

## CHAPTER 17

# SPECIAL ASSESSMENT FUNDS

Special Assessment Funds are used to account for the financing and expenditure of public improvements or services which primarily benefit the particular taxpayers against whose properties special assessments are levied. The fact that special assessment improvements are paid for completely or in part by property owners who have been determined to be specifically benefited, distinguishes them from improvements which benefit the entire community. Improvements which benefit the entire community would generally be financed with general governmental resources or through the issuance of general obligation bonds which are retired from general governmental resources.

In the Commonwealth of Massachusetts, special assessment projects are usually undertaken in connection with water, sewer house connections, sewer, street, and/or sidewalk projects. The projects are generally financed by the special assessments, state and/or federal grants, and on those projects where the municipality has also received benefit, by amounts raised in the tax levy. Since most special assessments will be paid over a period of time, well after the expenditures for the project have been completed, it is common to provide the cash flow for the project through the issue of serial bonds. In such cases, the debt service on the serial bonds will usually be timed so that it will be fully serviced by the payments made by the taxpayers on the special assessments and the related interest thereon.

## Chronology of a Project

The chronological sequence of activities related to a special assessment type of project in Massachusetts will include the following:

**Authorization of the project** - Generally a special article describing the project, the cost and the method of funding will be submitted to a municipality's governing body for approval. Where debt authorization is involved, the article would require a two-thirds majority vote.

**Financing of the construction** - "Seed" funding is often provided by a municipality through the tax levy. The largest portion of the "up-front" funding, however, will usually be short-term debt in anticipation of either grant reimbursement or a serial bond issue. When expenditures on the project are paid, the municipality will either submit requests for reimbursement, where grants are involved, or will obtain permanent financing through the formal issue of long-term debt instruments. Upon the receipt of grant funds or debt proceeds, the short-term debt will be repaid.

**Construction of the improvement** - most significant capital projects will be contracted out, and contracts are often entered into before funding for the project is actually received. Under the Massachusetts law, liabilities for services rendered should not be incurred, however, until funding has taken place in accordance with the related project authorization.

**Assessment determination** - Within six months after the completion of a project, the overseeing board must provide the assessors with a listing of taxpayers whose particular property has benefited from the project. The listing would include an estimate of the increased valuation attributable to each property and an allocation of the costs of the project on a pro rata basis. The assessors, after review and certification of such valuation listing, commit the unapportioned special assessments for collection.

**Collection of assessment and the related interest.** - Upon receipt of the bill for his share of the total special assessment, the taxpayer may pay it outright or may elect to pay it over a period of time as provided by Sec 13, Ch 80, MGL. If the taxpayer elects to spread the payment, the assessor will apportion the total assessment ratably over the period permitted after notification of this choice by the collector. The deferred assessments may be accounted for in one general ledger account, Apportioned Assessment Not Yet Due, but detail by year due should be maintained. Each year thereafter, the assessors will commit to the collector the annual amount due on the special assessment plus interest, computed both on the installment due and on the balance of the unpaid principal. Such amounts are added to the real estate tax bill for the fiscal year.

**Repayment of debt and interest** Funds for debt service will generally be provided through receipt of the special assessments and related interest from the taxpayers. Mechanically, however, since at the present time in Massachusetts debt service is appropriated annually in the General Fund, such appropriation will be transferred to the Special Assessment Fund to be utilized in the repayment of the debt. Amounts received each year by a municipality from the payment of special assessment installments and the related interest will be accounted for in the Special Assessment Fund and then transferred to the General Fund.

**Closing of the fund** - When the project has been completed, any balance in the fund may be utilized in accordance with the provisions of Sec 20, Ch 44, MGL.

A separate fund should generally be created for each special assessment project. Each has a legal identity and separate financial obligation.

## Budget

As with other governmental funds, the budget for special assessment projects will be integrated into the accounting records. In Massachusetts, where the project authorization is generally for the entire project, rather than on the portion of the project to be completed in the particular fiscal year, a memorandum entry should be made to record the total authorized project costs and revenue sources. An estimate should then be made of the costs and revenues to be realized during the fiscal year and a budget entry made to reflect this estimate. It is necessary at this time to make this estimate of annual activity because, as pointed out above, the focus of control in Massachusetts has always been on \* the entire project, rather than on the portion of a project which will be completed in a fiscal year. The budget estimate will facilitate year-end reporting of budget and actual costs and revenues by special assessment funds.

