	Expenditures	38,000	
01-1040	Cash, Unrestricted Checking		147,000

To record the remittance of payroll withholdings and the municipality's portion of employee benefits - warrant

Subsidiary ledger entry for this journal entry would be:

01-5172	Unemployment Insurance	20,000	
01-5175	Health Insurance (Employer's Portion)	18,000	
01-5000	Subsidiary Appropriations Control		38,000

### ***Vendor expenditures***

The following journal entries are provided to record all the expenditures other than payroll which are reported on the treasurer's warrant. These entries are applicable whether or not the municipality utilizes an encumbrance system.

8. The payment requests are forwarded by the departments, compiled, and the expenditure warrant for purposes of goods and services and other departmental expenses is prepared:

01-2920	Expenditures - Current Year	356,500	
01-1040	Cash - Unrestricted Checking		356,500

To record the expenditures charged to current year appropriations -Warrant #

Subsidiary ledger entry for this journal entry would be:

01-5211	Electricity	1,800	
01-5212	Heating Oil	1,200	
01-5421	Office Supplies	1,100	

01-5451	Cleaning Supplies	900	
01-5481	Gasoline for Motor Vehicles	1,500	
01-5511	Classroom Supplies	4,000	
01-5565	Plumbing Supplies	1,000	
01-5910	Maturing Principals on Long-term Debt	300,000	
01-5915	Interest Due on Long-term Debt	45,000	
01-5000	Subsidiary Appropriation Control		356,500

9.

01-2921	Expenditures - Prior Year	44,000	
01-1040	Cash - Unrestricted Checking		44,000

To record the expenditures charged to prior year appropriations -Warrant

Subsidiary ledger entry for this journal entry would be:

01-5211	Electricity	12,000	
01-5481	Gasoline for Motor Vehicles	12,000	
01-5851	Capital outlay, Office Equipment	20,000	
01-5001	Subsidiary Appropriation Control (Prior)		44,000

10.

01-2922	Other Financing Uses	450,000	
01-1040	Cash - Unrestricted Checking		450,000

To record the expenditures charged to  
State and County Assessments -Warrant

Subsidiary ledger entry for this journal entry would be:

01-5622	County Hospital Assessment	200,000	
01-5636	State Recreation Areas Assessment	50,000	
02-5651	Metropolitan Parks Assessment	75,000	
01-5661	M.B.T.A.	125,000	
01-5002	Subsidiary Other Financing Uses Control		450,000

11. A refund is made to the municipality for an overpayment of a vendor's bill and is reported through the treasurer's report of cash received.

01-1040	Cash, Unrestricted Checking	160	
01-2920	Expenditures - Current Year		160

To record the receipt of a refund of expenditures paid

Subsidiary ledger entry for this journal entry would be:

01-5000	Subsidiary Appropriations Control	160	
01-5421	Office Supplies		10
01-5451	Cleaning Supplies		10



01-5511	Classroom Supplies	100
01-5565	Plumbing Supplies	40

### **Supplemental Appropriations**

12. The appropriating authority votes to appropriate available funds (free cash) from Unreserved Fund Balance.

01-3190	BUDGETARY FUND BALANCE	10,000	
01-2910	APPROPRIATIONS		10,000

To record the transfer of free cash to appropriations

Subsidiary ledger entry for this journal entry would be:

01-5000	Subsidiary Appropriations Control	10,000	
01-5276	Rental of Data Processing Equipment		10,000

13. At the time of the supplemental appropriation, the fund balance should be adjusted.

01-3151	Unreserved Fund Balance	10,000	
01-3102	Fund Balance Reserved for Expenditures		10,000

To adjust unreserved fund balance for the portion of it used for appropriations

## **Interfund Transactions and Transfers**

The accounting for interfund transactions is frequently misunderstood and inconsistently applied. Under the revised system, a common terminology describing each of the various types of interfund transactions will be adopted and the accounting for each type will be made uniform. Interfund transactions include the following types of activities:

**Quasi-external Transactions** - Transactions revenues, expenditures, or expenses if they external to the municipality (thus payments Enterprise Fund to the General Fund). Such transactions will be accounted for as revenues, expenditures or expenses in the fund involved.

**Reimbursements** - Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund (thus an expenditure properly chargeable to a Special Revenue Fund may have been paid by the General Fund). At a subsequent time the Special Revenue Fund should reimburse the General Fund for the expenditure. Such transactions should be recorded as an expenditure of the Special Revenue Fund, and as a reduction of expenditure in the General Fund.

**Loans and Advances** - Transactions which constitute loans or advances should be accounted for as a "Due From" in the fund loaning or advancing the funds, and as a "Due To" in the receiving fund. Since such amounts are planned to be repaid, they should not be reflected in the revenue or expenditure accounts of either fund.

### ***Transfers Defined***

All other interfund transactions are transfers, which may be of two types:

**Residual Equity Transfers** - Nonrecurring or non-routine transfers of equity between funds (thus the contribution of capital by the General Fund to an Enterprise Fund, or the return thereof). Such transactions would be reported as additions or deductions to beginning fund balance in governmental funds, or beginning contributed capital or retained earnings in proprietary funds.

**Operating Transfers** - All other interfund transactions (thus transfer of funds from the General Fund to the Special Assessment Fund or the Capital Projects Fund, or a subsidy from the General Fund to an Enterprise Fund).

### ***Interfund transactions***

Transactions between funds include those where one fund renders a service to another (quasi-external transaction) and those where one fund reimburses another fund for expenditures initially made by it which were properly applicable to another fund (reimbursable transaction). Operating transfers between funds are illustrated at journal entry f64, which follows. See Appendix C, "Principles of Accounting", for a more detailed discussion of these types of transactions.

14. The Recreation Department (accounted for in the General Fund) fills two of its vehicles with gasoline at the Water Enterprise gasoline pumps. See Chapter 16, offset- Journal Entry #14;

01-21020	Expenditures - Current Year	50	
01-1040	Cash - Unrestricted Checking		50

To record the purchase of gasoline  
from the Water Enterprise

Subsidiary ledger entry for this journal entry would be:~

01-5411	Gasoline for Motor Vehicle	50	
01-5000	Subsidiary Appropriation Control		50

15. The Water Enterprise purchases Office supplies from the Central purchasing Department. This is a reimbursable type of transaction and would be accounted for in the General Fund as a reduction of expense. See Chapter 26, offset Journal Entry #13;

01-1040	Cash - Unrestricted Checking	250	
01-2920	ExpendituresCurrent Year		250

To record the receipt of cash from the Enterprise Fund  
for sale of office supplies

Subsidiary ledger entry for this journal entry would be:

01-5000	Subsidiary Appropriations Control	250	
01-5421	Purchase of Office Supplies		250

### ***Interfund Transfers***

Transfers are either Legally authorized transactions within a single fund or locally authorized transactions between two or more funds.

