



A Manual for the

Uniform

Massachusetts

Accounting

System

for: Cities
Towns
Regional School Districts
Special Purpose Districts

BUREAU OF ACCOUNTS
July 2003

CHAPTER 1 - INTRODUCTION	1
Scope and Purpose	1
Presentation	1
Revisions	1
Effective Date	1
GAAP Publications	2
Additional Division of Local Services Publications	2
Division of Local Services Web-site	2
CHAPTER 2 - UNIFORM ACCOUNTING CODES	3
Account Classification	3
Uniform Chart of Accounts	3
Account Coding Structure	3
Illustrative Account Codes	4
Fund Codes/Fund and Group of Accounts Descriptions	4
Governmental Funds	4
Proprietary Funds	5
Fiduciary Funds	5
Account Groups	6
CHAPTER 3 - ASSETS	7
Balance Sheet Accounts	7
Asset Accounts	7
Assets Classification and Account Codes	7
Cash	8
Investments	9
Taxes and Excises Receivable	9
Accounts Receivable	13
Special Assessments Receivable	14
Notes Receivable	16
Accrued Interest Receivable	16
Due from Other Funds	16
Due from Other Governments	18
Other Assets	19
Restricted Assets	21
Property, Plant and Equipment	21
Amounts to be Provided	22
CHAPTER 4 - LIABILITIES	25
Liability Accounts	25
Liability Classification and Account Codes	25
Warrants and Accounts Payable	25
Accrued Payroll and Amounts Withheld	26
Accrued Liabilities	28
Due to Other Funds	29
Due to Other Governments	30
Other Liabilities	31
Matured Debt and Interest Payable	32

Deferred Revenue	32
Notes Payable	37
Capitalized Lease Obligations	37
Bonds Payable.....	38
CHAPTER 5 - FUND EQUITY	39
Fund Equity Accounts.....	39
Fund Equity Classification and Account Codes	39
Net Assets	40
Investment in General Fixed Assets	40
Reserved Fund Balance	40
Unreserved Fund Balance - Designated	45
Unreserved Fund Balance - Undesignated	47
Fund Balance Other - Memoranda	49
Fund Balance Other - Budgetary	50
Fund Balance Other - Actual.....	53
CHAPTER 6 - REVENUE ACCOUNTS	56
Subsidiary Revenue Control	56
Taxes and Excises.....	57
Charges for Services	58
Licenses and Permits.....	60
Federal Revenue	60
State Revenue	61
Other Intergovernmental Revenue.....	62
Special Assessments.....	62
Fines and Forfeits	62
Miscellaneous Revenue.....	63
Other Financing Sources	63
CHAPTER 7 - EXPENDITURE ACCOUNTS	65
Function Classification.....	65
Organizational Responsibility Classification	65
Expenditure Object Classification	65
Functions and Organizational Responsibility	66
General Government	66
Public Safety	68
Education.....	69
Public Works and Facilities	69
Human Services	71
Culture and Recreation	72
Debt Service	72
Intergovernmental Expenditures	73
Unclassified	73
Expenditure Objects	74
Subsidiary Appropriation Control	75
Personal Services	75
Purchase of Services	76

Supplies	79
Intergovernmental	81
Other Charges and Expenses.....	82
Capital Outlay	83
Debt Service	85
Other Financing Uses	85
CHAPTER 8 - BUDGET ENTRIES	86
The Budgetary Process in Massachusetts	86
Integration of Records	87
Control Account.....	88
The Budget Accounts	88
Recording the Budget.....	89
Source Documents	89
Budget Control Worksheets.....	90
Instructions for Preparing Budget Control Worksheet - Appropriations.....	92
Instructions for Preparing Budget Control Worksheet - Local Receipts	93
Instructions for Preparing Budget Control Worksheet - Other Receipts	94
Instructions for Preparing Budget Control Worksheet - Other Amounts to be Raised.....	95
Illustrative Journal Entries	96
General Fund	96
CHAPTER 9 - GENERAL FUND	101
Budget	101
General Fund Accounting	101
Illustrative Journal Entries	102
Opening Entries	102
Expenditures and Other Cash Disbursements.....	104
Supplemental Appropriations.....	108
Transactions and Transfers	108
Revenues.....	113
Other Transactions	126
Special Topics	128
Year-End Transactions	133
Closing Trial Balance	138
CHAPTER 10 - SPECIAL REVENUE FUNDS.....	139
Grants, Entitlements and Shared Revenue	139
School Lunch Fund - Revolving Fund.....	142
Highway Improvement Program - Grant Fund	145
Receipts Reserved for Appropriation	150
Community Preservation Act - Receipts Reserved.....	152
Law Enforcement Trust, Chapter 486 of the Acts of 1984 - Revolving Fund	156
Wetlands Protection Fees, Chapter 287 §54 of the Acts of 1989 - Revolving Fund	158
Offset Receipts Funds	160

Title 5 Betterment Loan Program - Other Special Revenue Fund	161
Gifts and Donations	164
CHAPTER 11 - CAPITAL PROJECTS FUND	166
Budget	166
Capital Project Accounting	166
Illustrative Journal Entries	167
First Year of the Project	169
Second Year of the Project	176
Third Year of the Project	182
CHAPTER 12 - PROPRIETARY FUNDS	184
Proprietary Fund Types	184
Internal Service Funds	184
Capitalization of Interest	184
Electric Light Departments	185
Enterprise Fund Manual	185
Illustrative Journal Entries	186
Opening Entries	187
Memoranda Entries	187
Budgetary Entries	188
Expenditures and Other Cash Disbursements	190
Revenue	192
Grants	198
Construction and Financing of Capital Projects	199
Fixed Assets	200
Other Transactions	201
Special Topics	202
Adjusting Entries	203
Closing Entries	206
Closing Trial Balance	207
CHAPTER 13 - FIDUCIARY FUNDS AND PERMANENT FUNDS	208
Permanent Fund Type	208
Private Purpose Fund Type	210
Other Fiduciary Fund Types	212
Pension Fund	212
Agency Fund	214
CHAPTER 14 - THE CALCULATION OF FREE CASH	216
The Basic Free Cash Calculation	217
Free Cash Calculation in Detail	217
CHAPTER 15 - GENERAL FIXED ASSETS ACCOUNT GROUP AND GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP	219
GFAAG and GLTOAG	219
Amounts to be Provided	219

Uniform Massachusetts Accounting System – July, 2003

Change Pre-GASB 34	219
Accounting	219
Illustrative Journal Entries	220
Opening Entry	220
Memorandum Entries	221
Bond Issues and Payments	221
Closing Trial Balance	222
Illustrative Journal Entries	223
Opening Entry	223
Closing Trial Balance	224
<u>LIST OF APPENDICES</u>	225

CHAPTER 1 - INTRODUCTION

Scope and Purpose

This Manual comprises the Uniform Massachusetts Accounting System (UMAS). The scope of the Manual is the operation of an accounting system for a local governmental entity in Massachusetts. Its purpose is to provide a reference for the City Auditor, Town Accountant or official with similar responsibilities in accounting for financial transactions and reporting results of municipal financial operations. The Manual is based on Generally Accepted Accounting Principles (GAAP), but is written to meet the particular needs of Massachusetts local accounting officials.

Massachusetts General Laws (M.G.L.) Chapter 44, §38 requires the Director of Accounts in the Department of Revenue to prescribe uniform accounting systems for local governmental entities. Accounting for municipally owned electric light plants is prescribed in M.G.L. Chapter 164 and is regulated by the Department of Telecommunications and Energy; accounting for retirement systems is prescribed in M.G.L. Chapter 32 and is regulated by the Public Employment Retirement Administration Commission.

This Manual deals solely with accounting policies. Municipal financial issues such as budgeting or audit procurement are not included. Other publications of the Division of Local Services address such subjects.

Presentation

Much of the information is presented in general journal form to acquaint the Massachusetts Accountant/Auditor with the basic entries to be made. If followed, the Manual will allow the Massachusetts Accountant/Auditor to prepare a Balance Sheet and Schedule A, and will serve as the basis for using the Division's GASB 34 Guide to convert to the government-wide financial statement format.

Revisions

Future revisions will be announced on the Division of Local Services web-site subscription service for downloading. Revised pages will be numbered as "76 - revised February 2004" and additional pages will be numbered as "76A - revised February 2004." A list of revised and new pages will be maintained in *Appendix A* to this Manual.

Effective Date

Accounting standards contained in this Manual are effective for fiscal years beginning on and after July 1, 2003. This Manual supercedes all earlier publications, including exposure drafts.

GAAP Publications

- Codification and original pronouncements of Governmental Accounting and Financial Reporting Standards, published by the Governmental Accounting Standards Board (GASB) (2002-2003);
- Audit and Accounting Guides/Statements of Positions (SOPs) published by the American Institute of Certified Public Accountants (AICPA), especially: “Audits of State and Local Governments (GASB 34 Edition)”, dated, September 1, 2002;
- Governmental Accounting, Auditing, and Financial Reporting, published by the Governmental Finance Officers Association (GFOA) (“The Blue Book”), GAAFR 2002;
- Other publications by these organizations, including Implementation Guides, Concepts Statements and periodicals such as GAAFR Review Newsletter and the Journal of Accountancy.

Additional Division of Local Services Publications

- Laws Relating to Municipal Finance and Taxation (Bulletin No.34, June 2003)
- A Practical Guide for Implementation of GASB Statement 34 for Massachusetts Local Governments;
- Enterprise Fund Manual;
- Developing a Capital Improvements Program: A Guide for Massachusetts Communities;
- Costing Municipal Services: Workbook and Case Study;
- A Guide to Financial Management for Town Officials;
- Municipal Finance Glossary;
- Informational Guideline Releases (IGRs) provide specific policies and procedures to implement new or changed legislation or annual requirements; and
- Bulletins provide policies and procedures necessary to reflect changes due to governmental actions or economic conditions.

Division of Local Services Web-site

All of the publications may be found on our web site at www.Mass.Gov/dls.

James R. Johnson
Director of Accounts

July 2003

CHAPTER 2 - UNIFORM ACCOUNTING CODES

In order to classify each financial transaction, an account classification and coding scheme must be developed. All cities, towns, regional school districts and special purpose districts using UMAS are required to use a standard system for classifying and coding accounting transactions.

Account Classification

Account classification is the arrangement of accounts by a definite scheme. It serves as the basis for budgeting, accounting, reporting and administrative control. UMAS classifies financial data in a three-level, hierarchical fashion as follows:

First Level - Fund Account;
Second Level - Type of Account and Reporting Category; and
Third Level - Subcategories.

For more on these levels, see Account Coding Structure below.

Uniform Chart of Accounts

Classification information must be recorded on the source document. This is done by developing an account coding scheme. The UMAS account coding scheme is called the Uniform Chart of Accounts.

The Uniform Chart of Accounts has been designed to improve the financial reporting, budgeting, accounting and management reporting of local governments in Massachusetts. The Chart provides a comprehensive, flexible and systematic arrangement of accounts for use in classifying and reporting financial transactions.

Account Coding Structure

The Fund account code has three digits; the first digit identifies the fund type and the remaining digits identify specific funds within the fund type. Below, there is a listing of fund codes and a short description of each fund and group of accounts.

The Type of Fund and Reporting Category account code has four digits; the first digit identifies one of the five major types of accounts: "1" Assets, "2" Liabilities, "3" Fund Equity, "4" Revenues, "5" Expenditures. The remaining digits identify the nature of the item (in the case of Assets, Liabilities and Fund Equity), the source of the revenue (in the case of Revenues), the function and organization (in the case of Expenditures). Chapters 3 through 7 of this Manual detail these account codes.

The Subcategory account code may have three or four digits that identify additional detail where the local government desires such detail. For Assets, Liabilities, Fund Equity and Revenue accounts, these codes may be omitted. For Expenditure accounts, this code is used to identify the expenditure object. Expenditure objects are found in Chapter 7 of this Manual.

Illustrative Account Codes

Using the recommended coding discussed above, accounts of each type would be coded as follows:

<u>Account Type</u>	<u>Fund Account Code</u>	<u>Type of Fund and Reporting Category</u>	<u>Subcategory Account Code</u>	<u>Account Title</u>
Assets	001-	1010-	0000	Cash on Hand
Liabilities	001-	2010-	0000	Warrants Payable
Fund Equity	001-	3010-	0000	Net Assets
Revenues	001-	4000-	0000	Restricted Subsidiary Revenue Control
Expenditures	001-	5111-	5150	City Council, Fringe Benefits

The above codes, although illustrated for the General Fund, may be applied to all funds.

Fund Codes/Fund and Group of Accounts Descriptions

Governmental Funds

- 001 General Fund** - Accounts for all financial resources except those required to be accounted for in another fund.
- 200 - 299 Special Revenue Funds** - Account for the proceeds of specific revenue sources (other than those for major capital projects) that are restricted legally to expenditure for specified purposes.
- 300 - 499 Capital Projects Funds** - Account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

500 - 599 Debt Service Funds and Permanent Funds - Debt Service Funds account for the accumulation of resources for, and the payment of, general long term debt principal and interest. In Massachusetts, these funds are only allowed by special legislation.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government or its citizenry).

Proprietary Funds

600 - 689 Enterprise Funds - Account for activities for which a fee is charged to external users for goods or services. Account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes." [GASB 34 and GASB codification 1300.104)

690 - 699 Internal Service Funds - Account for the financing of goods or services provided by one fund, department or agency to other funds, departments, or agencies of the financial reporting entity, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

700 - 799 Pension (and other employee benefit) Trust Funds - Account for assets of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans held by a government in a trustee capacity.

800 - 849 Investment Trust Funds - Account for the external portion of investment pools (including individual investment accounts) reported by the sponsoring government.