## Special Assessment Fund Accounting

As with the other governmental funds, the *basis* of accounting on which Special Assessment Funds will be reported will be the modified accrual basis. During the fiscal year, however, revenues will be fully reserved until collected, and expenditures will be recorded as disbursed except where the encumbrance system is utilized. Year-end adjusting entries will be recorded where amounts involved are material to the financial statements to reflect the *books* on a modified accrual basis.

Where state or federal grants are involved, journal entries will be made to record the entire amount of the grant awarded at the time that the municipality receives notice. This will be done to facilitate early control. The memorandum entry that will be made is as follows:

Grant awarded	1,000,000	
Unbilled grants		1,000,000

Additional entries will be made at the time that grant reimbursement requests are submitted to the grantor and upon the actual receipt of the grant proceeds.

Special assessments receivable, together with related interest receivable, will be fully reserved until collected. At year end, appropriate adjustment may be made to reflect the current portion of assessments receivable in revenue for the fiscal year. At the same time, provision would be made to reduce the amount of revenue reported by a reasonable estimate for uncollectibles. Interest on special assessments will be reported as revenue as received, consistent with the method which will be utilized in reporting interest expense on outstanding long-term debt as described below.

### Financing Considerations

Long-term debt applicable to special assessment fund projects will be accounted for in the related special assessment fund. Interest will be recorded as expense in the fiscal year in which it is due and payable. Although generally accepted accounting principles do not recommend formal accounting for the authorization of long-term debt, a memorandum entry in the accounts is encouraged for control purposes.

The accounting for temporary loans in anticipation of either grant reimbursement or long-term debt proceeds requires special comment. Since expenditures in special assessment projects are made prior to the time that the cost of the project is assessed to the taxpayers, it could be expected that the project's operations would result in a deficit fund balance. Many financial officers have been concerned that the occurrence of such deficits in the accounting records would result in misleading inferences. In order to avoid this result, proceeds from temporary loans will be treated as both a liability and an "other financing source." The repayment of such loans will be treated as an "other financing use." Although this practice does not conform to GAAP, it will, in the minds of many, simplify the budgetary control aspects of special assessment projects. In order to permit reporting in accordance with GAAP, suitable year-end adjustments would be required.

Since, as noted above, special assessments are not billed to taxpayers for several months after completion of the project, an adjustment will be made at the close of the fiscal year to record as an "unbilled receivable" the taxpayer's share of the accumulated cost of projects in progress and/or projects completed but not yet assessed. These amounts will be fully reserved.

## Illustrative Journal Entries

The journal entries in the remainder of this chapter illustrate Special Assessment Fund accounting for a sewer betterments project which is to be completed over two fiscal years.

The total estimated cost of the project is \$250,000 and is to be financed by \$20,000 to be raised and transferred from the General Fund and by special assessments in the amount of \$230,000. Serial bonds in the amount of \$230,000 will be issued in connection with the project. The following journal entries present the accounting for the project over the two fiscal-years period.

Accounting for the activities of the Special Assessments Funds is depicted through a series of journal entries in the following pages. They are presented in the following sequence:

### First Year:

- Memorandum Entries
- Budget Entries
- Project Expenditures
- Project Revenues
- Temporary Borrowing
- Encumbrances
- Miscellaneous Entries
- Year-end Adjusting Entries
- Closing Entries
- Closing Trial Balance

### Second Year:

- Opening Trial Balance
- Budget Entries
- Project Expenditures
- Project Revenues
- Temporary Borrowing and Serial Loan Issues
- Encumbrances
- Miscellaneous Entries
- Year-end Adjusting Entries
- Closing Entries
- Closing Trial Balance

## FIRST YEAR OF THE PROJECT

### **Memorandum Entries**

The focus Of the budgetary entries in the Special Assessments Fund is on the fiscal period. However, where projects are expected to take more than one year to complete, it will simplify the monitoring process if some record is also made of the total project cost at its inception. The first two entries below illustrate the memorandum entries made to record the total authorized cost for the project and expenditures made during the fiscal year. The third illustrative memorandum entry reflects the recording of bonds authorized. Although these entries are not required under the system, they are recommended. If memorandum entries are used, such accounts will appear on a trial balance of the fund's accounts, but should not be included in a balance sheet report. At the completion of the project, the memorandum entries should be reversed or otherwise closed out.