#### **Authorized Transfers Within A Single Fund –**

During the fiscal year a situation may develop wherein it becomes necessary to authorize one of the following:

- The transfer of funds between departmental appropriations.
- The use of part of the appropriated Reserve Fund.
- The appropriation of other available funds.

Although some of these transfers may have no net effect on the general ledger, they all should be reflected in the general ledger accounts to provide accounting control and an audit trail.

16. The appropriating authority votes to transfers fund from a salaries and wages account to a repairs and maintenance account.

01-2910	APPROPRIATIONS	2,000	
01-2910	APPROPRIATIONS		2,000

Subsidiary ledger entry for this journal entry would be:

01-5111	Salaries and Wages - Full Time	2,000	
01-5241	Building Repairs		2,000

17. The appropriating authority or the Finance/Advisory Committee votes to transfer part of the Reserve Fund to provide funding for an unanticipated equipment repair. Such transactions are the only means of utilizing the Reserve Fund since no expenditures may be charged directly to it.

01-2910	APPROPRIATIONS	5,000	
01-2910	APPROPRIATIONS		5,000

Subsidiary ledger entry for this journal entry would be:

01-5781	Reserve Fund	5,000	
01-5851	office Equipment		5,000

18. The appropriating authority votes to transfer funds from the "Fund Balance Reserved For Extraordinary or Unforeseen Expenditures" Account to provide funding to repair the plumbing in a municipal building.

01-3190	BUDGETARY FUND BALANCE	3,000	
01-2190	APPROPRIATIONS		3,000

Subsidiary ledger entry for this journal entry would be:

01-5000	Subsidiary Appropriations Control	3,000	
01-5241	Building Repairs		3,000

At the time of the supplemental appropriation, the fund balance should be adjusted.

01-3130	Fund Balance Reserved For Extraordinary or Unforeseen Expenditures	3,000	
01-3151	Unreserved Fund Balance		3,000

### **Legally Authorized Transfers From One Fund To Another**

During the fiscal year a situation may develop wherein it becomes necessary to authorize one of the following:

- The transfer of funds from an appropriation in one fund to an appropriation accounted for in a different fund.
- The appropriation from available funds accounted for in one fund that is to be accounted for in another fund.

19. The appropriating authority or Finance/Advisory Committee votes to transfer funds from the Reserve Fund to provide funding to repair a water break. See offsetting entry in Chapter 18.

01-2910	APPROPRIATIONS	1,000	
01-2912	Estimated Other Financing Uses		1,000

Subsidiary ledger entries for this journal entry would be:

01-5781	Reserve Fund	1,000	
01-5000	Subsidiary Appropriations Control		1,000
01-5002	Subsidiary Other Financing Uses Control	1,000	
01-5955	Transfers to Water Fund		1,000

The actual entry which has to be made is as follows:

01-2922	Other Financing Uses	1,000	
01-2040	Cash - Unrestricted Checking		1,000
01-5955	Transfers to Water Fund	1,000	
01-5002	Subsidiary Other Financing Uses Control		1,000

20. The appropriating authority votes to transfer funds from the "Fund Balance Reserved For Extraordinary or Unforeseen Expenditures" Account to provide funding to repair a water break. See offsetting entry in Chapter 18.

01-3190	BUDGETARY FUND BALANCE	1,500	
01-2912	Estimated Other Financing Uses		1,500

Subsidiary ledger entry for this journal entry would be:

01-5002	Subsidiary Other Financing Uses Control	1,500	
01-5955	Transfer to Water Fund		1,500

At the time of the supplemental appropriation, the fund balance should be adjusted.

01-3130	Fund Balance Reserved For Extraordinary or Unforeseen Expenditures	1,500	
01-3151	Unreserved Fund Balance		1,500

Another entry which has to be made is as follows:

01-2922	Other Financing uses	1,500	
01-1040	Cash - Unrestricted Checking		1,500

Subsidiary ledger entry for this journal entry would be:

01-5955	Transfer to Water Fund	1,500	
01-5002	Subsidiary Other Financing Uses Control		1,500

## Revenues

The following topics provide illustrative journal entries for revenues

- Real Estate and Personal Property Taxes
- Excises
- Tax Liens
- Tax Foreclosures
- Taxes in Litigation
- State Distribution Receipts
- Departmental Receivables
- Other Revenue

### ***Real estate and personal property taxes***

The principal source of revenue in a municipality is that raised in the real estate and personal property tax levies. Revenue from these two sources is recognized on the cash basis or when collections are received and at the end of the year these revenues are adjusted to a modified accrual basis (see JE #93 on page 14-43). A provision for possible abatements and exemptions is provided in the accounting records from the Assessors' recapitulation sheet. The receivables should be maintained in the general ledger by year of commitment.

21. The commitment warrant for real estate and personal property taxes is presented to the collector by the assessors.

01-1210	Personal Property Taxes Receivable 1983	361,420	
01-1220	Real Estate Taxes Receivable 1983	8,857,531	
01-1229	Deferred Revenue - Property Taxes		9,218,951

To record the real estate and personal property tax commitments

22. The amount of the current year's provision for abatements and exemptions is recorded as a reduction of deferred revenue.

01-1229	Deferred Revenue - Property Taxes	360,000	
01-1230	Provision for Abatements and Exemptions - 1983		360,000

To record the reduction in deferred revenue for the current year's provision for abatements and exemptions as provided in the 'tax recap' sheet

23. The summary of abatements and exemptions for the month of November is forwarded to the accounting officer from the assessors.

01-1230	Provision for Abatements and Exemptions - 1983	250,000	
01-1220	Real Estate Taxes Receivable - 1983		250,000

To record the abatements and exemptions for November

24. The collector remits to the treasurer the collections on real estate and personal property taxes.

01-1040	Cash - Unrestricted Checking	940,000	
01-1210	Personal Property Taxes Receivable 1983		40,000
02-1220	Real Estate Taxes Receivable 1983		900,000

To record the cash receipts for real estate and personal property taxes

25. The property tax revenue for the month is recorded by transferring to revenue from, deferred revenue the amount of cash collected (net).

01-1229	Deferred Revenue - Property Taxes	940,000	
01-1920	Revenue		940,000

To record the revenue from collection of property taxes

Subsidiary ledger entries for this journal entry would be:

01-4000	Subsidiary Revenue Control	940,000	
01-4110	Personal Property Taxes Receivable 1983		40,000
01-4120	Real Estate Taxes Receivable 1983		900,000

## **Excises**

Motor vehicle excise, farm animal excise, boat excise, and classified forest lands are recorded on the books when committed to the collector similar to property taxes. For interim accounting purposes, revenue is recognized on the cash basis or when collections are received, and at the end of the year these revenues are adjusted to a modified accrual basis (see JE #93 on page 14-43). The following entries illustrate the recording of motor vehicle excise for the current year's levy. The entries for other taxes and other years' levies are similar.