- 850 - 899 Private-Purpose Trust Funds** - Account for trust arrangements, including those for escheat property, where principal and income benefit individuals, private organizations, or other governments.
- 900 - 999 Agency funds** - Account for assets held by a government in a purely custodial capacity.

Account Groups

- 010 General Fixed Assets Account Group** - A self-balancing group of accounts established to account for fixed assets of a government not accounted for through specific Proprietary Funds or Trust Funds.
- 050 General Long-Term Obligations Account Group** - A self-balancing group of accounts established to account for the unmatured general long-term debt of a government. The General Long-Term Obligations Account Group is also used to report that portion of the liabilities for claims, judgments, compensated absences, and unfunded pension contributions of governmental funds and certain Fiduciary Funds not expected to be liquidated through the use of expendable, available financial resources.

CHAPTER 3 - ASSETS

Balance Sheet Accounts

The balance sheet accounts include accounts for assets, liabilities, and fund equity, as well as the control accounts for revenue and expenditures. The balance sheet accounts also include certain budgetary and memorandum accounts. The word "budgetary" or "memorandum" has been inserted in parentheses after these accounts in the fund equity section in order to clearly distinguish them.

The following chapters present balance sheet accounts.

- Chapter 3 - Assets
- Chapter 4 - Liabilities
- Chapter 5 - Fund Equity

Asset Accounts

All asset accounts are prefaced with a "1", (e.g. General Fund, Cash on Hand: 001-1010). Since all numbers in a range are not assigned, local units of government that wish additional detail may obtain it by using unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

Assets Classification and Account Codes

<u>Subheading</u>	<u>Codes</u>
• Cash	1000 - 1099
• Investments	1100 - 1199
• Taxes and Excises Receivable	1200 - 1299
• Accounts Receivable	1300 - 1399
• Special Assessments Receivable	1400 - 1499
• Notes Receivable	1500 - 1549
• Accrued Interest Receivable	1550 - 1599
• Due from Other Funds	1600 - 1699
• Due from Other Governments	1700 - 1799
• Other Assets	1800 - 1899
• Restricted Assets	For financial reporting only
• Property, Plant and Equipment	1900 - 1989
• Amounts to be Provided	1990 - 1999

A summary table of all asset accounts and account codes is found in Appendix B to this Manual.

Cash

- 1010 Cash on Hand - The amount of currency, checks, money orders, and bank drafts in the possession of an official or agent designated as the custodian of those funds. The account would generally be used only at year-end.

DEBIT - at year-end, with the amount of cash on hand and awaiting processing

CREDIT - when the cash is processed by the Collector and/or Treasurer

- 1020 Petty Cash - A sum of money, either in the form of currency or a special bank deposit, which is set aside to cover small purchases. At certain intervals, an itemized voucher is submitted for the amount of disbursements made from Petty Cash. The disbursements are charged to the fund or funds, which purchased the items. The total of petty cash plus unreplenished disbursements must always equal the fixed sum of cash set aside (called the imprest concept). Separate Petty Cash accounts should be set up for each fund or department that uses one.

DEBIT - when the fund is originally established, or when increased

CREDIT - when the fund is decreased, or eliminated

- 1040 Cash - Unrestricted - The balance of all demand deposit accounts in a bank or similar depository, which is immediately available for general operating activities.

DEBIT - when cash is deposited or transferred from any other general ledger cash account

CREDIT - when cash is paid or transferred to any other general ledger cash account

- 1060 Cash - Restricted - The balance of all demand deposit accounts a bank or similar depository which is restricted to one or more specific uses.

DEBIT - when cash is deposited or transferred from any other general ledger cash account

CREDIT - when cash is paid or transferred to any other general ledger cash account

Investments

Note: Many Accountants adjust the investments to reflect their market value annually.
See Revenue account 4890, Gain or Loss in Investment Portfolio.

1110 Short Term Investments - The purchase price of investments.

DEBIT - with the full cost of the investment when made

CREDIT - with the original cost of the investment when redeemed

1185 Unamortized Premiums on Bonds - The unamortized portion of the amount paid for bonds over their face value. If the market value of bonds, on the date of donation, was greater than the face value, the difference would be posted to this account.

DEBIT - with the premium amount when the premium is received on the purchase of the security

- when a bond is donated with a market value greater than the face value

CREDIT - when the premium is amortized over time

1186 Unamortized Discounts on Bonds (Credit) - The unamortized portion of the amount paid for bonds less than their face value.

DEBIT - when the discount is amortized over time

CREDIT - with the discount amount when the bond is sold at less than face value

- when a bond is donated with a market value less than the face value

1190 Long Term Investments - The cost of any long-term investments purchased for investment or the market value of donated investments at the time they are donated.

DEBIT - with the initial cost (market value of donated stocks)

CREDIT - with the initial cost (market value at the time of liquidation for donated securities)

Taxes and Excises Receivable

Note: For many of these accounts, the balances should be maintained by year of levy.

- 1210 Personal Property Taxes Receivable - The uncollected amount of personal property taxes committed for collection. Separate accounts should be established by year of levy.

DEBIT - when the taxes are committed by the Assessors or when refunds are issued for overpayment

CREDIT - when payments are received or when abatements are issued

- 1220 Real Estate Taxes Receivable - The uncollected amount of real estate taxes committed for collection. Separate accounts should be established by year of levy.

DEBIT - when the taxes are committed by the Assessors

- when refunds are issued for overpayments

- when tax liens are rescinded

CREDIT - when payments are received

- when abatements are issued

- when tax liens are taken

- 1230 Allowance for Abatements and Exemptions (Credit) - The unused portion of amounts provided in the tax levy for abatements and exemptions. This account is also known as "Overlay." Abatements resulting in refunds should be accounted for in the same manner as overpayments of taxes. Separate accounts should be established by year of levy.

DEBIT - when abatements or exemptions are issued by the Assessors

- when the Assessors declare surplus amounts

CREDIT- when the tax rate is certified with the amount provided for abatements and exemptions

- at year end if a debit balance remains, to transfer the deficit to account 3594, Unreserved Fund Balance - Unprovided Abatements and Exemptions

- 1240 Tax Liens Receivable - The uncollected amount of real estate taxes, special assessments, and utility liens added to taxes which became delinquent and which, along with their respective interest and other charges, were transferred to liens. Separate accounts should be established by year of levy.

DEBIT - when the property involved is lienied by the Collector

- when refunds are issued for overpayments

CREDIT - when payments are received

- when accounts are foreclosed

- when abatements or exemptions are granted

- when liens are disclaimed

- 1250 Property Tax Receivable - Community Preservation Act - The uncollected amount of Community Preservation Act taxes committed for collection.

DEBIT - when Community Preservation Act taxes are committed by the Assessors

CREDIT - when Community Preservation Act payments are received

- 1251 Estimated Personal Property Taxes Receivable - The uncollected amount of estimated personal property taxes committed for collection.

DEBIT - when estimated personal property taxes are committed by the Assessors

CREDIT - when payments are received

- 1252 Estimated Real Estate Taxes Receivable - The uncollected amount of estimated real estate taxes committed for collection.

DEBIT - when estimated real estate taxes are committed by the Assessors
- when taxes are billed in advance

CREDIT - when payments are received

- 1253 Deferred Property Tax Receivable - Taxes receivable from owners of real property that have entered into a tax deferral and recovery agreement with the Board of Assessors (M.G.L. Ch 59, §5).

DEBIT - annually, with the amount of the taxes for the properties covered by such agreements

CREDIT - when recovery is made (normally, when a property is sold or ownership is otherwise transferred)

- 1254 Taxes Receivable in Litigation - The uncollected amount of real estate and personal property taxes, which are the subject of court action.

DEBIT - when the suit is filed with the full amount of the taxes, interest, and charges owed

- when refunds are issued for overpayment

CREDIT - when payments are received
- when abatements are issued

- 1255 Unbilled Real and Personal Property Taxes Receivable - The estimated unbilled property taxes receivable at year-end. This is a temporary asset account to be used in those cases where a community has not had its tax rate approved by year-end.

DEBIT - at year end in the amount of the estimated property tax levy

CREDIT - when the actual levy is committed

- 1260 Motor Vehicle Excise Receivable - The uncollected amount of motor vehicle excise committed for collection. Separate accounts should be established by year of levy.

DEBIT - when the excises are committed by the Assessors

- when refunds are issued for overpayments

CREDIT - when payments are received or when abatements are issued

- 1270 Boat Excise Receivable - The uncollected amount of boat excise committed for collection. Separate accounts should be established by year of levy.

DEBIT - when the excise is committed by the Assessors

- when refunds are issued for overpayments

CREDIT - when payments are received

- when abatements are issued

- 1280 Farm Animal Excise Receivable - The uncollected amount of farm animal excise committed for collection. Separate accounts should be established by year of levy.

DEBIT - when the tax is committed by the Assessors

- when refunds are issued for overpayments

CREDIT - when payments are received

- when abatements are issued

- 1290 Classified Forestlands Tax Receivable - The uncollected amount of classified forestland tax committed for collection. Separate accounts should be established by year of levy.

DEBIT - when the tax is committed by the Assessors

- when refunds are issued for overpayments

CREDIT - when payments are received

- when abatements are issued

- 1299 Allowance for Uncollectible Excises (Credit) - The portion of net excises receivable (the total of accounts 1260 through 1298) which are estimated to be uncollectible. This account is a valuation account which is necessary for proper financial statement presentation and is set up at the time of closing and reversed in the subsequent period.

DEBIT - when the original entry is reversed to open the subsequent period

CREDIT - at period end with the estimated uncollectible excises

Accounts Receivable

- 1310 User Charges Receivable - Amounts owed to the local unit for services provided directly to users. Typically, they will be used primarily by Enterprise Funds. Most local units should use a single account (e.g., 1310) with segregation provided by fund.

DEBIT - when the bills are committed by the responsible official(s)

- when refunds are issued for overpayments

CREDIT - when payments are received

- when abatements are issued

- when delinquent amounts are transferred to Utility Liens Added to Taxes

- 1320 Other Service Receivables - The amount of any other municipal service receivables which have become due but have not yet been collected or abated and which are neither direct user charges nor departmental receivables.

DEBIT - when the bills are committed by the responsible official(s)

- when refunds are issued for overpayments

CREDIT - when payments are received

- when delinquent accounts are abated

- when delinquent amounts are transferred to Utility Liens Added to Taxes

- 1330 Utility Liens Added to Taxes - The amount of unpaid utility billings, which have become delinquent and have therefore been added to taxes. Separate accounts should be established by year of levy.

DEBIT - when delinquent amounts are added to taxes

- when refunds are issued for overpayments

CREDIT - when payments are received

- when abatements are issued

- when delinquent amounts are transferred to Tax Liens Receivable

- 1340 Departmental Receivables - The uncollected amount of any departmental receivables, other than those pertaining to Enterprise Funds, committed to the Collector by the various departments for collection. Separate accounts would normally be established by department.

DEBIT - when the bills are committed by the responsible official(s)
- when refunds are issued for overpayments

CREDIT - when payments are received
- when delinquent accounts are abated

- 1399 Allowance for Uncollectible Receivables (Credit) - The portion of accounts receivable (the total of accounts 1300 through 1398) which are estimated to be uncollectible. This account is a valuation account which is necessary for proper financial statement presentation and is set up at the time of closing and reversed in the subsequent period.

DEBIT - when the original entry is reversed to open the subsequent period
CREDIT - at period end with the estimated uncollectible amounts

Special Assessments Receivable

Note: For many of these accounts, the balances should be maintained by year of levy.

- 1410 Unapportioned Special Assessments - The costs incurred on completed special projects that have been assessed to the benefited taxpayers and which have not yet been paid, abated, suspended, deferred or apportioned.

DEBIT - when committed by the Assessors
- when refunds are issued for overpayments

CREDIT - when payments are received
- when assessments are apportioned, suspended, or deferred
- when abatements are issued

- 1420 Apportioned Assessments Added to Taxes - The uncollected amount of apportioned or suspended assessments that have become due and added to taxes. Separate accounts should be established by year of levy.

DEBIT - when committed by the Assessors
- when refunds are issued for overpayment

CREDIT - when payments are received
- when abatements are issued
- when delinquent accounts are transferred to Special Assessments Tax Lien

- 1430 Committed Interest Added to Taxes - The interest committed for collection on special assessments. Separate accounts should be established by year of levy.

DEBIT - when committed by the Assessors

- when refunds are issued for overpayment

CREDIT - when payments are received

- when abatements are issued

- when delinquent accounts are transferred to Special Assessments Tax Lien

- 1440 Apportioned Assessments, Not Yet Due - The amounts of unapportioned assessments that have been apportioned or deferred over a series of future years in accordance with M.G.L. Ch. 80, §13. They should be segregated by the year due and by project.

DEBIT - when apportioned by the Assessors

CREDIT - when committed for collection in the current fiscal year

- when abatements are issued

- when apportioned assessments paid in advance are allocated to the current fiscal year

- 1460 Suspended Assessments - The amount of unapportioned assessments that have been suspended or deferred to a specific future year. They should be segregated by the year due and by project.

DEBIT - when the unapportioned assessments are suspended

CREDIT - when suspended assessments are committed for collection

- when payments are received

- when abatements are issued

- 1470 Special Assessments Tax Liens - Liened special assessments including interest and penalties.

DEBIT - when liens are taken

CREDIT - when payments are received

- when liens are disclaimed

- 1499 Allowance for Uncollectible Special Assessments - The portion of net special assessments receivable (the total of accounts 1410 through 1498) which are estimated to be uncollectible. This account is a valuation account which is necessary for proper financial statement presentation and is set up at the time of closing and reversed in the subsequent period.

DEBIT - when the original entry is reversed to open the subsequent period

CREDIT - at period end with the estimated uncollectible special assessments

Notes Receivable

- 1510 Notes Receivable - An unconditional written promise signed by the maker, to pay a certain sum in money on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein. Notes receivable may be held by a government as designated payee or by endorsement.