- a. The project has been officially approved as required by law:

51-1951	PROJECT AUTHORIZED	250,000	
51-1959	PROJECT AUTHORIZED - NOT COMPLETED		250,000

To record the total estimated costs of  
the Green Street Sewers Project

- b. Expenditures are made on the project:

51-1959	PROJECT AUTHORIZED - NOT COMPLETED	86,000	
51-1951	PROJECT AUTHORIZED		86,000

To record the expenditure on the  
project for the year

- c. When the total bonds to be issued in connection with the project are authorized, this entry should be recorded:

51-1980	BONDS AUTHORIZED	230,000	
51-1989	BONDS AUTHORIZED and UNISSUED		230,000

To record the bonds authorized on the project

### **Budget Entry**

1. The estimated annual revenues and expenditures for the project are recorded.

51-1912	ESTIMATED OTHER FINANCING SOURCES	250,000	
51-2910	APPROPRIATIONS		250,000

To record the current year's budget

Subsidiary ledger entries for this journal entry would be:

51-4920	PROCEEDS FROM SALE OF TEMPORARY LOANS	230,000	
51-4950	TRANSFERS FROM GENERAL FUND	20,000	
51-4000	SUBSIDIARY REVENUE CONTROL		250,000
51-5000	SUBSIDIARY APPROPRIATIONS CONTROL	250,000	
51-5835	CAPITAL OUTLAY - SEWER BETTERMENTS		250,000

### **Expenditures**

Expenditures and other cash disbursements are processed in the same manner as those described previously in the General Fund. Appropriation control (e.g., inclusion on the treasurer's warrant) must be maintained.

2. Work performed is billed by contractors and payment is processed on an approved warrant net of agreed-upon 10% retainage.

51-2920	Expenditures	17,000	
51-1040	Cash - Unrestricted Checking		15,300
51-2130	Contracts Payable, Retained Percentage		1,700

To record the expenditures made on warrant f

Subsidiary ledger entry for this journal entry would be:

51-5845	Capital Outlay - Sewer Betterments	17,000	
51-5000	Subsidiary Appropriations Control		17,000

### **Revenues**

During the first year (the construction phase) of this sewer betterments project, financing is expected to be provided by an operating transfer from the General Fund and temporary loans in anticipation of a bond issue. The accounting for temporary loans will be discussed under the subheading "Temporary Borrowing."

3. Cash is transferred from the General Fund to the Special Revenue Fund in accordance with the appropriation.

51-1040	Cash - Unrestricted Checking	20,000	
51-1922	Other Financing Sources		20,000

To record operating transfer from the  
General Fund

Subsidiary ledger entry for this journal entry would be:

51-4000	Subsidiary Revenue Control	20,000	
51-4951	Transfers from General Fund		20,000

### ***Temporary Borrowing***

In order to provide interim financing, treasurers are permitted under the law, where serial bonds have been authorized, to make short-term borrowing and issue bond anticipation notes. As noted previously, a \$230,000 serial bond issue has been authorized and the treasurer will, therefore, borrow \$190,000 to provide funding. The issuance of temporary loans should be reported through the Treasurer's Report of Cash Received and the repayment through an approved warrant.

4. The treasurer takes temporary loans in anticipation of bond issue.

51-1040	Cash - Unrestricted Checking	90,000	
51-2720	Bond Anticipation Notes		90,000

To record temporary loans taken in anticipation of bond issue

5. The proceeds of the temporary loan are recorded as an other financing source.

51-1932	Amounts to be Provided for Payment of Notes	90,000	
51-1922	Other Financing Sources	90,000	

To record other financing sources related to temporary loans taken

Subsidiary ledger entry for this journal entry would be:

51-4000	Subsidiary Revenue Control	90,000	
51-4920	Proceeds from Sale of Notes		90,000

### ***Encumbrances***

When a signed contract is entered for the planning or construction of a project, the full amount of the contract should be encumbered.