26. The commitment warrant for motor vehicle excise is forwarded to the collector by the assessors.

01-1300	Motor Vehicle Excise Receivable 1983	790,000	
01-1310	Deferred Revenue - Motor Vehicle Excise		790,000

To record commitment #1 of  
1983 motor vehicle excise

27. The summary of abatements issued on motor vehicle excise is forwarded to the accounting officer by the assessors.

01-1310	Deferred Revenue - Motor Vehicle Excise	23,000	
01-1300	Motor Vehicle Excise Receivable 1983		23,000

To record abatements on motor  
vehicle excise 1983

28. The treasurer's report of cash received is submitted to the accountant and is agreed to the collector's transmittal sheet.

01-1040	Cash, Unrestricted Checking	80,000	
01-1300	Motor Vehicle Excise Receivable 1983		80,000

To record cash collected on  
motor vehicle excise

29. The rotor vehicle excise revenue for the month is recorded by transferring to revenue from the "Deferred Revenue" account, the amount of cash collected during the month on motor vehicle excise

01-1310	Deferred Revenue - Motor Vehicle Excise	80,000	
01-1920	Revenue		80,000

To record the revenue from collection on motor vehicle excise

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	80,000	
01-4150	Motor Vehicle Excise .		80,000

30. A refund of a credit balance on a taxpayer's account is reported on the treasurer's expenditure warrant. The credit balance may have resulted from either an overpayment, or an abatement after payment was made.

02-1300	Motor Vehicle Excise Receivable 1983	100	
01-1040	Cash - Unrestricted Checking		100

To record refunds of overpayments collected on motor vehicle excise

31. The revenue account is adjusted and the Deferred Revenue account is restored to reflect the refund.

01-1920	Revenue	100	
01-1310	Deferred Revenue - Motor Vehicle Excise		100

To adjust revenue for the refunds of motor vehicle excise

Subsidiary ledger entry for this journal entry would be:

01-4150	Motor Vehicle Excise	100	
01-4000	Subsidiary Revenue Control		100

**Note:** Journal entry #29 and #31 can be consolidated into one net entry.

32. The commitment warrant for boat excise is forwarded to the collector by the assessors.

01-1320	Boat Excise Receivable 1983	2,500	
01-1330	Deferred Revenue - Boat Excise		2,500

To record commitment #1 of 1983 boat excise



33. The treasurer's report of cash received is submitted to the accountant and is agreed to the collector's transmittal sheet.

01-1040	Cash - Unrestricted Checking	2,000	
01-1320	Boat Excise Receivable 1983		2,000

To record cash collected on boat excise

34. The boat excise revenue for the month is recorded by transferring to revenue from the "Deferred Revenue' account one half of the collections received during the month, the other half being transferred to the Waterways Improvement Fund.

01-1330	Deferred Revenue - Boat Excise Receivable	2,000	
01-1920	Revenue		1,000
01-2428	Due Special Revenue Fund (Waterways Improvement)		1,000

To record the revenue from collection on boat excise

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	2,000	
01-4161	Boat Excise		2,000

### ***Tax liens***

Unpaid real estate taxes can be subject to a lien 14 days after a demand notice of delinquency has been issued (Sec 53, Ch 60, MGL). The lien is taken by the tax collector and collected by the treasurer. Charges and fees relating to the lien process and interest charged from the date the taxes were due to the date of taking are added to the amount of the delinquent taxes. The entire amount is reclassified as "tax liens receivable." Revenue from tax liens is recognized on a cash basis or when it is collected. Real estate taxes which have been delinquent for more than three years, have had a change of ownership, and have not been taken as liens, are no longer subject to lien. (Sec 37, Ch. 60, MGL). The following examples of journal entries are for prior year delinquent taxes. Tax liens on current year's delinquent taxes are identical except that a separate subsidiary account should be used.

The entries to record the takings of subsequent year's delinquent taxes to lien are also identical, but should be posted separately.

Similar entries for liens will be made in other funds when the tax lien includes special assessments or enterprise liens (water, sewer, and electric light).

35. The tax collector records delinquent real estate taxes and forwards a copy of the taking document to the treasurer and the accounting officer.

01-1240	Tax Liens Receivable	46,850	
01-1221	Real Estate Taxes Receivable, 1982		44,600
01-1250	Deferred Revenue - Tax Liens Receivable		2,250

To record the tax liens on  
delinquent real estate taxes 1982

36. The deferred revenue - property taxes is adjusted for the tax liens taken, and the "Deferred Revenue - Tax Liens Receivable" account is established.

01-1229	Deferred Revenue - Property Taxes	44,600	
01-1250	Deferred Revenue - Tax Liens Receivable		44,600

To record the adjustment to deferred  
revenue for real estate taxes to tax lien

37. Payments are collected on tax liens and reported on the treasurer's report of cash received (usually additional information is needed from the treasurer supporting this transaction in order to properly record it).

01-1040	Cash - Unrestricted Checking	5,350	
01-1240	Tax Liens Receivable		5,250
01-1920	Revenue		100

To record cash collected on tax liens

38. The revenue and deferred revenue - tax liens receivable amounts are adjusted to reflect the cash received on tax lien accounts.

01-1250	Deferred Revenue - Tax Liens Receivable	5,250	
01-1920	Revenue		5,250

To record the revenue from collections on tax liens

Subsidiary ledger entry for these journal entries #37 & 38 would be:

01-4000	Subsidiary Revenue Control	5,350	
01-4142	Tax Liens Redeemed		5,250
01-4173	Interest and Penalties on Tax Liens		100

39. The assessors or land court determine that property which has a tax lien has been improperly assessed and an abatement certificate is issued by the assessors, with the approval of the Commissioner of the Department of Revenue.

01-1231	Provision for Abatements and Exemptions - 1982	1,600	
01-1250	Deferred Revenue - Tax Liens Receivable	1,850	
01-1240	Tax Liens Receivable		1,850
01-1229	Deferred Revenue - Property Taxes		1,600

To record the abatement of taxes previously tax lien

40. The treasurer or other custodian of tax liens may sell land of low value that has a recorded tax lien (Sec 79, Ch 60f MGL). The cash received is reported through the treasurer's report of cash received (normally additional information is needed from the treasurer supporting this transaction in order to properly record it). The following entry assumes the cash received exceeded the receivable and interest due.

01-1040	Cash - Unrestricted Checking	6,500	
01-1060	Cash - Restricted Checking	2,000	
01-1240	Tax Liens Receivable		6,300
01-2530	Excess on Sale of Land of Low Value		2,000
01-1920	Revenue		200

To record the sale of land of low value  
for an amount greater than the receivable  
balance plus interest charged to date of sale

(If the property was sold at an amount equal to the receivable balance plus interest charged to date of sale, then the entry would be identical except the credit to excess sale of lands of low value would be unnecessary.) See Journal Entry #41 for the subsidiary revenue entry.

41. The revenue and the deferred -revenue - tax liens receivable are adjusted to reflect the cash received on the sale of lands of low value.