DEBIT - when the note is accepted

CREDIT - when payments are received

Accrued Interest Receivable

- 1550 Accrued Interest Receivable - The amount of interest on any investment or bank account, which has been earned but has not yet been received. The accrual is normally calculated and recorded only at fiscal year end for financial reporting, but may also be done for interim reporting.

DEBIT - at period end with the amount accrued

CREDIT - when the original entry is reversed to open the subsequent period
when the interest is actually received

Due from Other Funds

Note: If separate "Due Froms" are desired for each Proprietary Fund, they should be numbered 1660 through 1679. "Due Froms" are used most frequently by local units who have "Pooled Cash" or "Central Depository" accounts.

- 1601 Due From General Fund - Amounts owed to the fund by the General Fund. The interfund receivable may arise as the result of advances made, services rendered, operating transfers or subsidies due. An equal offsetting liability must exist in the General Fund.

DEBT - when the underlying transaction is authorized or approved

CREDIT - when payments are received from the General Fund

- 1610 Due From Special Revenue Funds - Amounts owed to the fund by any Special Revenue Funds. The interfund receivable may arise as the result of services rendered or operating transfers due. An equal offsetting liability must exist in the appropriate Special Revenue Fund.

DEBIT - when the underlying transaction is authorized or approved

CREDIT - when payments are received from the Special Revenue Funds

- 1630 Due From Capital Projects Funds - Amounts owed to the fund by any of the Capital Projects Funds. The interfund receivable may arise as the result of services rendered or operating transfers due. An equal offsetting liability must exist in the appropriate Capital Projects Fund.

DEBIT - when the underlying transaction is authorized or approved

CREDIT - when payments are received from the Capital Projects Funds

- 1660 Due From Proprietary Funds - Amounts owed to the fund by any of the Proprietary Funds. The interfund receivable may arise as the result of services rendered, or operating transfers due. An equal offsetting liability must exist in the appropriate Proprietary Fund.

DEBIT - when the underlying transaction is authorized or approved

CREDIT - when payments are received from the Proprietary Funds

- 1680 Due From Permanent, Private Purpose Trust, Pension and Agency Funds - Amounts owed to the fund by any of the Permanent, Private Purpose Trust and Agency Funds. The interfund receivable may arise as the result of services rendered, or operating transfers due. An equal offsetting liability must exist in the appropriate Permanent, Private Purpose and Agency Fund.

DEBIT - when the underlying transaction is authorized or approved

CREDIT - when payments are received from the Permanent, Private Purpose Trust and Agency Funds

Due from Other Governments

- 1710 Due From Federal Government - Amounts due from the federal government for grants, contributions, shared revenue, services rendered, or other monetary transfers to the local unit of government.

DEBIT - when grants are awarded by the federal government

- when non-grant amounts due from the federal government are recognized

- when increases in grant awards or other amounts due are recognized

CREDIT - when payments are received

- when decreases in grant awards or other amounts due are recognized

- 1720 Due From Commonwealth of Massachusetts - Amounts due from the Commonwealth for grants, contributions, shared revenue, services rendered, or other monetary transfers to the local government. This account would be used for School Building Assistance (SBA) payments. Payments due during the current fiscal year should be segregated from payments due in future years.

DEBIT - when grants are awarded by the Commonwealth

- when non-grant amounts due from the Commonwealth are recognized

- when increases in grant awards or other amounts due are recognized

CREDIT - when payments are received

- when decreases in grant awards or other amounts due are recognized

- 1730 Due From County - The balance of this account reflects amounts due from a county for grants, contributions of capital, shared revenue, services rendered, or other monetary transfers to the local government.

DEBIT - when grants are awarded by the county

- when non-grant amounts due from the county are recognized

- when increases in grant awards or other amounts due are recognized

CREDIT - when payments are received

- when decreases in grant awards or other amounts due are recognized

- 1740 Due From Municipalities - This account is most frequently used by regional organizations such as school districts. It is also used by municipalities, which provide shared services such as a health officer. Its balance reflects amounts due from assessments, grants, contributions of capital, shared revenue, services rendered, or other monetary transfers.

DEBIT - when non-grant amounts due from municipalities are recognized
- when increases in amounts due are recognized

CREDIT - when payments are received
- when decreases in amounts due are recognized

- 1790 Due From Other Government Units - Amounts due from other governmental units not included above. This account is also used when the volume of transactions is so minimal that it is not necessary to create separate accounts.

DEBIT - when grants are awarded by the other government units
- when non-grant amounts due from the other government units are recognized
- when increases in grant awards or other amounts due are recognized

CREDIT - when payments are received
- when decreases in grant awards or other amounts due are recognized

Other Assets

- 1810 Inventories for Consumption - The cost of items purchased for ordinary maintenance or supply functions that have not been charged to a specific job, project, department, or other expense account.

DEBIT - when inventory items are purchased

CREDIT - when the items are used or otherwise removed from inventory

- 1830 Inventories for Resale - The cost of items which have been purchased with the intent to resell rather than for use in local operations. Typically, this account will be used in educational, recreational, and enterprise activities.

DEBIT - when inventory items are purchased

CREDIT - when the items are sold or otherwise removed from inventory

- 1850 Prepaid Expenses - Amount of expenditures made for benefits not yet received. Prepaid expenses include such items as rents paid in advance, prepaid interest, and unexpired insurance premium.

DEBIT - when the disbursement is made

CREDIT - when the prepaid expenses are amortized at period end

- 1860 Travel and Payroll Advances - The amount of travel and payroll advances made to employees.

DEBIT - when the funds are advanced

CREDIT - when the funds are repaid. For travel advance the amount of the advance will be deducted from any amount due to the employee.

- when a travel voucher is submitted if the advance exceeds the actual travel reimbursement

- 1870 Deposits - To record any deposits which must be made by the local unit of government to vendors who require guarantee deposits. For example, some utilities and insurance companies require deposits.

DEBIT - when the deposit is made

CREDIT - when the deposit is returned or forfeited

- 1880 Tax Foreclosures - The balance of taxes, interest and fees on properties which have been foreclosed for non-payment of taxes.

DEBIT - when the foreclosure documents are filed with the amount of tax liens, interest, and fees due

CREDIT - when the foreclosed property is sold with the amount due

- when a foreclosure is disclaimed

- 1890 Other Assets - For miscellaneous assets not detailed elsewhere in the asset section of the Chart of Accounts.

DEBIT - when the asset is acquired

CREDIT - when the asset is used or disposed

Restricted Assets

This subheading is used for financial reporting only. As a result, no numbers are reserved for it in the Chart of Accounts.

Property, Plant and Equipment

1910 Land - The cost of purchase, or fair market value at the date of receipt if acquired by gift, of all land acquired by the unit. Land cost includes legal fees, land surface leveling, debris removal, and other costs necessary to place the land in service.

DEBIT - with the cost of acquisition, or fair market value if acquired by gift

CREDIT - with the recorded value of any land when sold or otherwise disposed of

1920 Buildings - The cost of purchase or construction, or fair market value at the date of receipt if acquired by gift, of all buildings placed in use. Building costs include architectural fees and interest expenditures during the construction period in addition to the cost of all fixtures attached to and forming a permanent part of such buildings.

DEBIT - with the cost of acquisition or construction, or fair market value if acquired by gift

CREDIT - with the recorded value of any buildings sold or otherwise disposed of

1929 Accumulated Depreciation - Buildings (Credit) - The depreciation accumulated to date on buildings.

DEBIT - with the accumulated balance for any buildings sold or otherwise disposed of

CREDIT - with the annual provision for depreciation on buildings

1930 Plant - The costs of all structures, either constructed or purchased, or if acquired by gift, the fair market value, at the date of receipt, which are not properly classified to buildings (water treatment plants, pumping stations, electricity generating facilities).

DEBIT - with the cost of acquisition or construction, or fair market value, if acquired by gift

CREDIT - with the recorded value of any plants sold or otherwise disposed of

- 1939 Accumulated Depreciation - Plant (Credit) - The depreciation accumulated to date on plants.

DEBIT - with the balance accumulated to date on any plant sold or otherwise disposed of

CREDIT - with the annual provision for depreciation on plant

- 1940 Machinery and Equipment - The cost of purchase, or fair market value at the date of receipt, if acquired by gift, of major items of equipment acquired by the unit. Machinery and equipment cost includes the cost of installation.

DEBIT - with the cost of acquisition or construction, or fair market value, if acquired by gift

CREDIT - with the recorded value of such equipment sold or otherwise disposed of

- 1949 Accumulated Depreciation - Machinery and Equipment (Credit) - The depreciation accumulated to date on machinery and equipment.

DEBIT - with the accumulated balance for any machinery and equipment sold or otherwise disposed of

CREDIT - with the annual provision for depreciation on machinery and equipment

- 1950 Construction in Progress - The cost of construction work undertaken, but not yet completed. When a project is completed, its cost is transferred from this account to the applicable fixed asset accounts.

DEBIT - with the cost incurred on construction projects started but not completed

CREDIT - with the completed cost of the project when the assets are transferred to the appropriate fixed asset account

Amounts to be Provided

This subheading is used only in the General Long-Term Obligation Account Group (although GASB 34 eliminates this group, these accounts are provided if the Accountant/Auditor wants to account for these amounts) and includes:

- 1991 Amounts to be Provided for Judgments and Claims Payable - The amount to be provided from future financial resources for the payments of judgments and claims.

DEBIT - when the amount of the judgment or claim can be reasonably estimated as to amount and ultimate payment

- at year-end for any increase in the liability

CREDIT - at year end for any decrease in the liability

- 1992 Amounts to be Provided for Accrued Sick, Vacation and Other Compensated Absences - The amount to be provided from future financial resources for the payments of accrued sick, vacations and other compensated absences.

DEBIT - when the amount of liability for accrued sick, vacation, and other compensated absences is recorded

- at year end for any increase in the liability

CREDIT - at year end for any decrease in the liability

- 1993 Amounts to be Provided for Accrued Retirement Costs - The amount to be provided from future financial resources for the payments of retirement costs.

DEBIT - when the amount of liability for accrued retirement cost is recorded

- at year end for any increase in the liability

CREDIT - at year end for any decrease in the liability

- 1994 Amounts to be Provided for Payment of Bond Anticipation Notes Payable - The amount of temporary borrowings in anticipation of bonds for which all legal steps have been taken to permanently refinance.

DEBIT - when the bond anticipation note payable is issued

CREDIT - when the permanent borrowing is issued

- 1995 Amounts to be Provided for Payment of Capitalized Leases - The amount to be provided from future financial resources for the payments of capitalized leases.

DEBIT - when the amount to be capitalized is determined at the inception of the lease

CREDIT - when installment payments are made

- 1996 Amounts to be Provided for Payment of Bonds - The amount which must be provided from taxes or other revenue to pay the principal on outstanding debt reflected in the General Long-Term Obligations Group of Accounts.

DEBIT - when the debt is issued, with the principal amount

CREDIT - at the start of the year, with amounts raised in the tax levy for payment of principal on long-term debt
- when any long-term debt not yet due is retired

- 1997 Amounts to be Provided, State (Ch. 70B) - This account represents the balance of amounts due from the Commonwealth of Massachusetts for reimbursement of school project construction costs to be utilized in the repayment of principal.

DEBIT - when bonds are issued, with the distribution agreed to by the Commonwealth

CREDIT - when amounts are received from the Commonwealth

CHAPTER 4 - LIABILITIES

Liability Accounts

All liability accounts are prefaced with a “2”, (e.g. General Fund, Warrants and Accounts Payable 001-2010). Since all numbers in a range are not assigned, local units of government that wish additional detail may obtain it by using unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

Liability Classification and Account Codes

<u>Subheading</u>	<u>Codes</u>
• Warrants and Accounts Payable	2000 - 2099
• Accrued Payroll and Amounts Withheld	2100 - 2199
• Accrued Liabilities	2200 - 2299
• Due to Other Funds	2300 - 2399
• Due to Other Governments	2400 - 2499
• Other Liabilities	2500 - 2589
• Matured Debt and Interest Payable	2590 - 2599
• Deferred Revenue	2600 - 2699
• Notes Payable	2700 - 2799
• Capitalized Lease Obligations	2800 - 2899
• Bonds Payable	2900 - 2999

A summary table of all liability accounts and account codes is found in Appendix C to this Manual.

Warrants and Accounts Payable

2010 Warrants Payable - Amounts owed for goods and services received which have been reviewed, approved for payment, and entered on a disbursement warrant, but which have not yet been disbursed.

DEBIT - when the approved disbursement warrants are paid

CREDIT - when the warrant is approved

- 2020 Accounts Payable - Approved amounts owed to outside vendors for goods and services received by the local unit of government which have not yet been entered on an approved warrant. It is typically used at period end only.

DEBIT - when approved vouchers are entered on an approved disbursement warrant

CREDIT - with invoices reviewed and fully approved for payment

- 2050 Contracts Payable, Retained Percentage - A portion of amounts billed on construction contracts which have not been paid pending final inspection and approval of the project. A town (but not a city or town with a town council form of government) may adopt by local option to allow Planning Boards with the Selectmen's approval to expend up to \$100,000 of this account without prior appropriation to complete the unfinished work of the contractor.

DEBIT - when the retainage is paid

- when a final legal decision is made to not pay the retainage due to contractor failure to perform

CREDIT - when a contractor's invoice is approved with the amount to be retained

Accrued Payroll and Amounts Withheld

- 2110 Accrued Payrolls Payable - Amounts owed to employees for work recorded and approved on payroll input documents for the current period, but which have not been recorded on approved warrants for that same period. Normally, this account would be used only at year-end.