6. The local governmental unit enters into a contract involving the betterments project.

51-2930	ENCUMBRANCES	225,000	
51-2931	RESERVE FOR ENCUMBRANCES		225,000

To record encumbrance for contract for sewer betterments construction

7. The encumbrances must be cancelled when invoices are received from the contractor for a portion of the work completed. Payment of the invoice referred to here has been illustrated in entry 2 previously.

51-2931	RESERVE FOR ENCUMBRANCES	17,000	
51-2930	ENCUMBRANCES		17,000

To cancel encumbrance for portion of contract completed

### ***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 amounts for the closing entries. No subsidiary entries are provided here, although in practice they would be required.

8. Cancel encumbrances for additional vendor invoices received.

51-2931	RESERVE FOR ENCUMBRANCES	69,000	
51-2930	ENCUMBRANCES		69,000

To cancel encumbrances for contract work completed

9. Additional expenditures are paid.

51-2920	Expenditures	69,000	
51-1040	Cash - Unrestricted Checking		62,100
51-2130	Contracts Payable – Retained Percentage		6,900

To record the payment of additional expenditures

### ***Adjusting Entries***

Since the ultimate source of revenue in the Special Assessments Funds is the assessments levied on the taxpayers who have benefited from the improvements, an entry should be made to record the portion of the costs accumulated on the project through the fiscal year-end which will be charged to the taxpayers.

10. The total cost incurred in the project at the end of the first fiscal year is \$80,000, exclusive of amounts classified as other financing uses, which amount should be recorded as an asset of the fund.

51-1598	Special Assessments Project in Progress	86,000	
51-1599	Unbilled Special Assessments		86,000

To record the expenditures incurred on the project as of the fiscal year-end which will eventually be assessed to taxpayers



11. The, encumbrances outstanding at the fiscal year-end are reversed.

51-2931	RESERVE FOR ENCUMBRANCES	139,000	
51-2930	ENCUMBRANCES		139,000

To reverse encumbrances outstanding  
at the end of the fiscal year

### ***Closing Entries***

The year-end Closing entries will follow the same pattern established in other governmental funds. Note, however, that although the system of accounting for budget and actual transactions is designed to permit reporting on an annual basis, the System must also provide the supplementary data necessary to permit reporting on a project length basis. This can be most easily accomplished by carrying forward each fund's detailed revenue and expenditures accounts in the general ledger from year to year.

12. The budget entry for the fiscal year is reversed (see Entry 1).

51-2910	APPROPRIATIONS	250,000	
51-1912	ESTIMATED OTHER FINANCING SOURCES		250,000

To close the budget accounts

13. A portion of the fund balance is reserved for encumbrances outstanding at the end of the fiscal year.

51-3151	Unreserved Fund Balance	139,000	
51-3601	Fund Balance Reserved for Encumbrances		139,000

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

### ***Closing Trial Balance***

51-1040	Cash - Unrestricted Checking	\$ 32,600	
51-1598	Special Assessment Projects in Progress	86,000	
51-1599	Unbilled Special Assessment		\$ 86,000
51-1929	Amounts to be provided for payment of notes	90,000	
51-1951	PROJECT AUTHORIZED,	164,000	
51-1959	PROJECT AUTHORIZED – NOT COMPLETED		164,000
51-1980	BONDS AUTHORIZED	230,000	
51-1989	BONDS AUTHORIZED - UNISSUED		230,000
51-2130	Contracts Payable, Retained Percentage		8,600

51-2720	Bond Anticipation Notes		90,000
51-3601	Fund Balance Reserved for Encumbrances		139,000
51-3151	Unreserved Fund Balance	115,000	
		\$717,600	\$717,600

## Second Year of the Project

### ***Opening Trial Balance***

At the beginning of the fiscal year, account balances from the prior year should be recorded in the general ledger as the beginning balances of the new year.

15. The prior year's closing trial balance is journalized and entered into the general ledger to become the beginning balances. (See the closing trial balance for the previous year above.)

To record the opening balances in the General Ledger

### ***Memorandum Entries***

The focus of the budgetary entries in the Special Assessment Fund is on the fiscal period. However, where projects are expected to take more than one year to complete, it will simplify the monitoring process if some record is also made of the total project cost at its inception. The first two entries below illustrate the memorandum entries made to record the expenditures made during the fiscal year and the closeout of the balance of the project which will not be expended. The third illustrative memorandum entry reflects the recording of bonds issued. Although these entries are not required under the system, they are recommended. If memorandum entries are used, such accounts will appear on a trial balance of the fund's accounts, but should not be included in a balance sheet report. At the completion of the project, the memorandum entries should be reversed or otherwise closed out.