01-1250	Deferred -Revenue - Tax Liens Receivable	6,300	
01-1920	Revenue		6,300

To record the revenue from sale of lands of low value

Subsidiary ledger entry for these journal entries t40 and #41 would be:

01-4000	Subsidiary Revenue Control	6,500	
Oi-4142	Tax Liens Redeemed		6,300
01-4173	Penalties and Interest on Tax Liens		200

42. The treasurer or other custodian of tax liens sells land of low value that has a tax lien and the cash received is less than the amount of the receivable and interest due.

01-1040	Cash - Unrestricted Checking	4,500	
01-1240	Tax Liens Receivable		4,500

To record the sale of land of low value for an amount  
less than the receivable

43. The receivable, revenue and deferred revenue - tax liens receivable are adjusted to reflect the sale of lands of low value.

01-1250	Deferred Revenue - Tax Liens Receivable	5,500	
01-1240	Tax Liens Receivable		1,000
01-1920	Revenue		4,500

To record the revenue from sale of land of low value

(Note that the entire individual receivable balance must be eliminated because the property has been sold.)

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	4,500	
01-4142	Tax Liens Redeemed		4,500

(Note that no entry is made for interest due since it is recognized on a cash basis and none was collected.)

44. Occasionally a tax lien is recorded in error. This can occur for any number of reasons, such as transferring the same delinquent real estate receivable twice, or recording the lien under the wrong taxpayer's name. Since tax liens are formally recorded with the registry of deeds, a simple adjusting entry or collection cannot be made. Instead, a formal disclaimer document must be filed and the following entries recorded.

01-1221	Real Estate Taxes Receivable, 1982	1,150	
01-1250	Deferred Revenue - Tax Liens Receivable	600	
01-1240	Tax Liens Receivable		1,750

To record the disclaimer of the tax lien

45. Due to the tax lien being reclassified as a real estate tax receivable, the uncollected tax liens and deferred revenue must be adjusted.

01-1250	Deferred Revenue - Tax Liens Receivable	1,150	
01-1229	Deferred -Revenue – Property Taxes		1,150

To record the adjustment to Deferred Revenue  
for disclaimed tax liens

### ***Tax foreclosures***

Tax liens may be subject to a foreclosure if the tax liens are not paid in accordance with the period required by the law (Sec 50, Ch 60, MGL). Foreclosure proceedings are processed by the treasurer or other tax lien custodian. Foreclosed properties should then be sold through advertised public auction as soon as practical. The transactions involving foreclosures are reflected in the entries shown below.

46. The treasurer forecloses on a tax lien receivable account which includes a water lien of \$100. The amount collected on the water lien should be reflected as a revenue of the Water Enterprise Fund (see page 18-18; JE 31 & 32). Since the cash received will stay in the General Fund, a credit is made to Other Financing sources reflecting the operating transfer that has taken place between funds. The Enterprise Fund will record the operating transfer as an Other Financing Use.

01-1750	Tax Foreclosure	3,300	
01-1240	Tax Liens Receivable		3,200
01-1922	Other Financing Sources		100

To record the foreclosure of tax liens receivable

47. Since the municipality has acquired an asset by relinquishing a receivable, it must eliminate the uncollectible and recognize revenue. It is as if the municipality collected the receivable and used the cash it collected to acquire the property.

01-1250	Deferred Revenue - Tax Liens Receivable	3,200	
01-1920	Revenue		3,200

To record the revenue from  
foreclosures of tax liens

Subsidiary ledger entries for journal entries #46 and #47 would be:

01-4000	Subsidiary Revenue Control	3,200	
01-4002	Subsidiary Other Financing Sources Control	100	
01-4145	Tax Liens Foreclosed		3,200
01-4954	Transfer from Enterprise Fund		100

49. Since foreclosure property was relinquished, its total recorded value or carrying basis must be eliminated and the loss of revenue reflected.

01-1920	Revenue	400	
01-1750	Tax Foreclosures		400

To record the loss of revenue due to sale of tax  
foreclosure property below its carrying basis

Subsidiary ledger entry for this journal entry would be:

01-4848	Loss on Sale of Foreclosure Property	400	
01-4000	Subsidiary Revenue Control		400

(If the amount of cash received and the carrying basis of the foreclosed property were equal (i.e., if the property was sold for \$4,400), then the above entry reducing revenue would not be necessary. If the amount of cash received exceeded the value of the foreclosure (that is, the foreclosure was sold for 6,400, then the revenue would be increased or credited for \$2,000.)

50. Often when a foreclosure property is sold, due to the timing of the sale, a real estate tax is due from the buyer. This is referred to as a "pro forma tax" (Sec 63A, Ch 44, MGL). The following entry illustrates the collection of pro forma tax upon the sale of foreclosure property.

01-1040	Cash - Unrestricted Checking	80	
01-1920	Revenue		80

To record the pro forma tax collected on foreclosure sale

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	80	
01-4110	Real Estate Taxes		80

### ***Taxes in litigation***

Many times a collector has to transfer outstanding real estate taxes to a taxes in litigation account because of bankruptcy or receivership cases, as provided by Chapter 60, Section 95, M. G. L.

51. The journal entry to transfer outstanding real estate taxes to taxes in litigation would be:

01-1260	Taxes Receivable in Litigation	5,000	
01-1229	Deferred Revenue - Property Taxes	5,000	
01-1222	Real Estate Taxes Receivable - 1981		5,000
01-1270	Deferred Revenue - Taxes Receivable in Litigation		5,000

To transfer outstanding real estate taxes to taxes in litigation

52. The journal entry to record payment of taxes in litigation would be:

01-1040	Cash - Unrestricted Checking	5,000	
01-1270	Deferred Revenue - Taxes Receivable in Litigation	5,000	
01-1260	Taxes Receivable in Litigation		5,000
01-1920	Revenue		5,000

To record payment of taxes receivable in litigation

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	5,000	
01-4143	Taxes in Litigation		5,000

### ***State distribution receipts***

State "Cherry Sheet" distributions are recognized as revenue at the time they are received. Offset items (school lunch, racial imbalance and library) are considered special revenue and recorded as revenue in the Special Revenue Funds.

53. State distributions are received and reported through the treasurer's report of cash received.

01-1040	Cash - Unrestricted Checking	1,650,000	
01-1920	Revenue		1,650,000

To record the receipt of various State distributions

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	1,650,000	
01-4625	Local Aid Fund		250,000
01-4642	SchoolAid, Chapter 70		1,400,000

54. Each year the State deducts from the School Aid, Chapter 70 distribution the amount a municipality owes to the Commonwealth for Special Education - Chapter 71B.