DEBIT - when the payroll is warranted or when the entry is reversed

CREDIT - when the estimated payroll is recorded and approved

- 2120 Federal Income Tax Withholdings Payable - The amounts withheld from employees' payrolls for federal income tax which have not as yet been remitted to the federal government.

DEBIT - when the withholdings are remitted

CREDIT - when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2130 State Income Tax Withholdings Payable - The amounts withheld from employees, payrolls for state income tax which have not as yet been remitted to the Commonwealth.

DEBIT - when the withholdings are remitted

CREDIT - when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2140 Retirement Withholdings Payable - The amounts withheld from employees' payrolls for employee retirement contributions, which have not as yet been remitted to a retirement fund or other custodians of such funds.

DEBIT - when the withholdings are remitted

CREDIT - when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2150 Insurance Withholdings Payable - The amounts withheld from employees' payrolls for insurance premiums, which have not as yet been remitted to the insurer.

DEBIT - when the withholdings are remitted

CREDIT - when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2160 Charitable Contributions Withholdings Payable - The amounts withheld from employees, payrolls for charitable contributions, which have not as yet been remitted to the designated charity or charities.

DEBIT - when the withholdings are remitted

CREDIT - when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2170 Union Dues Withholdings Payable - The amounts withheld from employees' payrolls for union dues, which have not as yet been remitted to the various unions.

DEBIT - when the withholdings are remitted

CREDIT - when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2180 Employee Savings Withholdings Payable - The amounts withheld from employees' payrolls for savings plans, which have not as yet been remitted to the appropriate financial institution.

DEBIT - when the withholdings are remitted

CREDIT - when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2190 Other Payroll Withholdings Payable - The amounts withheld from employees' payrolls which have not as yet been remitted to the appropriate agency and which are not properly classified to any of the above accounts.

DEBIT - when the withholdings are remitted

CREDIT - when the withholdings are reported on the Treasurer's Report of Receipt of Cash

Accrued Liabilities

- 2210 Accrued Judgments Payable - Judgments and claims against the local unit which are probable of resulting in losses that can be reasonably estimated.

DEBIT - when the item is actually presented for payment

CREDIT - when the amount of the judgment or claim can be reasonably estimated as to amount and ultimate payment

- 2220 Accrued Liabilities - Expenses which have been incurred but have not yet been vouchered or warranted. Amounts accrued as of the end of a period for the employer's share of payroll taxes, interest and related amounts would be recorded in the account.

DEBIT - when the expenses accrued are vouchered or warranted

CREDIT - at period end with the amount of expense incurred

- 2230 Accrued Sick, Vacation and Compensated Absences - The accumulated value of vacation, sick leave and other compensated absences which have been earned and vested.

DEBIT - at year end with any decrease to the liability

CREDIT - when the amount of liability for accrued sick, vacation, and other compensated absences is recorded
- at year-end with any increases in the liability

- 2240 Accrued Retirement Costs - The accumulated value of retirement costs, which have been earned and vested.

DEBIT - at year end with any decrease to the liability

CREDIT - when the amount of the liability for accrued retirement costs is recorded at year end with any increases in the liability

Due to Other Funds

- 2301 Due To General Fund - Amounts owed to the General Fund. The interfund payable may arise as the result of advances made, services received or operating transfers due. An equal offsetting asset must exist in the General Fund.

DEBIT - when the debt is repaid to the General Fund

CREDIT - when the underlying transaction is authorized or approved

- 2310 Due To Special Revenue Funds - Amounts owed to any of the Special Revenue Funds. The interfund payable may arise as the result of services received, or operating transfers due. An equal offsetting asset must exist in the appropriate Special Revenue Fund.

DEBIT - when the debt is repaid to the Special Revenue Fund

CREDIT - when the underlying transaction is authorized or approved

- 2330 Due To Capital Projects Funds - Amounts owed to any of the Capital Projects Funds. The interfund payable may arise as the result of services received, or operating transfers due. An equal offsetting asset must exist in the appropriate Capital Projects Fund.

DEBIT - when the debt is repaid to the Capital Projects Fund

CREDIT - when the underlying transaction is authorized or approved

- 2350 Due to Permanent Funds - Amounts owed to any of the Permanent Funds. The interfund payable may arise as a result of services received, operating transfers, or subsidy due. An equal offsetting asset must exist in the appropriate Permanent Fund.

DEBIT - when the debt is repaid to the Permanent Fund

CREDIT - when the underlying transaction is authorized or approved

- 2360 Due To Proprietary Funds - Amounts owed to any Proprietary Fund. The interfund payable may arise as the result of services received, operating transfers, or subsidy due. An equal offsetting asset must exist in the appropriate Proprietary Fund.

DEBIT - when the debt is repaid to the Proprietary Fund

CREDIT - when the underlying transaction is authorized or approved

- 2380 Due To Private Purpose Trust, Pension and Agency Funds - Amounts owed to any of the Private Purpose Trust, Pension and Agency Funds. The interfund payable may arise as the result of services received, or operating transfers due. An equal offsetting asset must exist in the appropriate Trust and Agency Fund.

DEBIT - when the debt is repaid to the Private Purpose Trust, Pension and Agency Fund

CREDIT - when the underlying transaction is authorized or approved

Due to Other Governments

- 2410 Due To Federal Government - Amounts due to the federal government for services rendered.

DEBIT - when the amounts owed are paid to the federal government

CREDIT - when the service is rendered

- 2420 Due To Commonwealth of Massachusetts - Amounts due to the Commonwealth by the local unit for services rendered or fees collected, not payroll withholdings. For example, the state Wildlife Fund.

DEBIT - when the amounts owed are paid to the Commonwealth

CREDIT - when the service is rendered

- when the fee is collected

- 2430 Due To County - Amounts due to the county by the local unit for services rendered or fees collected.

DEBIT - when the amounts owed are paid to the county

CREDIT - when the service is rendered

- when the fee is collected

- 2440 Due To Municipalities - Amounts due to municipalities by the local unit for services rendered or taxes collected.

DEBIT - when the amounts owed are paid to municipalities

CREDIT - when the service is rendered
- when the tax is collected

- 2490 Due To Other Governmental Units - Amounts due to other governmental units (e.g., a regional school district) for services rendered or taxes collected, other than payroll withholdings.

DEBIT - when the amounts owed are paid to other government units

CREDIT - when the service is rendered
- when the tax is collected

Other Liabilities

- 2510 Undistributed Receipts - Cash, which has been collected but not classified as of fiscal year end. This is a suspense account and should be cleared out for year-end reporting purposes.

DEBIT - when amounts received are reclassified to the appropriate accounts

CREDIT - at year end with the amount of undistributed receipts on hand

- 2520 Abandoned Property, Tailings and Unclaimed Items - The total amount of old uncashed checks, bonds, and coupons as well as other abandoned property.

DEBIT - when the unclaimed item is redeemed

- when unclaimed amounts are taken into the general fund after 5 years
- when the abandoned property is taken in revenue under M.G.L. Ch. 200A, §9A

CREDIT - when it becomes reasonably certain that the item will not be claimed, usually six months after the item's issue date

- 2530 Excess on Sale of Land of Low Value - The amount owed delinquent taxpayers after foreclosed property has been sold for a sum in excess of the total tax liability (tax, interest, and charges).

DEBIT - when the excess amount is paid to the former owner

- when the excess amount is recognized as revenue in accordance with the provisions of law

CREDIT - when the foreclosed property is sold with the amount of proceeds in excess of the tax liability

2550 Deposits Held to Guarantee Payment - Guarantee deposits received by the local unit of government (e.g. consumer deposits to guarantee payment of utility bills).

DEBIT - when the deposit is returned

- when the deposit is forfeited

CREDIT - when the guarantee deposit is reported on the Treasurer's Cash Receipts

2580 Other Liabilities - Miscellaneous other liabilities which are not properly classified to any of the above accounts.

DEBIT - when the liability is relieved

CREDIT - when the liability is incurred

Matured Debt and Interest Payable

2590 Matured Debt and Interest Payable - Debt and interest that has matured and not been redeemed at year-end or at an interim date.

DEBIT - at the beginning of the subsequent period to reverse the original entry

CREDIT - at period end with the amount of matured debt and interest unredeemed

Deferred Revenue

Deferred revenues are for assets for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. To segregate intergovernmental deferred revenue, accounts 2670 through 2679 should be used.

- 2610 Deferred Revenue - Real and Personal Property Taxes - Deferred revenue account for accounts 1210 through 1239. It is also the deferred revenue account for estimated taxes (accounts 1251 and 1252), Deferred Property Taxes (1253), Taxes in Litigation (1254), and Unbilled Property Taxes (1255). Detail should be maintained by year of levy.

DEBIT - when the tax rate is certified with the amount provided for abatements and exemptions

- when payments are received
- when the related receivables are reclassified or abated
- when the estimated tax bill entry is reversed
- when estimated uncollectible amounts are recorded at period end
- when the allowances for abatements and exemptions is insufficient and a deficit must be raised

CREDIT - when the taxes are committed

- when estimated tax bills are issued
- when omitted assessments are reported
- when estimated uncollectible entries are reversed
- when a surplus in the allowance for abatements and exemptions is declared by the Assessors
- when refunds are issued for overpayments

- 2622 Deferred Revenue - Tax Liens - Deferred revenue account for account 1240, Tax Liens Receivable.

DEBIT - when payments are received

- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end

CREDIT - when tax liens are issued

- when estimated uncollectible entries are reversed
- when refunds are issued for overpayments

- 2623 Deferred Revenue - Tax Foreclosures - Deferred revenue account for account 1880, Tax Foreclosures.

DEBIT - when the property is sold with the amount due

- when the related receivables are reclassified or disclaimed
- when estimated uncollectible amounts are recorded at period end

CREDIT - when properties are foreclosed

- when estimated uncollectible entries are reversed

2625 Deferred Revenue - Community Preservation Act - Deferred revenue account for account 1250, Property Taxes Receivable - Community Preservation Act.

DEBIT - when payments are received
- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at fiscal year-end
CREDIT - when commitments are made
- when overpayments are refunded
- when estimated uncollectible entries are reversed

2630 Deferred Revenue - Motor Vehicle Excise - Deferred revenue account for accounts 1260 through 1269, Motor Vehicle Excise Receivable.

DEBIT - when payments are received
- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end
CREDIT - when commitments are made
- when overpayments are refunded
- when estimated uncollectible entries are reversed

2641 Deferred Revenue - Boat Excise - Deferred revenue account for accounts 1270 through 1279, Boat Excise Receivable.

DEBIT - when payments are received
- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end
CREDIT - when commitments are made
- when overpayments are refunded
- when estimated uncollectible entries are reversed

2642 Deferred Revenue - Farm Animal Excise - Deferred revenue account for accounts 1280 through 1289, Farm Animal Excise Receivable.

DEBIT - when payments are received
- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end
CREDIT - when commitments are made
- when overpayments are refunded
- when estimated uncollectible entries are reversed

2643 Deferred Revenue - Classified Forestlands - Deferred revenue account for accounts 1290 through 1298, Classified Forestlands Tax Receivable.

DEBIT - when payments are received

- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end

CREDIT - when commitments are made

- when overpayments are refunded
- when estimated uncollectible entries are reversed

2651 Deferred Revenue - User Charges - Deferred revenue account for accounts 1310 through 1319, User Charges Receivable.

DEBIT - when payments are received

- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end

CREDIT - when commitments are made

- when overpayments are refunded
- when estimated uncollectible entries are reversed

2652 Deferred Revenue - Other Services - Deferred revenue account for accounts 1320 through 1329, Other Service Receivables.

DEBIT - when payments are received

- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end

CREDIT when commitments are made

- when overpayments are refunded
- when estimated uncollectible entries are reversed

2653 Deferred Revenue - Utility Liens - Deferred revenue account for accounts 1330 through 1339, Utility Liens Added to Taxes.

DEBIT - when payments are received

- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end

CREDIT - when commitments are made

- when overpayments are refunded
- when estimated uncollectible entries are reversed

2654 Deferred Revenue - Departmental - Deferred revenue account for accounts 1340 through 1398, Departmental Receivables.

- DEBIT - when payments are received
- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end
CREDIT - when commitments are made
- when overpayments are refunded
- when estimated uncollectible entries are reversed

2660 Deferred Revenue - Special Assessments - Deferred revenue account for all of the special assessment accounts receivable 1410 through 1498.

- DEBIT - when payments are received
- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end
CREDIT - when commitments are made
- when overpayments are refunded
- when estimated uncollectible entries are reversed

2670 Deferred Revenue - Intergovernmental - Deferred revenue account for accounts 1700 through 1799, Due from Other Governments.

- DEBIT - when payments are received
- when the related receivables are reclassified or abated
- when estimated uncollectible amounts are recorded at period end
CREDIT - when amounts are billed to the grantor
- when overpayments are refunded
- when estimated uncollectible entries are reversed

2680 Deferred Revenue - Other - Deferred revenue account for any other account deferred.

- DEBIT - when payments are received
- when the related receivables are reclassified or abated
- when estimate uncollectable amounts are recorded at period end
CREDIT - when amounts are billed
- when overpayments are refunded
- when estimated uncollectable entries are reversed

Notes Payable

If multiple Revenue Anticipation Notes Payable accounts are desired, they should be numbered 2710 through 2719.

2710 Revenue or Tax Anticipation Notes Payable - (RANS or TANS) - Amounts owed to banks or other lenders for funds borrowed in anticipation of revenue by a city or in anticipation of taxes by a town.

DEBIT - when the note is repaid

CREDIT - when the note is issued

2720 Bond Anticipation Notes Payable - (BANS) - Amounts owed to banks or other lenders for funds borrowed in anticipation of a bond issue.

DEBIT - when the note is repaid

CREDIT - when the note is issued

2730 Grant Anticipation Notes Payable - (GANS) - Amounts owed to banks or other lenders for funds borrowed in anticipation of reimbursement from federal or state grants.