- a. Expenditures are made on the project:

51-1959	Project Authorized - Not Completed	155,000	
51-1951	Project Authorized		155,000

To record the expenditures on on the  
project for the year

- b. The balance of the project which will not be expended is closed out:

51-1959	Project Authorized - Not Completed	9,000	
51-1951	Project Authorized		9,000

To close out the completed project

- c. When serial loans are issued, the authorization accounts should be closed out:

51-1989	Bonds Authorized, Unissued	230,000	
51-1980	Bonds Authorized		230,000

To close out the bond authorization for bonds issued

### ***Budgetary Entries***

Budgetary entries are required in this fund for the fiscal period.

16. The estimated annual revenues and expenditures for the project are recorded.

51-1910	ESTIMATED REVENUE	35,000	
51-1912	ESTIMATED OTHER FINANCING SOURCES	140,000	
51-3190	BUDGETARY FUND BALANCE	68,000	
51-2910	APPROPRIATIONS		13,000
51-2912	ESTIMATED OTHER FINANCING USES		230,000

To record the budget for the current fiscal year

Subsidiary ledger entries for this journal entry would be:

51-4610	SPECIAL ASSESSMENT REVENUE	35,000	
51-4920	PROCEEDS FROM SALE OF TEMPORARY LOANS	140,000	
51-4000	SUBSIDIARY REVENUE CONTROL		175,000
51-5000	SUBSIDIARY APPROPRIATIONS CONTROL	243,000	
51-5950	PAYMENT OF TEMPORARY NOTES		230,000
51-5925	INTEREST ON TEMPORARY NOTES		13,000

17. The encumbrances from the prior year must be reinstated in the accounts for the current year.

51-2932	PRIOR YEAR ENCUMBRANCES	139,000	
51-2933	RESERVE FOR PRIOR YEAR'S ENCUMBRANCES		139,000

To reinstate the prior year's encumbrances

**Expenditures**

18. Work performed is billed by contractors and payment is processed on an approved warrant net of agreed-upon 10% retainage.

51-2921	Prior Year Expenditures	30,000	
51-1040	Cash - Unrestricted		
	Checking		27,000
51-2130	Contracts Payable,		
	Retained Percentage		3,000

To record the expenditures made on warrant # \_\_\_\_\_

Subsidiary ledger entry for this journal would be:

51-5835	Capital Outlay - Sewer		
	Betterments	30,000	
51-5000	Subsidiary Appropriations		
	Control		30,000

19. When construction of the betterment is complete and found to meet required specifications through inspection, payment of the retainage due on the contract is approved.

51-2130	Contracts Payable, Retained		
	Percentage	23,100	
51-1040	Cash – Unrestricted Checking		23,100

To record the expenditures made on warrant # \_\_\_\_\_

**Revenues**

During the second year of the project, financing will be provided by additional temporary loans, together with collections from special assessments. Revenue will be recorded on special assessments as the amounts are collected. Toward the completion of the project, the municipality would generally issue the serial bonds which have been authorized and would repay the outstanding temporary notes payable with the proceeds. Proceeds from the sale of bonds are recorded in the fund as a liability. The matter of delinquent assessments and procedures for recording tax liens and tax foreclosures is addressed in Chapters 14 and 18 and have not been repeated in this chapter.

20. The project construction is complete and the total costs and list of taxpayers benefitted is certified by the assessors and committed in an assessors' warrant.

51-1510	Unapportioned Special Assessments	280,000	
51-1590	Reserve for Uncollected		
	Special Assessments		280,000

To record the commitment of  
unapportioned source betterments

21. The unbilled assessments must be reversed since all of the expenditures have now been billed.

51-1599	Unbilled Special Assessments	86,000	
51-1598	Special Assessments in Progress		86,000

17-13

To reverse the recording of unbilled assessments

22. Some taxpayers may decide to pay their bills for unapportioned sewer betterments outright rather than have them apportioned or suspended.