01-2922	Other Financing Uses	5,000	
01-1920	Revenue		5,000

To adjust the Special Education  
Assessment

Subsidiary ledger entries for this journal entry would be:

01-4000	Subsidiary Revenue Control	5,000	
01-4642	School Aid, Chapter 70		5,000
01-5631	Special Education, Chapter 71B	5,000	
01-5002	Subsidiary Other Financing Uses Control		5,000

## ***Departmental Receivables***

Amounts billed to taxpayers and other service recipients by various departments should be established as receivables of the General Fund and fully offset with a "Deferred Revenue" account. (Enterprise Fund receivables are separately classified - see Chapter 18.) Separate accounts may be established to reflect the receivable attributable to each department, but it is generally simpler to record all the "deferred revenue" in one account.

The entries used to record the transactions in the departmental receivables are the same as those for excises, except that a separate group of subsidiary revenue accounts would be used to record the revenue from collections (see entries #26 through #31). It is possible for other funds to have departmental receivables.

## **Other Revenue**

### **Direct receipts –**

Other revenues include amounts for licenses, permits and fees. Such amounts are generally not billed out, and are thus recorded when received in cash.

55. The clerk's receipts are turned over to the treasurer and reported through the treasurer's report of cash received.

01-1040	Cash - Unrestricted Checking	1,800	
01-1920	Revenue		1,800

To record the clerk's receipts

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	1,800	
01-4431	Marriage Licenses		1,200
01-4432	Dog License Fees		500
01-4471	Dump Permits		100

#### **Off-duty work details -**

Amounts for off-duty work details are collected from outside sources and recorded in an agency account in the Trust and agency Fund (Sec 53C, Ch 44, MGL). Such amounts are subsequently remitted to municipal employees through special payrolls and charged to the agency account. Some municipalities, however, charge a service fee for processing these collections and payments, and these must be recognized as receipts and revenue of the General Fund. These receipts should be reported through the treasurer's report of cash received.

56. The municipality receives the service fees charged for the overhead costs related to the processing of off-duty work details.

01-1040	Cash - Unrestricted Checking	50	
01-1920	Revenue		50

To record receipt of fees  
from off-duty work details

Subsidiary ledger journal entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	50	
01-4321	Fees for Processing Off-Duty Work Details		50

## **Other Transactions**

### ***Investment of Excess Cash***

Excess cash may be invested in a number of investment vehicles, including securities, repurchase agreements, treasury bills, and certificates of deposit (Sec 55, Ch 44, MGL). All expenditures made for investments must be made through an approved treasurer's warrant. The entries and general ledger accounts used should be descriptive of the type of investment made and any restriction on the funds invested. Maturities and the interest or other income earned must be reported on the treasurer's report of cash received.



57. The treasurer purchases a certificate of deposit through an approved treasurer's warrant.

01-1120	Certificates of Deposit	100,000	
01-1040	Cash - Unrestricted Checking		100,000

To record the purchase of certificate of deposit

58. The certificate of deposit matures and is reported through the treasurer's report of receipt of cash.

01-2040	Cash - Unrestricted Checking	660,000	
01-1120	Certificates of Deposit		600,000
01-1920	Revenue		60,000

To record the maturity of an  
investment in certificates of deposit

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	60,000	
01-4630	Interest on Investments		60,000

### ***Temporary Borrowings***

During the fiscal year situations generally develop wherein the cash flow of the municipality does not provide the amount of cash needed for expenditures. The treasurer is normally authorized to borrow for the short term in anticipation of revenue. The proceeds from temporary borrowing should be reported through the treasurer's report of cash receive& and the payment reported through an approved treasurer's warrant.

59. The treasurer issues a revenue anticipation note.

01-2040	Cash - Unrestricted Checking	800,000	
01-2710	Revenue Anticipation Notes Payable		800,000

To record the issuance of revenue anticipation notes

60. The treasurer pays the principal and interest on a maturing note.

01-2710	Revenue Anticipation Notes Payable	700,000	
01-2920	Expenditures - Current Year	21,000	
01-1040	Cash - Unrestricted Checking		721,000

To record the payment of a revenue anticipation note

Subsidiary ledger entry for this journal entry would be:

01-5925	Interest on Notes	21,000	
01-5000	Subsidiary Appropriations Control		21,000

## Petty cash

Petty cash may be needed by various departments or municipal agencies. Cash needs usually develop when the department or agency performs services which are paid for at the time the service is rendered, such as the functions of the clerk.

61. A petty cash fund is established.

01-1020	Petty Cash	150	
01-1040	Cash - Unrestricted Checking		150

To record the establishment of  
a petty cash fund in a department

62. A petty cash fund is reimbursed.

01-2920	Expenditures - Current Year	50	
01-1040	Cash - Unrestricted Checking		50

To reimburse petty cash fund for expenditures

Subsidiary ledger entry for this journal entry would be:

01-5420	Collector's Expense	50	
01-5000	Subsidiary Appropriation Control		50

63. A petty cash fund is determined to be unnecessary and is closed out.

01-1040	Cash - Unrestricted Checking	150	
01-1020	Petty Cash		150

To close out unnecessary petty cash fund

## Special Topics

### *Operating transfers*

Operating transfers are legally authorized transfers between funds. Such transactions include those from a fund receiving revenue to the fund through which the resources are to be expended (such as transfers from the General Fund to a Special Revenue Fund or Capital Projects Fund, or a Special Revenue Fund to an Enterprise Fund) and transfers from an Enterprise Fund (other than payments in lieu of taxes) to finance General Fund expenditures. Operating transfers should be reported separately as an Other Financing Source or an Other Financing Use.

64. Funds are transferred to the Capital Projects Fund to be used on a capital project (see entry #4 in Chapter 16).

01-2922	Other Financing Uses	5,000	
01-1040	Cash - Unrestricted Checking		5,000

To record the transfer to the Capital Projects' Fund

Subsidiary ledger entry for this journal entry would be:

01-5953	Transfers to Capital Projects Fund	5,000	
01-5002	Subsidiary Other Financing Uses Control		5,000

65. Funds are transferred to the Enterprise Fund to pay maturing debt and interest (see entry #47 in Chapter 18).

02-2922	Other Financing Uses	55,343	
01-1040	Cash - Unrestricted Checking		55,343

To record the transfer to the Enterprise Fund

Subsidiary ledger entry for this Journal entry would be:

01-5955	Transfers to Enterprise Fund	55,343	
01-5002	Subsidiary Other Financing Uses Control		55,343

66. Funds are received from, the Special Revenue Fund and Expendable Trust Fund to be used for expenditures of the General Fund (see entry #3 under Receipts Reserved for Appropriations in Chapter 15, and entry #6 under Expendable Trust Funds in Chapter 19).

01-1040	Cash - Unrestricted Checking	19,500	
01-1922	Other Financing Sources		19,500

To record the transfer to the Expenditure Fund

Subsidiary ledger entry for this journal entry would be:

01-5002	Subsidiary Other Financing Sources Control	19,500	
01-4951	Transfers from Special Revenue Funds		16,500
01-4955	Transfers from Trust Funds		3,000

67. Funds are transferred to the Special Assessments Fund to be utilized in the Sewer Betterment Construction Project (see entry #3 in Chapter 17).