DEBIT - when the note is repaid

CREDIT - when the note is issued

2790 Other Notes Payable - Amounts owed to banks or other lenders for funds borrowed which do not qualify under any other note payable accounts.

DEBIT - when the note is repaid

CREDIT - when the note is issued

Capitalized Lease Obligations

2810 Capitalized Lease Obligations - The present value of the minimum lease payments during the lease's term.

DEBIT - when installment payments are made

CREDIT - when the amount to be capitalized is determined at the inception of the lease

Bonds Payable

2900 Bonds Payable, Inside Debt Limit - The unpaid portion of serial bond issues which, when issued, were classified as chargeable to the governmental unit's inside debt limit. A separate account should be established for each bond issue. Reporting will be simplified if account numbers are assigned as follows:

2900 to 2907	Sewer (M.G.L., Ch. 44, Sect. 7 (1 and 1A))
2908 to 2911	Street and Sidewalk (M.G.L., Ch. 44, Sect. 7 (4, 5, 6, 7, and 30))
2912 to 2915	Land Acquisition and Public Buildings (M.G.L., Ch. 44, Sect. 7 (3, 3A, 10, 21, and 22))
2916 to 2919	Removal of Asbestos (M.G.L., Ch. 44, Sect. 7 (31))
2920 to 2923	Parks and Recreation (M.G.L., Ch. 44, Sect. 7 (2, 2A, 2B, 23, 25, and 27))
2924 to 2927	Cemeteries (M.G.L., Ch. 44, Sect. 7 (8 and 20))
2928 to 2931	Energy Conservation (M.G.L., Ch. 44, Sect. 7 (3B and 26))
2932 to 2935	Departmental Equipment (M.G.L., Ch. 44, Sect. 7 (9, 9A, 28, and 29))
2936 to 2939	Other (M.G.L., Ch. 44, Sect. 7 (11, 13, 14, 15, 16, 17, 18, and 19))

DEBIT - when the outstanding principal comes due and is paid

CREDIT - when the proceeds are received with the face amount of the debt issue

2940 Bonds Payable, Outside Debt Limit - The unpaid portion of serial bond issues which, when issued, were classified as outside the debt limit. A separate account should be established for each bond issue. Reporting will be simplified if account numbers are assigned as follows:

2940 to 2943	School construction, including school buildings (M.G.L. Ch. 70B) and bonds issued under authority of Chapter 645 of the Acts of 1948
2944 to 2947	Sewer Treatment Plants (M.G.L., Ch. 44, §8 (15))
2948 to 2951	Water (M.G.L., Ch. 44, §8 (3, 3A, 4, 4A, 5, 6, 7, 7A, 7B, 7C))
2960 to 2963	Sanitation (M.G.L., Ch. 44, §8 (18, 21, 23, 24))
2964 to 2967	Parks and Recreation (M.G.L., Ch. 44, §8 (16))
2980 to 2983	Utility Systems (M.G.L., Ch. 44, §8 (8 and 8A))
2984 to 2987	Airports (M.G.L., Ch. 44, §8 (13))
2988 to 2991	Industrial and Economic Development (M.G.L., Ch. 44, §8 (19))
2992 to 2994	Public Disasters and Emergencies (M.G.L., Ch. 44, §8 (2 and 9))
2995	Water Pollution Abatement Trust, Ch. 29C
2996 to 2999	Other (M.G.L., Ch 44, §8 (1, 10, 12, 14, 17, 20 and 22))

DEBIT - when the outstanding principal comes due and is paid

- when the state forgives principal if applicable and interest to the
Massachusetts Water Pollution Abatement Trust

CREDIT - when the proceeds are received with the face amount of the debt issue

CHAPTER 5 - FUND EQUITY

Fund Equity Accounts

All fund equity accounts are prefaced with a “3”, (e.g. General Fund, Net Assets Restricted, 001-3010). Since all numbers in a range are not assigned, local units of government that wish additional detail may obtain it by using unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

The accounts described in this subsection include all of the fund equity accounts. In reviewing these account descriptions, it will be helpful to recall the relationship between revenues and expenditures and fund equity. Current year activity is posted to the revenue and expenditure accounts in Fund Balance Other - Actual. At year-end, these accounts are closed to another fund balance component (reserved, unreserved - designated, or unreserved - undesignated). Other than revenues and expenditures, fund equity entries are made strictly within the fund equity section of the balance sheet. Total fund equity is thus increased or decreased only through the activity in the Fund Balance Other - Actual accounts.

The various components of fund equity are used to classify the accumulated wealth (surplus or deficit) of a local government into those portions which are generally available and those which are segregated for particular purposes. For example, action authorizing use of available funds for future construction requires reclassification of Undesignated Fund Balance to a reserved fund balance.

Fund Equity Classification and Account Codes

<u>Subheading</u>	<u>Codes</u>
• Net Assets	3000 - 3089
• Investment in General Fixed Assets	3090 - 3099
• Reserved Fund Balance	3200 - 3399
• Unreserved Fund Balance - Designated	3400 - 3589
• Unreserved Fund Balance - Undesignated	3590 - 3599
• Fund Balance Other - Memoranda	3700 - 3799
• Fund Balance Other - Budgetary	3800 - 3899
• Fund Balance Other - Actual	3900 - 3999

A summary table of all fund equity accounts and account codes is found in Appendix D to this Manual.

Net Assets

GASB 34 replaces Contributed Capital, Retained Earnings and several other accounts with a statement of Net Assets.

3001 Net Assets Invested In Capital Assets, Net of Related Debt - The amount that the local governmental unit has invested in capital assets.

DEBIT - when capital assets are retired

CREDIT - when capital assets are established

3010 Net Assets Restricted - The amount of net assets that are restricted by law or certain other actions. Separate accounts should be established for various restrictions.

DEBIT - when capital assets are returned to the original contributor

CREDIT - when capital assets are contributed to an Enterprise Fund

3015 Net Assets Unrestricted - The amount of unrestricted net assets.

DEBIT - when debits of temporary accounts exceed credits

CREDIT - when credits of temporary accounts exceed debits

Investment in General Fixed Assets

3090 Investment in General Fixed Assets - The local governmental unit's equity in general fixed assets.

DEBIT - when fixed assets are acquired

CREDIT - when fixed assets are sold or otherwise disposed of

Reserved Fund Balance

Reserved fund balance accounts represent that portion of fund balance, which is not an "available spendable resource." Reservations of fund balance are made for the following reasons:

- when the local government legally authorizes expenditure of the funds in a future period, e.g., to fund construction;
- when the funds are automatically reserved by law upon receipt, e.g., receipts reserved for appropriation;

- when the funds become otherwise unavailable for general appropriations, e.g. when they offset petty cash.

To segregate different "Special Purposes" accounts, 3280 through 3289 should be used.

3211 Fund Balance Reserved for Encumbrances - That portion of fund balance reserved for encumbrances outstanding. If a formal encumbrance system is used, it will be posted periodically throughout the year with outstanding items. If not, it will be posted at period end for financial statement purposes and then adjusted or closed out at the start of the next period.

DEBIT - when commitments are relieved by receipt of goods and services or by cancellations

- when the account's opening balance is reclassified to account 3212, Fund Balance Reserved for Prior Year Encumbrances

CREDIT - when commitments are recognized

3212 Fund Balance Reserved for Prior Year Encumbrances - That portion of fund balance reserved for outstanding encumbrances related to prior year expenditures.

DEBIT - when commitments are relieved by receipt of goods and services or by cancellations

CREDIT - when the opening balance of account 3211, Fund Balance Reserved for Encumbrances is reclassified to this account

3213 Fund Balance Reserved for Construction - That portion of fund balance reserved for future construction.

DEBIT - when the reserve is utilized

CREDIT - when amounts are reserved

- 3220 Fund Balance Reserved for Overlay Released by the Assessors for Expenditures - The unused portion of the Allowance for Abatements and Exemptions which the Assessors have been declared as excess under the provisions of M.G.L. Chapter 59, §25.

DEBIT - when amounts are voted by the Assessors to be released and are reclassified to account 3240
-at year end, this account is closed to account 3590, Undesignated Fund Balance

CREDIT - when excess amounts are declared by the Assessors and transferred from account 1230, Allowance for Abatements and Exemptions
- when amounts voted are not expended

- 3230 Fund Balance Reserved for Assets Held for Resale - The segregation of a portion of fund balance to indicate that assets equal to the amount of the reserve are being held for resale and are, therefore, not available for appropriation.

DEBIT - when the assets are sold or otherwise disposed of
CREDIT - when assets are obtained for resale

- 3240 Fund Balance Reserved for Expenditures - The amount of available funds ("free cash") authorized to fund appropriations. This account will help identify the amount of available funds authorized during a fiscal year.

DEBIT - at year-end, for the total amount authorized to be expended during the current year

CREDIT - when available funds are authorized

- 3241 Fund Balance Reserved for Open Space - The amount reserved of Community Preservation Fund for open space acquisition.

DEBIT - when funds are expended
- when authorization is rescinded

CREDIT - when funds are authorized

- 3242 Fund Balance Reserved for Historic Resources - The amount reserved of Community Preservation Fund for historic resources.

DEBIT - when funds are expended
- when authorization is rescinded

CREDIT - when funds are authorized

3243 Fund Balance Reserved for Community Housing - The amount reserved of Community Preservation Fund for Community Housing.

DEBIT - when funds are expended
- when authorization is rescinded
CREDIT - when funds are authorized

3250 Fund Balance Reserved for Petty Cash - The amount of fund balance utilized for a petty cash account.

DEBIT - when a petty cash account balance is decreased
- when a petty cash account is eliminated
CREDIT - when a petty cash account is established
- when a petty cash account balance is increased

3260 Fund Balance Reserved for Inventories - The segregation of a portion of fund balance to indicate that assets equal to the amount of the reserve are invested in inventories for consumption and are, therefore, not available for appropriation.

DEBIT - when the inventory is used or otherwise disposed of
CREDIT - when the inventory is acquired

3270 Fund Balance Reserved for Debt Service - The segregation of a portion of fund balance to indicate that funds have been received to retire future debt and interest but not yet disbursed. This fund balance would include SBA payments received for which the related debt service has not yet been paid.

DEBIT - when amounts are utilized for payment of maturing debt and interest
CREDIT - when amounts are reserved

3280 Fund Balance Reserved for Special Purposes - The amount of fund balance set aside for other, specifically identified purposes not covered elsewhere.

DEBIT - when the reserve is utilized
CREDIT - when amounts are reserved for special purposes

- 3291 Fund Balance Reserved for Endowment - The amount of fund balance set aside for fund balances legally restricted to endowment purposes.

DEBIT - when the reserve is utilized

CREDIT - when amounts are reserved

- 3292 Fund Balance Reserved for Employee Retirement - The funds accumulated in the Pension Fund for the purpose of offsetting the anticipated future cost of funding for the contributory retirement system.

DEBIT - when amounts are authorized to fund pension obligations

CREDIT - when amounts are reserved

- 3293 Fund Balance Reserved for Advances - The amount of advances that have not been repaid by the end of the fiscal year. This account adjusts Undesignated Fund Balance.

DEBIT - at the end of the fiscal year for advances not repaid

CREDIT - at the beginning of the subsequent fiscal year

- 3294 Fund Balance Reserved for Prepaid Expenses - The amount of prepaid expenses at the end of the fiscal year.

DEBIT - at the end of the fiscal year prepaid expenses

CREDIT - at the beginning of the subsequent fiscal year

- 3295 Fund Balance Reserved for Continued Appropriations - The amount of appropriations which can be legally carried over into the subsequent fiscal year.

DEBIT - at the end of the fiscal year

CREDIT - at the beginning of the subsequent fiscal year

- 3296 Fund Balance Reserved for Reduction of Future Excluded Debt - The amount of debt service excluded for a particular purpose which exceeds the actual debt service. If more than one purpose is involved, it should be separately accounted for. If no future excluded debt service exists, the balance must be used to reduce the subsequent fiscal year's tax rate. An example of an item to be accounted for in this series would include bond premiums on excluded debt.

DEBIT - at the beginning of the subsequent year

CREDIT - at the end of the fiscal year

- 3300 Fund Balance - Receipts Reserved for Appropriation - These accounts are used to segregate receipts from specific sources, which are separately appropriated. The following are examples of receipts reserved for appropriation accounts and their statutory references (for more information, please see the Special Revenue chapter).

Parking Meters Receipts (M.G.L., Ch. 40, §22A)
County Dog Refund (M.G.L., Ch. 140, §172)
Insurance Recoveries and Restitution Over \$20,000 (M.G.L., Ch. 44, §53)
Sale of Real Estate (M.G.L., Ch. 44, §63)
Sale of Cemetery Lots (M.G.L., Ch. 114, §25)
Waterways Improvement (M.G.L., Ch. 40, §5)
Ambulance Receipts (M.G.L., Ch. 40, §5)

DEBIT - when appropriations are authorized
CREDIT - when amounts are received

- 3320 Fund Balance Reserved for Community Preservation Act - The amounts received by the community in accordance with M.G.L. Ch. 44B.

DEBIT - when expenditures for the designated purpose are closed at year-end
CREDIT - when revenue associated with the designated purpose is closed at year-end

- 3350 Fund Balance Reserved for Teachers' Pay Deferral - The amount remaining deferred by the community in accordance with Chapter 336 of the Acts of 1991 which allowed a community to defer an amount of expenditures equal to the total of the summer payroll for teachers for fiscal years 1992 and 1993 for either the community's school department or a regional school of which it is a member. The amount was to be amortized, at a minimum of 15 years, beginning in fiscal year 1997.

DEBIT - when the amount of the teachers' pay was deferred
CREDIT - when the annual amount is amortized on the tax rate
- when an amount is appropriated to reduce or eliminate the deferral

Unreserved Fund Balance - Designated

Designated fund balance accounts represents items for which there are tentative uses planned for future periods. Since items designated may ultimately be used for other purposes, designations are less limiting than reservations.