51-1040	Cash - Unrestricted Checking	6,000	
51-1510	Unapportioned Special Assessments		6,000

To record collections on  
unapportioned sewer betterments

23. The revenue from these collections would be recorded by adjusting the uncollected receivable account.

51-1590	Reserve for Uncollected Special Assessments	6,000	
51-1920	Revenue		6,000

To record the revenue from Special Assessments

Subsidiary ledger entry for this journal entry would be:

51-4000	Subsidiary Revenue Control	6,000	
51-4810	Special Assessment Revenue		6,000

24. When the amount of unapportioned sewer betterments to be apportioned or suspended is determined, an entry will be made to reflect the classification in the accounts.

51-1550	Apportioned Assessments - Not Yet Due	220,000	
51-1570	Suspended Assessments	24,000	
51-1510	Unapportioned Special Assessments		244,000

To record the commitment of apportioned  
and suspended sewer betterments

25. After the assessment has been apportioned, a taxpayer may pay an amount on account. This payment will have to be allocated over the same number of years as the assessment.

51-1040	Cash - Unrestricted Checking	100	
51-1540	Apportioned Assessments Paid in Advance		100

To record the payment in advance  
of apportioned sewer betterments

26. The revenue is recorded by adjusting the uncollected.

51-1590	Reserve for Uncollected Special Assessments	100	
51-1920	Revenue		100

To record the revenue from payments in advance

Subsidiary ledger entry for the journal entry would be:

51-4000	Subsidiary Revenue Control	100	
51-4810	Revenue from Special Assessments		100

27. The assessors commit the apportioned assessments paid in advance.

51-1540	Apportioned Assessment Paid in Advance	100	
51-1550	Apportioned Assessment Not Yet Due		100

To record the apportionment of the special assessments paid in advance by the assessors

28. Annually, the assessors determine the current portion of the apportioned sewer betterments, together with the interest due. Such amounts are added to taxes and included on the assessor's commitment warrant for the fiscal year.

51-1520	Apportioned Assessments Added to Taxes	10,000	
51-1530	Committed Interest Added to Taxes	1,000	
51-1550	Apportioned Assessment Not Yet Due		10,000
51-1590	Reserve for Uncollected Special Assessments		1,000

To record the commitment of apportioned sewer betterments added to taxes together with committed interest

29. Collections are received on special assessments.

51-1040	Cash - Unrestricted Checking	105	
51-1520	Apportioned Assessments Added to Taxes		90
51-1530	Committed Interest Added to Taxes		15

To record receipts from collections on sewer betterments

30. Revenue is recorded on collections on sewer betterments by adjusting the uncollected.

51-1590	Reserve for Uncollected Special Assessments	105	
51-1920	Revenue		105
To record revenue from collections of sewer assessments			

The subsidiary ledger entry for this journal entry would be:

51-4000	Subsidiary Revenue Control	105	
51-4810	Special Assessments Revenue		105

31. An abatement of committed interest is granted due to its being improperly calculated.

51-1590	Reserve for Uncollected Special Assessments	10	
51-1530	Committed Interest Added to Taxes		10
To record the abatement of committed interest			

### ***Temporary Borrowing and Serial Loan Issues***

32. The treasurer takes temporary loans in anticipation of bond issue.

51-1040	Cash - Unrestricted Checking	140,000	
51-2720	Bond Anticipation Notes Payable		140,000
To record temporary loans taken in anticipation of bond issue			

33. The proceeds of the temporary loan are recorded as an "other financing source."

51-1932	Amounts to be Provided for Payment of Notes Payable	140,000	
51-1922	Other Financing Sources		140,000
To record other financing sources related to temporary loans taken			

34. The treasurer issues the authorized serial bonds in connection with the sewer betterment project.

51-1040	Cash - Unrestricted Checking	230,000	
51-2800	Bonds Payable - Inside the Debt Limit		230,000

To record the serial bond issue

(Note that no revenue or source of revenue is recognized.)