01-2922	Other Financing Uses	20,000	
01-1040	Cash - Unrestricted Checking		20,000

To record the transfer to the Special Assessments Fund

Subsidiary ledger entry for this journal entry would be:

01-5954	Transfer to Special Assessments Fund	20,000	
01-5002	Subsidiary other Financing Uses Control		20,000

## Court judgments

If a municipality in Massachusetts is ordered by the courts to make a payment in settlement of a suit, such payment must be made when ordered and the amount of the judgment raised in the following year's levy. The budget entries given earlier illustrate the process of clearing this balance from the general ledger when raised. The following entry illustrates the recording of the actual payment.

68. The local governmental unit is ordered to pay a judgment by the court and pays it through an approved warrant pursuant to Chapter 44, Section 31, M. G. L.

01-2920	Expenditures - Current Year	15,000	
01-1040	Cash - Unrestricted Checking		15,000

To record the expenditures  
on warrant #

Subsidiary ledger entry for this journal entry would be:

01-5760	Court Judgments	15,000	
01-5000	Subsidiary Appropriations Control		15,000

(Note that as part of the year-end closing entries, these expenditures would be closed out to the account, Fund Balance, Designated for Court Judgments, instead of Unreserved Fund Balance, unless appropriated in advance by the municipality).

When the Assessors' recapitulation sheet is recorded, it will be necessary for the accounting officer to adjust the Unreserved Fund Balance for Court Judgments, Unprovided for Abatements and Exemptions, and State and County Over/Under Estimates as shown on the opening trial balance on page 14-7-of this Chapter. This entry is shown in Chapter 13, Page 2o. journal Entry #10B and is repeated here for balancing purposes.

69. An entry must be made to reclassify the amounts reserved to Undesignated Fund Balance.

01-3151	Unreserved Fund Balance	12,900	
01-3152	Fund Balance Designated for State/County Overestimates	17,500	
01-3156	Fund Balance Designated for Court Judgment		9,650
01-3155	Fund Balance Designated for Unprovided Abatements and Exemptions		2,250
01-3152	Fund Balance Designated for State/County Underestimates		18,500

To reclassify various fund balance  
accounts to Unreserved Fund Balances

**Miscellaneous Entries**

The following entries are provided with minimal explanation in order to allow users of this manual to duplicate through "T" accounts the balances used in determining the closing entries and the closing trial balance. No subsidiary entries are provided here, but in actuality, these would also be utilized.

## 70. Additional payroll expenditures.

01-2920	Expenaitures - Current Year	7,450,000	
01-1040	Cash - Unrestricted Checking		7,450,000

To record payroll expenditures  
for balance of year

## 71. Additional payroll withholdings receipts.

01-1040	Cash - Unrestricted Checking	2,689,500	
01-2211	Federal Income Taxes Withheld/Payable		1,500,000
01-2212	State Income Taxes Withheld/ Payable		457,500
01-2220	Retirement Withholdings/Payable		420,250
01-2230	Insurance Withholdings/Payable		311,750

To record withholding receipts  
for balance of year

## 72. Additional payroll remittances.

01-2211	Federal Income Taxes Withheld/ Payable	1,488,000	
01-2212	State Income Taxes Withheld/ Payable	455,000	
01-2220	Retirement Withholdings/ Payable	389,000	
01-2230	Insurance Withholdings/ Payable	297,000	
01-2920	Expenditures - Current Year	300,000	
01-1040	Cash - Unrestricted Checking		2,929,000

To record payroll remittance  
for balance of year

## 73. Additional expenditures to vendors.

01-2920	Expenditures - Current Year	1,892,000	
01-2922	Other Financing Uses	33,000	
01-1040	Cash - Unrestricted Checking		1,925,000

To record vendor expenditures for balance of year

## 74. Additional real estate and personal property abatements.

01-1230	Provision for Abatements and Exemptions - 1983	90,000	
01-1231	Provision for Abatements and Exemptions - 1982	58,400	
01-1210	Personal Property Taxes Receivable - 1983		20,000
01-1211	Personal Property Taxes Receivable - 1982		20,000
01-1220	Real Estate Taxes Receivable - 1983		70,000
01-1221	Real Estate Taxes Receivable - 1982		38,400

To record real estate and personal property abatements for balance of year

## 75. Additional collections on property taxes.

01-1040	Cash - Unrestricted Checking	7,450,000	
01-1210	Personal Property Taxes Receivable - 1983		250,000
01-1211	Personal Property Taxes Receivable - 1982		20,000
01-1220	Real Estate Taxes Receivable - 1983		7,000,000
01-1221	Real Estate Taxes Receivable - 1982		180,000

To record collections on property taxes for balance of year

## 76.

01-1229	Deferred Revenue - Property Taxes ,	7,450,000	
01-1920	Revenue		7,450,000

To transfer additional collections of property taxes to revenue

## 77. Additional commitments on motor vehicle excise.

01-1300	Motor Vehicle Excise Receivable - 1983	20,000	
01-1301	Motor Vehicle Excise Receivable - 1982	5,000	
01-1310	Deferred Revenue - motor Vehicle Excise		25,000

To record additional motor vehicle commitments for balance of year

## 78. Additional motor vehicle excise abatements.

01-1310	Deferred Revenue - Motor Vehicle Excise	37,600	
01-1300	Motor Vehicle Excise Receivable - 1983		12,100
01-1301	Motor Vehicle Excise Receivable - 1982		25,500
	To record abatements on motor vehicle excise for balance of year		

## 79. Additional collections on motor vehicle excises.

01-1040	Cash - Uncollected Checking	690,000	
01-1300	Motor Vehicle Excise Receivable - 1983		520,000
01-1301	Motor Vehicle Excise Receivable - 1982		170,000
	To record collections on motor vehicle excise for balance of year		

## 80. Additional revenue from motor vehicle excise collections.

01-1310	Deferred Revenue - Motor Vehicle Excise	690,000	
01-1920	Revenue		690,000
	To record revenue from motor vehicle excise for balance of year		

## 81. Additional takings of real estate taxes to tax liens.

01-1240	Tax Liens Receivable	56,300	
01-1229	Deferred Revenue - Property Tax	53,150	
01-2220	Real Estate Taxes Receivable - 1983		20,000
01-1221	Real Estate Taxes Receivable - 1982		33,150
01-1250	Deferred Revenue - Tax Liens Receivable		56,300
	To record tax liens takings for balance of year		

## 82. Additional collections or redamptions of tax liens.

01-1040	Cash - Unrestricted Checking	21,550	
01-2250	Deferred Revenue - Tax Liens Receivable	21,550	
01-1240	Tax Liens Receivable		21,550
01-1920	Revenue		21,550