- 3400 Fund Balance Designated - To provide additional detail on fund balance designations when the 3500 series is not sufficient.

DEBIT - when expenditures for the designated purpose are closed at year end

CREDIT - when revenues associated with the designated purpose are closed at year end

- 3510 Fund Balance Designated for Federal Grants - The unexpended portion of grant funding from federal sources. If an individual fund is not maintained for each grant, then a unique designated fund balance account should be established for each grant.

DEBIT - when expenditures for the designated purpose are closed at year end

CREDIT - when revenues associated with the designated purpose are closed at year end

- 3520 Fund Balance Designated for State Grants - The unexpended portion of grant funding from state sources. If an individual fund is not maintained for each grant. Then a unique designated fund balance account should be established for each grant.

DEBIT - when expenditures for the designated purpose are closed at year end

CREDIT - when revenues associated with the designated purpose are closed at year end

- 3560 Fund Balance - Revolving Funds - To segregate certain receipts which may be expended for specific purposes without appropriation. Revolving funds may be established for particular types of receipts only if expressly permitted under the law. The following are examples of revolving funds and their statutory references.

Recoveries For Lost School Books (M.G.L., Ch. 44, §53)

Payments By Pupils For Industrial Arts Materials (M.G.L., Ch. 44, §53)

Athletic Programs and School Organizations (M.G.L., Ch. 71, §47)

Adult Education and Continuing Education Programs (M.G.L., Ch. 71, §71E)

Community School Programs (M.G.L., Ch. 71, §71C)

Racial Imbalance (M.G.L., Ch. 76, §12A)

Self-Supporting Recreation and Park Services (M.G.L., Ch. 44, §53D)

Insurance Recoveries and Restitution Not In Excess of \$20,000 (M.G.L., Ch. 44, §53)

Departmental revolving fund (M.G.L. Ch. 44 §53E ½)

DEBIT - when expenditures for the designated purpose are closed at year end

CREDIT - when revenues associated with the designated purpose are closed at year-end

- 3580 Fund Balance Designated for Other Purposes - The amount of fund balance tentatively planned to be used for purposes other than those described above.

DEBIT - when expenditures for the designated purpose are closed at year-end

CREDIT - when revenues associated with the designated purpose are closed at year end

Unreserved Fund Balance - Undesignated

- 3590 Undesignated Fund Balance - The amount of fund balance remaining after reductions for reserved and designated balances.

DEBIT - when expenditures and other financing uses are closed out at period end

- when amounts are reserved or designated

CREDIT - when revenues and other financing sources are closed out at period end

- when reserved or designated fund balances are closed out and returned to unreserved

- 3592 Unreserved Fund Balance - Appropriation Deficits (Debit) - The amount by which certain appropriation accounts were over-expended during the fiscal year and thus to be raised in the next year's tax levy. Overspending of appropriations is generally prohibited by law. There are, however, some exceptions, such as snow and ice, which are defined in M.G.L., Chapter 44, §31 and §31D.

DEBIT - when the authorized appropriation deficits are determined at the close of the fiscal year

CREDIT - when the authorized appropriation deficits are raised in the subsequent year's tax levy

- 3593 Unreserved Fund Balance - Revenue Deficit (Debit) - The balance in this account represents the amount of any current year revenue deficit. A revenue deficit occurs when actual revenues are less than estimated revenues and there is no offsetting surplus between appropriations and actual expenditures. The amount is calculated at the close of the fiscal year and established in a separate account to ensure that it is given proper consideration in computing the subsequent year's tax levy.

DEBIT - at year-end, with the amount of revenue deficit calculated for the fiscal year

CREDIT - when the amount is raised in the subsequent year's tax levy

- 3594 Unreserved Fund Balance - Unprovided Abatements and Exemptions (Debit) - The balance in this account represents the reclassification of a portion of fund balance equal to the total of any debit balances from accounts 1230 through 1239, Allowance for Abatements and Exemptions. The account is established as a part of the year-end adjustment and closing process. The account is closed when the amount is raised in the following year's tax levy.

DEBIT - at year-end, with the amount reclassified

CREDIT - when the amounts are raised in the subsequent year's tax levy

- 3595 Unreserved Fund Balance - Court Judgments (Debit) - The balance in this account represents the amount of court judgments paid by a municipality in a fiscal year after the tax rate for the year has been approved. The account is established as a part of the year-end closing process. The account is closed when the amount is raised in the following year's tax levy.

DEBIT - at year-end, with the amount of court judgment expenditures made during the fiscal year

CREDIT - when the amounts are raised in the subsequent year's tax levy

- 3597 Unreserved Fund Balance - Offset Receipts Deficit (Debit) - The balance in this account represents the amount of any current year offset receipts deficit. An offset receipt deficit occurs when actual receipts are less than estimated receipts and there is no offsetting surplus between appropriations and actual expenditures.

DEBIT - at year-end with the amount of any offset receipts deficit

CREDIT - when the amounts are raised in the subsequent year's tax levy

- 3599 Unreserved Fund Balance - Year-End Adjustments (Debit) - The balance in this account represents the net amount of adjustments that were made in the fund at the close of the prior year in converting the accounting basis in the fund to the appropriate basis (modified accrual or accrual). It is established as one of the opening entries at the beginning of the year as a part of the process by which the books of accounts are converted back to a cash basis for purposes of revenue accounting. At the close of the fiscal year, the balance in the account is closed to the related revenue or expenditure account.

DEBIT - when revenues are accrued at the close of the prior period

CREDIT - when the accrual is reversed

Fund Balance Other - Memoranda

Memoranda accounts are used to integrate the control of grant, project, and bond authorizations into the accounting records. The accounts are memoranda accounts in that they are not usually presented in financial statements, although footnote disclosure is required if balances are material. They are segregated in fund balance to facilitate interim financial reporting.

To set up a separate account for each authorized project, accounts 3730 through 3739 should be used with account 3740 used as the offset.

3710 State and Federal Grants Awarded - (Memorandum) - The balance in this account represents the amount of spending authority approved but not yet received on state and federal grants.

DEBIT - when a grant is awarded

- when increases in the award amounts are made

CREDIT - when decreases in the award amounts are made

- when cash is received and spending authority is recorded in the budgetary accounts

3720 State and Federal Grants Awarded - Offset (Memorandum) (Credit) - This account is a contra account to account 3710. The balance in the account should be equal to the balance in that account.

DEBIT - when cash is received and spending authority is recorded in the budgetary accounts

- when decreases in the award amounts are made

CREDIT - when a grant is awarded

- when increases in the award amounts are made

3730 Projects Authorized - (Memorandum) - The balance in this account represents the unexpended portion of the project authorization.

DEBIT - when the capital project is authorized

- when any increases are authorized

CREDIT - when expenditures are made on the capital project

- when any decreases are authorized

- when the project is completed with any balance remaining in the account

3740 Projects Authorized - Offset (Memorandum) (Credit) - This account is a contra account to account 3730. The balance in the account should be equal to the balance in that account.

DEBIT - when expenditures are made on the capital project

- when any decreases are authorized

- when the project is completed with any balance remaining in the account

CREDIT - when the capital project is authorized

- when any increases are authorized

3760 Bonds Authorized (Memorandum) - The balance in this account represents the amount of bonds which have been authorized but not yet issued.

DEBIT - when bond issues are authorized

CREDIT - when bonds are issued

- when bond issue authorizations are rescinded

3770 Bonds Authorized - Offset (Memorandum) (Credit) - This account is a contra account to account 3760. The balance in the account should be equal to the total of the balance in that account.

DEBIT - when bonds are issued

- when bond authorizations are rescinded

CREDIT - when bond issues are authorized

Fund Balance Other - Budgetary

Budgetary fund balance accounts are used to record the formally adopted annual operating budget. They are segregated in fund balance to facilitate interim financial reporting. Budgetary accounts are posted at the start of the fiscal year as part of the opening entries. Both sides of all budgetary entries must be made within the budgetary series (3800 through 3899). Budgetary accounts always net to zero and for interim reporting purposes need not be reflected on the balance sheet.

To segregate the original appropriation amount from supplemental appropriations, accounts 3830 through 3859 should be used.

3810 Estimated Tax Levy (Budgetary) (Debit) - This account is a budgetary control account and its balance reflects the total real and personal property tax commitments.

DEBIT - when the tax rate is approved, with the estimated tax levy for the current fiscal year

CREDIT - at year end, with the balance in the account

- when the tax rate is approved, with the allowances for abatements and exemptions

3815 Estimated Revenue (Budgetary) (Debit) - This account is a budgetary control account and its balance reflects the amount of revenues estimated for the fiscal period.

DEBIT - at the beginning of the year, with the total amount of other revenues budgeted for the year as reflected on the tax recapitulation sheet or other source document

- when budget increases are authorized

CREDIT - when budget decreases are authorized

- at year end with the balance in the account

3820 Estimated Other Financing Sources (Budgetary) (Debit) - This account is a budgetary control account and its balance reflects the amount of non-revenue financing sources estimated for the fiscal period. These include bond issues, premiums on bond issues, interest received from bond issues, and operating transfers-in.

DEBIT - at the beginning of the year, with the total amount of estimated other financing sources budgeted for the year

- when budget increases are authorized

CREDIT - when budget decreases are authorized

- at year end with the balance in the account

3830 Appropriations (Budgetary) (Credit) - This account is a budgetary control account and its balance reflects authorizations granted by the governing body to make expenditures and to incur obligations for specific purposes for the fiscal year.

DEBIT - when decreases in the budget are authorized

- at year end with the balance in the account

CREDIT - at the beginning of the year with the total amount of the budget adopted by the governing body

- when budget increases are authorized

3860 Other Authorized Expenditures (Budgetary) (Credit) - This account is a budgetary control account and its balance reflects other local expenditures not requiring appropriation such as state and county assessments.

DEBIT - when decreases in such amounts are authorized at year-end, with the balance in the account

CREDIT - at the beginning of the year with the amount authorized
- when increases are authorized

3870 Estimated Other Financing Uses (Budgetary) (Credit) - This account is a budgetary control account and its balance reflects the amount of other financing uses such as operating transfers-out estimated for the fiscal period.

DEBIT - when decreases in the estimated other financing uses are authorized
- at year end with the balance in the account

CREDIT - at the beginning of the year with the total amount of estimated other financing uses authorized
- when increases in estimated other financing uses are authorized

3880 Budgetary Fund Balance (Budgetary) - The balance in this account represents the amount of available funds budgeted for use in the current fiscal year less any prior year items raised.

DEBIT - at the beginning of the year with amounts appropriated from available funds ("free cash")
- at year end with the balance in the account, if a credit balance remains

CREDIT - when other non-appropriation items (accounts 3591 through 3597) are raised in the tax levy
- at year end with the balance in the account if a debt balance remains

- 3890 Budgetary Control - This account is an offset to the other budgetary accounts and should normally have a zero-balance. However at the beginning of the fiscal year, if the Recap Sheet has not been finalized, only the appropriations portion of the budget will have been posted and the account will have a debit balance.

DEBIT - with the appropriations for the current fiscal year
- with the estimated other financing uses for the current fiscal year
- with the estimated overlay for the current fiscal year
- with the other amounts to be raised for the current fiscal year

CREDIT - with the estimated local receipts for the current fiscal year
- with estimated other financing sources for the current fiscal year
- with the estimated other - "amounts appropriated to revenue" or transfers from available funds for the current fiscal year
- with the estimated tax levy for the current fiscal year
- with the estimated "Cherry Sheet" distributions for the current fiscal year

Fund Balance Other - Actual

These accounts represent the general ledger control accounts for Revenues, Other Financing Sources, Expenditures, Encumbrances and Other Financing Uses. These accounts are included in fund balance to facilitate financial reporting.

- 3910 Revenue (Credit) - The balance in this account reflects the amount of revenue actually recognized by receipt or accrual during the fiscal year.

DEBIT - at year end with the balance in the account
- when refunds are made

CREDIT - when real estate and personal property taxes are collected
- when motor vehicle excise, other excise, departmental receipts, and other revenues are received
- when revenue is recognized upon the sale of fixed assets, inventory, or foreclosed properties
- when tax liens, including interest and charges are collected
- when pro forma taxes are collected
- when licenses, fines, fees and permits are collected
- when entitlements or distributions are received
- when any other revenue is recognized

- 3920 Other Financing Sources (Credit) - The balance in this account reflects the amount of other financing sources actually received from bond issues, premiums on bond issues, interest received from bond issues and operating transfers-in during the current fiscal year.

DEBIT - at year end with the balance in the account

CREDIT - when proceeds from long-term debt are received

- when proceeds from certain bond anticipation notes meet the revenue recognition criteria
- when premiums are received on bond issues
- when interest is received on bond issues
- when operating transfers-in from other funds are made

- 3930 Expenditures (Debit) - The balance in this account reflects the amount of expenditures made or recognized (expenses) during the fiscal year from the current year's appropriations.

DEBIT - when expenditures are reported on approved warrants

- when depreciation is recorded in the Enterprise Funds
- when other accrued expenses are recognized

CREDIT - when refunds are received for expenditures

- when expenditures are reclassified to fixed assets
- at year end with the balance in the account

- 3940 Encumbrances (Debit) - The balance in this account reflects the amount of outstanding encumbrances from the current year.

DEBIT - when the purchase commitments is recognized

CREDIT - when the purchase commitment is relieved at year-end with the amount of outstanding encumbrances reclassified to 3960

- 3950 Prior Year Expenditures (Debit) - The balance in this account reflects the amount of expenditures made or recognized (expenses) during the fiscal year related to prior year encumbrances.