35. Temporary loans are repaid together with the interest due.

51-2720	Bond Anticipation Notes	230,000	
51-2920	Expenditures	10,000	
51-1040	Cash - Unrestricted Checking		240,000
To record the payment of temporary loan from warrant #			

36. The repayment of Temporary Loans is recorded as an 'other financing use.'

51-2922	Other Financing Use of Funds	230,000	
51-1929	Amounts to be Provided for Payment of Notes		230,000
To record other financing uses related to the payment of temporary loans			

Subsidiary ledger entry for #28A and #26B entries above would be:

51-5920	Payment of Temporary Loans	230,000	
51-5925	Interest on Temporary Loans	10,000	
51-5000	Subsidiary Expenditure Control		240,000

### ***Encumbrances***

37. Outstanding encumbrances must be cancelled as related vendor invoices are received for work completed on the contract. Payment of the invoice referred to here has been illustrated in entry 18 previously.

51-2933	RESERVE FOR PRIOR YEAR ENCUMBRANCES	30,000	
51-2932	PRIOR YEAR ENCUMBRANCES		30,000
To cancel encumbrances for contract work completed			

### ***Miscellaneous Entries***

The following entries are provided with minimal explanation in order to allow users of the manual to duplicate, through IT" accounts, the balances used in determining the closing entries. No subsidiary entries are provided here although in practice they would be required.

- 39.

51-2931	RESERVE FOR ENCUMBRANCES	6,000	
51-2933	RESERVE FOR PRIOR YEAR'S ENCUMBRANCES		109,000



51-2931	ENCUMBRANCES	6,000
51-2932	PRIOR YEAR ENCUMBRANCES	109,000

To cancel encumbrances for  
contract work completed

40. Additional expenditures are paid.

51-2920	Expenditures	6,000	
51-2921	Prior year's Expenditures	109,000	
51-1040	Cash - Unrestricted Checking		103,500
51-2130	Contracts Payable, IRetained Percentage		11,500

To record the payment of  
additional expenditures

41. Additional collection on assessment receivables are received.

51-1040	Cash - Unrestricted Checking	32,985	
51-1510	Unapportioned Special Assessments		30,000
51-1520	Apportioned Assessments Added to Taxes		2,910
51-1530	Committed Interest Added to Taxes		75

To record the receipt of additional collections

42. Revenue is recognized on collections.

51-1590	Reserve for Uncollected Assessments	32,985	
51-1920	Revenue		32,985

To record revenue on amount collected

### ***Adjusting Entries***

Some municipalities may, at the close of the fiscal year, where the amounts involved are material to the financial statements, make year-end adjusting journal entries to convert the accounting for special assessment revenue from the cash basis to the modified accrual basis. Where this is done, consideration will have to be given to accruing revenues related to both accounts "Apportionments Added to Tax" and 'Apportioned Assessments# Not Yet Due.'" most municipalities should not find it necessary to make these adjustments, however, and this example does not present illustrative entries for them.

**Closing Entries**

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

51-2910	APPROPRIATIONS	13,000	
51-2912	ESTIMATED OTHER FINANCING USES	230,000	
51-1910	ESTIMATED REVENUE		35,000
51-1912	ESTIMATED OTHER FINANCING SOURCES		140,000
51-3190	BUDGETARY FUND BALANCE		68,000

To close the budget for the current year

44. The revenues, other financing sources, expenditures, and other financing uses are closed out to fund balance.

51-1920	Revenues	39,190	
51-1922	Other Financing Sources	140,000	
51-3151	Unreserved fund balance	205,810	
51-2920	Expenditures		16,000
51-2921	Prior Year's Expenditures		139,000
51-2922	Other Financing Uses		230,000

To close the revenues and expenditure  
accounts to unreserved fund balance

45. The portion of fund balance reserved at the close of the prior year for encumbrances is reclassified to unreserved fund balance.

51-3101	Fund Balance Reserved for Encumbrance	139,000	
51-3151	Unreserved Fund Balance		139,000

To restore fund balance reserved for  
encumbrances to unreserved fund balance

**Closing Trial Balance**

51-1040	Cash - Unrestricted Checking	\$ 48,190	
51-1520	Apportioned Assessments Added to Taxes	7,000	
51-1530	Committed Interest Added to Taxes	900	
51-1550	Apportioned Assessments - Not Yet Due	209,900	
51-1570	Suspended Assessments	24,000	
51-1590	Uncollected Special Assessments		\$241,800
51-2800	Bonds Payable Inside the Debt Limit		230,000
51-3151	Undesignated Fund Balance	181,810	
		\$471,800	\$471,800