To record tax lien redemptions  
for balance of year

83. Additional foreclosures of tax liens.

01-1250	Deferred Revenue - Tax Liens Receivable	30,000	
01-1750	Tax Foreclosures	30,000	
01-1240	Tax Liens Receivable		30,000
01-1920	Revenue		30,000

To record tax lien foreclosures  
for balance of year

84. Additional receipts from State distributions.

01-1040	Cash - Unrestricted Checking	692,184	
01-1920	Revenue		692,184

To record State distributions  
receipts for balance of year

85. Additional departmental receivables commitments.

01-1470	Departmental Receivables	75,000	
01-1489	Deferred Revenue - Departmental Receivables		75,000

To record departmental commitments  
for balance of year

86. Additional collections on departmental receivables.

01-1040	Cash - Unrestricted Checking	57,000	
01-1489	Deferred Revenue - Departmental Receivables	57,000	
01-1470	Departmental Receivables		57,000
01-1920	Revenue		57,000

To record collections from  
departmental receivables for  
balance of year

87. Additional revenue from miscellaneous other resources.

01-1040	Cash - Unrestricted Checking	100,000	
01-1920	Revenue		100,000

To record other revenue from  
cash receipts for balance of year



## 88. Additional investments of excess cash.

01-1120	Certificates of Deposit	4,300,000	
01-1040	Cash - Unrestricted Checking		4,300,000
To record investments of excess cash balances for the remainder of the year			

## 89. Additional maturities of investments

02-1040	Cash - Unrestricted Checking	3, 150, 000	
01-1120	Certificates of Deposit		3,000,000
01-1920	Revenue		150,000
To record redemption of investments and revenue earned for balance o f year			

## 90. Additional temporary loan issues.

01-2040	Cash - Unrestricted Checking	4,900,000	
01-2710	Revenue Anticipation Notes Payable		4,900,000
To record temporary loan issue for balance of year			

## 91. Addittional payments of temporary loans

01-2710	Revenue Anticipation Notes Payable	5, 000, 000	
01-2920	Expenditures- Current Year	150,000	
01-1040	Cash – Unrestricted Checking		5,150,000
To record payments of temporary loans for balance of year			

**Annual Town Meeting**

After the annual town meeting any free cash voted to be used must be shown, as reserved.

## 92. Free Cash is Voted:

92.01-3151	Unreserved Fund Balance	150,000	
01-3102	Fund Balance Reserved for Expenditures		150,000
To record appropriation from free cash at annual town meeting. (This entry will be reversed after beginning of next fiscal year).			

## Year End Transactions

### Adjusting Entries

At the fiscal year-end certain adjusting entries will be recorded to convert the accounting for revenue from the cash basis to a modified accrual basis. The following entries illustrate a few typical year-end adjustments.

93. The amounts collected during the period July 1 to August 31 on property taxes, excise and departmental receivables and outstanding at June 30, will be recorded as revenue in the fiscal year that was just ended on June 30.

01-1229	Deferred Revenue - Property Taxes	100,000	
01-1310	Deferred Revenue - Motor Vehicle Excise	22,000	
01-1489	Deferred Revenue - Departmental Receivables	11,000	
01-1920	Revenue		133,000
	To adjust the receivable to the modified accrual method		

Subsidiary ledger entry for the this journal entry would be:

01-4000	Subsidiary Revenue Control	133,000	
01-4120	Real Estate Taxes		100,000
01-4150	Motor Vehicle Excise		22,000
01-4890	Departmental		11,000

94. Additional expenditures and payrolls.

01-2920	Expenditures - Current Year	350,000	
01-2110	Warrants Payable		250,000
01-2120	Accounts Payable		28,000
01-2290	Accrued Payrolls Payable		72,000

To record payments for balance of year (see page 14-2)

Subsidiary ledger entry for this journal entry would be:

01-5110	School Salaries	96,000	
01-5211	Electricity	54,000	
01-5421	Office Supplies	100,000	
01-5851	Capital outlay, Office Equipment	100,000	
01-5000	Subsidiary Appropriation Control		350,000

95. The interest earned but not received on investments must be accrued.

01-1491	Accrued Interest Receivable	14,000	
01-1920	Revenue		14,000

To accrue interest on  
investments

Subsidiary ledger entry for this journal entry would be:

01-4000	Subsidiary Revenue Control	14,000	
01-4830	Earnings on Investments		14,000

96. The amount due from the General Fund to the Water Enterprise Fund for reimbursement of the operating deficit is recorded. (See contra entry in Chapter 16, JE #75)

01 -2922	Other Financing Uses	75,670	
01-2450	Due Enterprise Fund		75,670

To record the liability to  
the Enterprise Fund to fund  
its operating deficit on a  
cash basis

Subsidiary ledger entry for this journal entry would be:

01-5955	Transfers to Enterprise Funds	75,670	
01-5000	Subsidiary Appropriations Control		75,670

97. Amounts required for abatements and exemptions in excess of amounts initially provided (formerly referred to as "Overlay Deficits") are reclassified.

01-3155	Fund Balance Designated For Unprovided Abatements and Exemptions	20,000	
01-1231	Provision for Abatement and Exemptions, 1982		20,000

To reclassify unprovided abatements  
and exemptions at year-end to fund  
balance as a reduction

98. The Deferred Revenue - Property Taxes account has to be adjusted for the underestimate in the Provision for Abatements and Exemptions 1982 account.

01-1229	Deferred Revenue - Property Taxes	20,000	
01-3151	Unreserved Fund Balance		20,000

To adjust the Deferred Revenue -  
Property Taxes account for the  
underestimates in the Provision for

Abatements and Exemptions 1982  
account; see Journal Entry #97

99. The Provision for Abatements and Exemptions 1981 account has to be adjusted to agree with the 1981 outstanding taxes.

01-1232	Provision for Abatements and Exemptions, 1981	5,000	
01-3130	Fund Balance Reserved for Extraordinary and Unforeseen Expenditures		5,000

To adjust provision for abatements and exemptions - prior years to agree with outstanding taxes

100. The Deferred Revenue - Property Taxes account has to be adjusted for the excess in the Provision for Abatements and Exemptions 1981 account.

01-3151	Unreserved Fund Balance	5,000	
01-1229	Deferred Revenue - Property Taxes		5,000

To adjust the Deferred Revenue – Property Taxes account for the excess in the Provision for Abatements and Exemptions 1981 account; see Journal Entry #99

101. To reinstate the fund balance for the portion reserved for expenditures and which has been funded (see entry 13)

01-3102	Fund Balance Reserved for Expenditures	10,000	
01-3151	Unreserved Fund Balance		10,000

To reverse the reservation of fund balance for expenditures

### ***Closing Entries***

The closing entries are organized to aid in understanding the relationship between budgetary, operating and fund equity accounts. First, the budgetary accounts are closed against each other. This entry is essentially a reversing entry of the initial budgetary entry. Second, revenues are closed to unreserved fund balance and, third, the expenditure accounts are closed to unreserved fund balance. The final entries segregate a portion of the unreserved balance for court judgments, over/underestimates, unused appropriations from available funds, and outstanding encumbrances.