DEBIT - when expenditures are reported on approved warrants for prior year encumbrances

CREDIT - when refunds are received for current expenditures on prior year encumbrances at year end with the balance in the account

Uniform Massachusetts Accounting System – July, 2003

3960 Prior Year Encumbrances (Debit) - The balance in this account reflects the amount of outstanding encumbrances from the prior year.

DEBIT - when purchase commitments are reclassified from 3940

CREDIT - when the amount of the purchase commitment is relieved

3970 Other Financing Uses (Debit) - The balance in this account reflects the amount of other financing uses expended during the current fiscal year for operating transfers-out and other financing uses.

DEBIT - when operating transfers are made to other funds

CREDIT - at year end with the balance in the account

CHAPTER 6 - REVENUE ACCOUNTS

The accounts described in this chapter include all sources of local government funds. These include both revenues and other non-revenue financing sources such as operating transfers between funds, proceeds from notes payable and proceeds from bond issues. For convenience, all sources are referred to as Revenue Sources.

Revenue Sources are distinguished from other account types either by segregation in a revenue subsidiary ledger and/or by use of an account code type of “4.” For clarity, this code has been included with the account descriptions contained in this chapter.

<u>Revenue Sources</u>	<u>Account Codes</u>
• Subsidiary Revenue Control	4000
• Taxes and Excises	4100 - 4199
• Charges for Services	4200 - 4399
• Licenses and Permits	4400 - 4499
• Federal Revenue	4500 - 4599
• State Revenue	4600 - 4699
• Other Intergovernmental Revenue	4700 - 4749
• Special Assessments	4750 - 4769
• Fines and Forfeits	4770 - 4799
• Miscellaneous Revenue	4800 - 4899
• Other Financing Sources	4900 - 4999

The account descriptions that follow are organized according to these subheadings. *A summary table of all revenue accounts and account codes is found in Appendix E to this Manual.* The detail descriptions, however, should be consulted for all classification decisions.

Subsidiary Revenue Control

4000 Subsidiary Revenue Control - Summary control for the subsidiary revenue ledger entries. For every entry made to a revenue subsidiary ledger account, a corresponding entry is posted to the control. The corresponding entry may be a detail entry or a summary posting. The debit balance in this account should always be equal to the total of the credit and debit balances in all of the other accounts in the subsidiary revenue ledger.

Taxes and Excises

- 4110 Personal Property Taxes - Revenue recognized from personal property taxes, including 60 day accrual.
- 4120 Real Estate Taxes - Revenue recognized from real estate taxes, including 60 day accrual and deferred taxes under Ch. 59, §5(41A).
- 4130 Abatements and Exemptions - The amount of abatements and exemptions granted.
- 4142 Tax Liens Redeemed - Revenue recognized from tax liens redeemed. The account would include full redemptions, partial payments, payments on account, and sales of low value tax liens.
- 4143 Litigated Taxes Collected - Revenue recognized from taxes after litigation.
- 4145 Tax Foreclosures - Revenue recognized from sales of foreclosures.
- 4150 Motor Vehicle Excise - Revenue recognized from motor vehicle excises.
- 4160 Other Excise - Revenue recognized from excises other than motor vehicle. Where applicable, additional codes for the following should be assigned to the detail:
- Hotel/Motel excise
 - Jet Fuel excise
 - Vessel (boat) excise (50% to General Fund and 50% to Waterways Improvement Fund)
 - Farm excise
 - Classified forestlands excise
 - Urban Redevelopment excise

- 4170 Penalties and Interest on Taxes and Excises - Revenue recognized from penalty charges and interest collected on delinquent taxes and excises. Where applicable, additional codes for the following should be assigned to the detail:

- Penalty and interest - property taxes
- Penalty and interest - excise tax
- Penalty and interest - tax lien redemptions
- Penalty and interest - special assessments
- Penalty and interest - other taxes

- 4180 Payments in Lieu of Taxes - Revenue recognized from payments made in lieu of taxes. Such payments are typically made by other governments or private, non-profit enterprises, which are legally tax exempt.

- 4190 Other Taxes - Revenue recognized from any other taxes not included above. Where applicable, additional codes for the following should be assigned to the detail:

Charges for Services

- 4210 Utility Usage Charges - Revenue recognized from utility usage charges. Where applicable, additional codes for the following should be assigned to the detail:

- Water usage charges
- Gas usage charges
- Electric usage charges
- Other utility usage charges

- 4220 Other Utility Non-Usage Charges - Revenue recognized from utility charges other than usage. This would typically include such items as house connection fees and other non-usage-based charges. Where applicable, additional codes for the following should be assigned to the detail:

- Water non-usage charges
- Gas non-usage charges
- Electric non-usage charges
- Other utility non-usage charges

- 4240 Other Non-Utility Usage Charges - Revenue recognized from non-utility usage. Where applicable, additional codes for the following should be assigned to the detail:

- Hospital usage charges
- Parking usage charges
- Parks and recreation usage charges
- Airport usage charges
- Sewerage usage charges
- Garbage/trash collection usage charges
- Transit usage charges

- 4270 Other Non-Utility, Non-Usage Charges - Revenue recognized from non-utility charges other than usage (such as sale of goods, concessions, ticket sales).

- 4320 Fees - Revenue recognized from fees set by statute, charter, or ordinance. Where applicable, additional codes for the following should be assigned to the detail:

- Fees retained from tax collections

- 4340 Tuition - Revenue recognized from tuition charges assessed for providing education. This account would normally be used only for tuition charged to full-time students. Tuition charged to part-time students, for example in an adult education program, would be recorded as a fee in account 4320.

- 4350 Pupil Transportation - Revenue recognized from transporting students to and from school and school activities. Only direct charges for this service would be recorded here; governmental grants for similar services would be recorded as governmental revenue in the 4500 or 4600 series accounts as appropriate.

- 4360 Rentals - Revenue recognized from the rental of real or personal property including school and town buildings.

- 4370 Other Departmental Revenue - Revenue recognized from other departmental activities, not properly accounted for in another account. This would include amounts received by the Planning Board, Board of Appeals, and Conservation Commission, as well as from athletic events, school lunch programs, school choice tuition and other sources.

Licenses and Permits

- 4410 Alcoholic Beverage Licenses - Revenue recognized from businesses and other organizations which must be licensed to serve or sell alcoholic beverages.
- 4420 Other Licenses - Revenue recognized from all other licenses levied according to benefits presumably conferred by the license (such as marriage license, animal license).
- 4450 Permits - Revenue recognized from businesses and individuals, which require a permit before doing business (such as building, street and curb permits).

Federal Revenue

- 4515 Community Development Block Grants - Revenue recognized from certain federal government distributions under the Community Development Block Grant program.
- 4540 Other Federal Revenue - Direct - Revenue recognized from non-CDBG federal government distributions which must be used for a categorical or specific purpose and which are received directly from the federal government. Where applicable, additional codes for the following should be assigned to the detail:
- Many education programs
- 4580 Other Federal Revenue - Through the State - Revenue recognized from federal government distributions which must be used for a categorical or specific purpose and which are received indirectly through the state. Where applicable, additional codes for the following should be assigned to the detail:

Title I, IV, VI, and IX
Vocational and adult education
School lunch program
Medicaid reimbursements

State Revenue

- 4610 Reimbursement for Loss of Taxes - Revenue recognized from the state in reimbursements for loss of taxes. These amounts appear in Section B of the Cherry Sheet. Accounts should be set up using the following numbers for only those items actually received.

Reimbursement for Loss of Taxes on State-owned Land - M.G.L., Ch.58, §13-§17

Abatements to Veterans, Blind and Surviving Spouses - M.G.L., Ch. 59, §5, Elderly Persons - M.G.L., Ch. 59, §5; cl. 41, cl. 41B, cl. 41C

- 4620 Education Distributions and Reimbursements - School Aid Distributions - Revenue recognized from state distributions and reimbursements for education. These amounts appear in Section A of the Cherry Sheet and include:

School Aid - M.G.L. Ch. 70

Retired Teachers Pensions - M.G.L. Ch. 32, §20 (2)(c)

School Transportation Programs - M.G.L. Ch. 71, 71A, 71B, 74

School Construction Projects - M.G.L. Ch. 70B

- 4640 Education Offset Items - Reserve for Direct Expenditures - Revenue recognized from state education offset items. These amounts appear in Section A of the Cherry Sheet (with the exception of the Public Libraries which appears in Section B) and include:

Public Libraries - M.G.L., Ch. 78, §19A

Racial Equality - M.G.L.. Ch. 76, §12A, Ch. 71, §37, I,J and Ch. 15, §11

School Lunch Program - M.G.L., Ch. 871, Acts of 1970

Aid to Reduce Class Size

- 4660 General Government - Reimbursements and Distributions - Revenue recognized from state general government reimbursements and distributions. These amounts appear in Section B of the Cherry Sheet. Accounts should be established for only those items actually received:

Police Career Incentive - M.G.L. Ch. 41, §108L

Urban Renewal Projects - M.G.L. Ch. 121 §§53-57

Veteran's Benefits - M.G.L. Ch. 115, §6

Additional Assistance

Lottery, Beano, Charity Games - M.G.L. Ch. 29, §2D

Highway Fund - M.G.L. Ch. 81, §31; Ch. 577, §8. Acts of 1980

Local Share of Racing Taxes - M.G.L. Ch. 558, Acts of 1981

Regional Public Libraries - M.G.L. Ch. 78, §19C

- 4680 Other State Revenue - Revenue recognized from state distributions other than those covered above. Where applicable, additional codes for the following should be assigned to the detail:

Local Public Works projects
Local Mandates
Court Fines
Community Preservation Act - State Share
Miscellaneous State Revenue

Other Intergovernmental Revenue

- 4710 Indirect Distributions - Revenue recognized from non-federal distributions received through a government other than the one actually providing the funds. (Federal distributions through the state are recorded under 4580.) Examples would be state distributions through the county, state distributions through a district or municipality, or county distributions through a municipality.
- 4720 County Distributions - Revenue recognized from distributions by a county (such as county dog refund) for services performed.
- 4730 Municipal Distributions - Revenue recognized from distributions by a municipality or district for services performed.
- 4740 Payments on Behalf of - Revenue recognized from financial resources provided by another government. Such resources may be provided through direct payments or through contributions of equipment or supplies.

Massachusetts Teachers' Retirement Board Payments

Special Assessments

- 4750 Special Assessments - Revenue recognized from special assessments and betterments not reported elsewhere.

Fines and Forfeits

- 4770 Fines and Forfeits - Revenue recognized from fines or forfeits (e.g., parking fines, penal fines, library book fines, bond forfeitures, etc.).

Miscellaneous Revenue

- 4810 Sales of Inventory - Revenue recognized from the sale of inventory.
- 4820 Earnings on Investments - Revenue recognized from income earned on investments (interest and dividends only).
- 4830 Contributions and Donations - Revenue recognized from contributions or gifts from a private donor. Contributions or gifts from another government would be classified as a grant.
- 4840 Miscellaneous - Revenue recognized from items not provided for elsewhere. Where applicable, additional codes for the following should be assigned to the detail:
- Insurance dividends
- 4890 Gain or Loss in Investment Portfolio - Revenue recognized or lost on the sale of investments.

Other Financing Sources

- 4910 Proceeds from Sale of Bonds - Other financing recognized from the sale or issuance of bonds. This account should be utilized in the Capital Projects Funds only. Special legislation may authorize deficit bond proceeds to be used in the General Fund.
- 4920 Proceeds from Issue of Temporary Loans - Other financing recognized from certain issues of temporary loans. This account is used when temporary loans meet the GAAP criteria for the handling of temporary loans as long-term obligations, which is, generally, when the intention of the temporary loan is actually a long-term obligation.
- 4930 Premiums from Sale of Bonds - Other financing recognized from the premium received on sale of bonds. However, premiums received on debt excluded from the tax levy should be reserved in account 3296.

- 4940 Disposition of Fixed Assets - Other financing recognized from the sale of fixed assets. Where fixed assets have been recorded, the account would reflect only the net gain (credit) or loss (debit) from the proceeds of the sale.
- 4950 Compensation for Loss of Fixed Assets - Other financing recognized in connection with the loss of or damage to fixed assets (e.g., insurance reimbursement).
- 4960 Interest Received on Bonds Sold - Other financing recognized from the accrued interest received from bonds issued by the local government between interest due dates.
- 4970 Interfund Operating Transfers In - Other financing recognized from operating transfers received from other funds. Where appropriate, additional detail should be provided as follows:
- Transfers from General Fund
 - Transfers from Special Revenue Funds
 - Transfers from Permanent Funds
 - Transfers from Capital Projects Funds
 - Transfers from Proprietary Funds
 - Transfers from Special Purpose Trust and Agency Funds
- 4990 Otherwise Unclassified Other Financing Sources - Other financing recognized from sources not more appropriately classified above. In general, this account would not normally be used.

CHAPTER 7 - EXPENDITURE ACCOUNTS

The accounts described in this chapter include all major uses of local funds. Expenditures are normally classified according to the following characteristics:

- Function;
- Organizational responsibility; and
- Expenditure object.

Additional classification by program or activity may be used, however the Uniform Chart of Accounts does not provide standard coding for programs or activities. Local governments that wish to capture information regarding programs and activities should develop their own codes and utilize the local coding portion of the account number for this purpose.

A summary table of all functions, organizational responsibilities and expenditure objects is found in Appendices F and G to this Manual.

Function Classification

Function classification provides information on the overall purposes or objectives of expenditures. Functions group related activities that are aimed at accomplishing a major service or regulatory responsibility. Functions are normally used to classify expenditures for external financial reporting of governmental fund types.

Organizational Responsibility Classification

Organizational responsibility falls within function classification, is essential for accountability and should correspond with the governmental unit's organization structure. Organization units should be classified according to their primary function. For example, a Health Officer whose primary responsibility is refuse collection should be classified as "Sanitation," not "Human Services." To the extent that communities can adequately segregate the costs of different functions performed by one organization unit, they should establish separate numbers (or use the local coding feature) to track these expenditures.