102. The budget entry for the fiscal year is reversed.

01-2910	Appropriations	11,424,657	
01-2912	Estimated Other Financing Uses	617,593	
01-1910	Estimated Revenue		11,925,650

- |         |  |  |        |
|---------|--|--|--------|
| 01-1912 | Estimated Other Financing Sources                |  | 19,500 |
| 01-3190 | Budgetary Fund Balance                           |  | 97,100 |
|         | To close the budget accounts for the fiscal year |  |        |
103. The revenue and other financing sources must be closed to unreserved fund balance.
- |         |                                       |            |            |
|---------|---------------------------------------|------------|------------|
| 01-1920 | Revenue                               | 11,959,714 |            |
| 01-1922 | Other Financing Sources               | 19,600     |            |
| 01-3151 | Unreserved Fund Balance               |            | 11,979,314 |
|         | To close the revenues to fund balance |            |            |
104. The expenditures and other financing uses must be closed to unreserved fund balance.
- |         |   |            |            |
|---------|---|------------|------------|
| 01-3151 | Unreserved Fund Balance   | 11,412,703 |            |
| 01-2920 | Expenditures - Current Year   |            | 10,722,190 |
| 01-2921 | Expenditures - Prior Year   |            | 44,000     |
| 01-2922 | Other Financing Uses  |            | 646,513    |
|         | To close expenditures and other financing uses to unreserved fund balance |            |            |
105. To reclassify the unreserved fund balance for court judgments JE #68
- |         |   |        |        |
|---------|---|--------|--------|
| 01-3156 | Fund Balance Designated for Court Judgments | 15,000 |        |
| 01-3151 | Unreserved Fund Balance                     |        | 15,000 |
|         | To reclassify payment of court judgment     |        |        |
106. To reclassify the unreserved fund balance for State and County over/under assessments.
- |         |   |       |       |
|---------|---|-------|-------|
| 01-3152 | Fund Balance Designated for Over/under assessments  | 8,000 |       |
| 01-3151 | Unreserved Fund Balance   |       | 8,000 |
|         | This amount represents the difference between the "cherry" sheet and Estimated Other Financing Uses and the actual payments in other financing uses |       |       |

107. To close unused balance in the appropriation to "repair plumbing in municipal building" JE #18 to Fund Balance Reserved for Extraordinary or Unforeseen Expenditures.

01-3151	Unreserved Fund Balance	100	
01-3130	Fund Balance Reserved for Extraordinary or Unforeseen Expenditures		100

To close unused balance in "repairs to plumbing in a  
municipal building" account

108. Part of the balance in the Unreserved Fund Balance Account is reclassified to the Fund Balance Reserved for Encumbrance Account to provide for encumbrance outstanding at the year-end.

01-3151	Unreserved Fund Balance	50,000	
01-3101	Fund Balance Reserved for Encumbrances		50,000

To reserve a portion of fund  
balance for outstanding  
encumbrances at year-end

109. Amounts reserved for encumbrance in account #3101, Fund Balance Reserved for Encumbrances at the close of the prior year are reclassified to account #3151, Unreserved Fund Balance

01-3101	Fund Balance Reserved for Encumbrances	60,000	
01-3251	Unreserved Fund Balance		60,000

To reclassify encumbrances reserved  
at the beginning of the year to unreserved  
fund balance

## Closing Trial Balance

The closing trial balance has been prepared after posting all of the journal entries illustrated in this chapter, and the General Fund budget entries presented in Chapter 13 to the opening trial balance set forth on page 14-7.

01-1040	Cash - Unrestricted Checking	\$35,131	
01-1060	Cash - Restricted Checking	2,750	
01-1120	Certificates of Deposit	1,350,000	
01-1491	Accrued Interest Receivable	14,000	
01-1210	Personal Property Taxes Receivable 1983	51,420	
01-1211	Personal Property Taxes Receivable 1982	10,000	
01-1220	Real Estate Taxes Receivable 1983	617,531	
01-1229	Deferred Revenue - Property Taxes		558,951
01-1230	Provision for Abatements and Exemptions 1983		20,000
01-1240	Tax Liens Receivable	60,000	
01-1250	Deferred Revenue - Tax Liens Receivable		60,000
01-1300	Motor Vehicle Excise Receivable 1983	175,000	
01-1301	Motor Vehicle Excise Receivable 1982	25,000	
01-1310	Deferred Revenue - Motor Vehicle Excise		178,000
01-1320	Boat Excise Receivable	500	
01-1330	Deferred Revenue - Boat Excise Receivable		500
01-1470	Departmental Receivables	93,000	
01-1489	Deferred Revenue - Departmental Receivables		82,000
01-1750	Tax Foreclosures	37,150	
01-2110	Warrants Payable		250,000
01-2120	Accounts Payable		28,000
01-2211	Federal Income Tax Withholdings Payable		12,000
01-2212	State Income Tax Withholdings Payable		3,000
01-2220	Retirement Withholdings Payable		2,000
01-2230	Insurance Withholdings Payable		3,000
01-2290	Accrued Payrolls Payable		72,000
01-2428	Due to Special Revenue Fund		1,000
01-2450	Due to Enterprise Fund		75,670

01-2530	Excess on Sales of Land of Low Value		2,750
01-3 101	Fund Balance Reserved for Encumbrances		50,000
01-3102	Fund Balance Reserved for Expenditures		150,000
01-3130	Fund Balance Reserved for Extraordinary or Unforeseen Expenditures		23,100
01-3151	Unreserved Fund Balance		942,511
01-3152	Fund Balance Designated for Over/Under Assessments	8000	
01-3155	Fund Balance Designated for Unprovided Abatements and Exemptions	20,000	
01-3156	Fund Balance Designated for Court Judgments	<u>15,000</u>	
		<u>\$ 2,514,482</u>	<u>\$ 2,514,482</u>



## CHAPTER 14 - ADDENDUM

**Note 1.** In entry #2 revenue is debited for \$140,000. to reestablish the deferred revenue accounts. This entry will cause a debit balance in the revenue account until an equal amount of revenue is received and will understate the revenue account throughout the year. If this causes a problem for you when comparing actual revenue to your estimated revenue, which is on a cash basis, or when preparing interim financial statements, we would suggest as an alternative that you debit Fund Balance Designated for Year End Adjustments in entry #2. This will allow you to keep your revenue on a cash basis during the year. At year end, an entry can be made to debit revenue and credit fund balance designated for year end adjustments to eliminate this account.

**Note 2.** The accounting procedure illustrated in Chapter 14 will cause a debit balance in the deferred revenue - property taxes if you collect more than the total levy minus the overlay. This is especially true if you maintain a separate deferred revenue -property taxes for each year of levy.

If you run into this situation you should make an entry to adjust the deferred revenue to zero balance by debiting revenue and crediting the deferred revenue - property taxes.