Expenditure Object Classification

Expenditure object classification falls within an organizational responsibility classification. Expenditure objects provide information on what specific goods and services were purchased. Objects are used to provide improved management control and improved purchasing decisions.

Functions and Organizational Responsibility

The following descriptions are organized according to these subheadings. The detail descriptions should be consulted for all classification decisions.

Since all numbers in the range are not assigned, local units of government that wish additional detail may obtain it by using the unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

<u>Function</u>	<u>Codes</u>
• General Government	100 - 199
• Public Safety	200 - 299
• Education	300 - 399
• Public Works and Facilities	400 - 499
• Human Services	500 - 599
• Culture and Recreation	600 - 699
• Debt Service	700 - 799
• Intergovernmental	800 - 899
• Unclassified	900 - 999

Some of the reporting units so identified are not organizational units, but are subfunctions and are marked with an asterisk.

General Government

110 Legislative - Expenditures related to the legislative operations of the community. Reporting units in this category include:

- 111 City or Town Council
- 112 Aldermen
- 113 Town Meeting
- 114 Town Meeting Moderator
- 119 Other Legislative

120 Executive - Expenditures related to the executive operations of the community. Reporting units in this category include:

- 121 Mayor
- 122 Selectmen
- 123 Town or City Manager
- 129 Other Executive

Uniform Massachusetts Accounting System – July, 2003

- 130 Financial Administration - Expenditures related to the financial administration of the community. Reporting units in this category include:
- 131 Finance Committee
132 Reserve Fund *
133 Finance Director
134 Comptroller
135 Accountant/Auditor
137 Budget Office
138 Purchasing Agent
141 Assessors
142 Revaluation *
145 Treasurer
146 Collector
149 Other
- 150 Operations Support - Expenditures related to the non-financial administration of the community. Reporting units in this category include:
- 151 Law Department or Town/City Counsel
152 Personnel
153 Civil Service
155 Data Processing or Management Information Systems
157 Messenger
158 Tax Title Foreclosure *
159 Other
- 160 Licensing and Registration - Expenditures related to the licensing and registration operations of the community. Reporting units in this category include:
- 161 Clerk
162 Elections *
163 Registration *
165 Licensing Commission
169 Other Licensing and Registration *
- 170 Land Use - Expenditures related to the management and control of land use within the community. Reporting units in this category include:
- 171 Conservation Commission
172 Community Preservation Committee - Open Space *
175 Planning Board/Department
176 Zoning/Appeals Board
179 Other Land Use

Uniform Massachusetts Accounting System – July, 2003

180 Development - Expenditures related to encouraging and managing the physical and economic growth of the community. Reporting units in this category include:

181 Urban Development
182 Economic Development
183 Community Preservation Committee - Housing *
185 Rent Control
189 Other Development

190 Other - Expenditures for other General Government operations which do not fall readily into one of the previous categories. Reporting units in this category include:

191 Worker's Compensation Agent - this account is for the staff of the Agent's office only
192 Public Buildings and Properties Maintenance *
193 Property Insurance *
194 Community Preservation Committee - Historic Preservation *
195 Town Reports *
199 Other General Government

Public Safety

210 Police - Expenditures for law enforcement.

220 Fire - Expenditures for preventing and fighting fires.

230 Emergency Medical Services - Expenditures related to the provision of emergency medical services to the community's residents and workers. Reporting units in this category include:

231 Ambulance Service
232 Emergency Medical Technicians

240 Protective Inspection - Expenditures related to the protective inspection operations of the community. Reporting units in this category include:

Uniform Massachusetts Accounting System – July, 2003

241	Building
242	Gas
243	Plumbing
244	Weights and Measures
245	Electrical
246	Public Scales
249	Other *

290 Other - Expenditures related to public safety, which don't fall readily into one of the previous categories. Reporting units in this category include:

291	Civil Defense
292	Animal Control Officer
293	Traffic Control (if separate from Police), this is for traffic engineering when not provided by the DPW.
294	Forestry
295	Harbormaster
299	Other Public Safety *

Education

In developing this area the Department of Education End of Year report can be reviewed to provide ease of preparation.

300	Education - Expenditures related to the education function of local government.
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Public Works and Facilities

410 Engineering - Expenditures related to the design and location of public works and facilities. Reporting units in this category include:

411	Engineer
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Uniform Massachusetts Accounting System – July, 2003

- 420 Highways and Streets - Expenditures related to the construction, maintenance, and repair of highways and streets in the community. Reporting units in this category include:
- 421 Administration *
- 422 Construction and Maintenance *
- 423 Snow and Ice Removal *
- 424 Street Lighting *
- 425 Vehicle Maintenance *
- 429 Other *
-
- 430 Waste Collection and Disposal - Expenditures related to the collection of garbage and other refuse and delivering it to the place of disposal. Reporting units include:
- 431 Administration *
- 432 Street Cleaning *
- 433 Collection and Disposal *
- 439 Other *
-
- 440 Sewerage Collection and Disposal - Expenditures related to the collection and disposal of sewerage. Reporting units in this category include:
- 443 Pumping Stations *
- 449 Other *
-
- 450 Water Distribution - Expenditures related to the distribution of water to residences and businesses.
-
- 460 Electric Distribution - Expenditures related to the distribution of electricity to residences and businesses.
-
- 470 Gas Distribution - Expenditures related to the distribution of natural gas to residences and businesses.
-
- 480 Transportation Facilities - Expenditures related to the construction, maintenance, and repair of transportation facilities. Reporting units in this category include:
- 481 Parking Garage
- 482 Airport

Uniform Massachusetts Accounting System – July, 2003

490 Other - Expenditures for public works and facilities which do not readily fall into one of the previous categories. Reporting units in this category include:

491 Cemetery

Human Services

510 Health Inspection Services - Expenditures related to inspection and regulatory activities, which contribute to the conservation and improvement of public health. Reporting units in this category include:

511 Health Officer

512 Board of Health

519 Other *

520 Clinical Services - Expenditures related to the provision of clinical services to maintain or improve public health. Reporting units in this category include:

521 Health Center

522 Nursing Service

523 Mental Health Clinic

524 Dental Clinic

529 Other *

530 Medical Facilities - Expenditures related to the operation of a municipal hospital.

540 Special Programs - Expenditures related to the provision of services to specific target groups within the general population. Reporting units in this category include:

541 Council on Aging

542 Youth Services

543 Veterans' Services

549 Other *

560 Public Assistance - Expenditures related to the provision of services for individuals who are economically unable to provide essential needs for themselves.

Uniform Massachusetts Accounting System – July, 2003

590 Other - Expenditures for human services which do not readily fall into one of the previous categories.

Culture and Recreation

610 Library - Expenditures related to the operation of a public library.

630 Recreation - Expenditures related to the provision of recreational activities or the operation of recreational facilities such as beaches and golf courses.

650 Parks - Expenditures related to the maintenance of public parks, squares, and similar ornamental areas.

670 Museums - Expenditures related to the maintenance and operation of institutions which display exhibits of cultural, historic, or scientific interest. This category includes Zoos, Art Galleries, Botanical Gardens and similar institutions.

690 Other - Expenditures for other cultural and recreational activities which do not readily fall into one of the previous categories. Reporting units in this category include:

691 Historical Commission

692 Celebrations (Memorial Day, etc.) *

699 Other Culture and Recreation *

Debt Service

710 Retirement of Debt * - Expenditures for periodic payments of principal amounts on local debt whether short or long-term.

750 Interest - Expenditures for periodic payments of interest amounts on local debt. Reporting units in this category include:

751 Interest on Long-Term Debt *

752 Interest on Short-Term Debt *

Intergovernmental Expenditures

- 810 Federal Assessments and Charges * - Expenditures made for federal assessments and charges. This category is not common in most local governments.
- 820 State Assessments and Charges * - Expenditures made in order to comply with state assessments and charges as identified on the Cherry Sheet.
- 830 County Assessments and Charges * - Expenditures made in order to comply with county assessments and charges.
- 840 Other Intergovernmental Assessments and Charges * - Expenditures made for Mass Water Resources Authority (MWRA), regional district assessments (excluding regional school district assessments), etc.

Unclassified

- 910 Employee Benefits - Expenditures related to employee benefits which are not allocated to specific functions or organizations (note: if employee benefits other than retirement and pension are significant, it maybe more effective to segregate these amounts in 920 through 929 to facilitate financial reporting). Reporting units in this category include:
- 911 Retirement and Pension Contributions *
- 912 Worker's Compensation *
- 913 Unemployment Compensation *
- 914 Health Insurance *
- 915 Life Insurance *
- 916 Medicare *
- 919 Other *
- 930 Capital Projects - Expenditures related to the purchase or construction of major capital facilities.
- 940 Other Unclassified - Expenditures for miscellaneous items not allocated directly to specific functions or organizations. Reporting units in this category include:
- 941 Court Judgments *
- 945 Liability Insurance *

- 950 Permanent Funds and Special Purpose Trust Funds - Expenditures related to Permanent Funds and Special Purpose Trust Fund activities.
- 990 Transfers - Expenditures relating to transfers between funds:
- 991 Transfers to General Fund *
- 992 Transfers to Special Revenue Fund *
- 993 Transfers to Capital Projects Fund *
- 994 Transfers to Permanent Funds *
- 995 Transfers to Proprietary Funds *
- 996 Transfers to Private Purpose Trust and Agency Fund *

Expenditure Objects

Expenditure accounts are distinguished from other accounts either by segregation in a expenditure subsidiary ledger or by use of an account code type of “5.” However, function and organization unit numbers might also be used as sub-codes with non-expenditure accounts.

The major breakdowns of expenditure objects and detailed lists of the items normally charged to each are provided below. Since all numbers in the range are not assigned, local units of government that wish additional detail may obtain it by using the unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

<u>Expenditure Objects</u>	<u>Codes</u>
• Subsidiary Appropriation Control	5000
• Personal Services	5100 - 5199
• Purchase of Services	5200 - 5399
• Supplies	5400 - 5599
• Intergovernmental	5600 - 5699
• Other Charges and Expenses	5700 - 5799
• Capital Outlay	5800 - 5899
• Debt Service	5900 - 5949
• Other Financing Uses	5950 - 5999

Subsidiary Appropriation Control

- 5000 Subsidiary Appropriation Control - Summary control for the subsidiary appropriations ledger (also referred to as the subsidiary expenditure ledger). Entries made to the subsidiary ledger will include those for appropriations, encumbrances and expenditures. For every entry made to a subsidiary appropriation ledger account, a corresponding entry is posted to the control. The corresponding entry may be a detail entry or a summary posting. The balance in this account should always be equal to the total of the debit and credit balances in all of the other accounts in the subsidiary appropriations ledger.

Personal Services

- 5110 Salaries and Wages, Permanent Positions - Expenditures for full-time and part-time work performed by employees who are considered to be in positions of a permanent nature. It should be noted that in budgeting payrolls, local governments should budget for 52.2, 52.2 and 52.3 periods over a three year cycle to avoid budgeting on a cash basis that requires a 53rd pay period in certain years.
- 5120 Salaries and Wages, Temporary Positions - Expenditures for full-time and part-time work performed by employees who are hired on a temporary or substitute basis.
- 5130 Additional Gross, Overtime - Amounts earned by employees, whether temporary or permanent, for work performed in excess of normal requirements.
- 5140 Additional Gross, Differentials - Amounts paid to employees above and beyond normal compensation in recognition of special circumstances such as:

Merit
Holiday
Weekend

Shift
Educational
Longevity

Uniform Massachusetts Accounting System – July, 2003

5150 Fringe Benefits to Employees - Expenditures for fringe benefits paid directly to employees such as:

Vacation	Educational Leave
Non-Occupational Sick Leave	Military Leave
Maternity leave	Union activities
Standard holidays	Occupational sick leave
Court leave	Bereavement leave

5170 Fringe Benefits on Behalf of Employees - Expenditures for the local government's share of fringe benefits not paid directly to employees such as:

Worker's compensation	Unemployment insurance
Unemployment payments	Life insurance
Health insurance	Social security
Retirement fund	Massachusetts Teachers' Retirement

5190 Other Personal Services - Expenditures incurred for personal services, not otherwise classified such as:

Tuition reimbursement	Uniform allowance
Career incentive	Unused sick-leave buyback
In-Service training	Stipends

Purchase of Services

5210 Energy - Expenditures for energy services received from public or private utility companies. Note that heating oil is classified as energy services for comparative purposes even though it might normally be considered supplies such as:

Electricity or natural gas for heat, power, lighting,
Oil used for heat

5230 Non-Energy Utilities - Expenditures for utility services other than energy supplied by public or private organizations. (Telephone and telegraph are classified as 5340 - Communication). For example:

Water
Sewerage

5240 Repairs and Maintenance - Expenditures for repairs and maintenance services not provided directly by municipal personnel. This includes contracts and agreements covering the upkeep of buildings and equipment. For example:

Buildings and grounds	Sewer or water pumping stations
Recreational facilities	HVAC equipment
Vehicles	Construction equipment
Traffic control equipment	Audio visual equipment
Water meters	Machine tools
Communication lines	Street paving and marking
Office equipment	Computer equipment
Medical equipment	Office furnishings

5270 Rentals and Leases - Expenditures for renting or leasing land, buildings, equipment and vehicles. The principal portion of capitalized lease obligations is reported here as well. For example:

Buildings	Recreational facilities
Vehicles	Construction equipment
Medical equipment	Office equipment and furnishings
Data processing equipment	Communication equipment
Audio-visual equipment	HVAC equipment
Photocopiers	Uniforms

5290 Other Property Related Services - Expenditures for property related services, not otherwise classified such as:

Custodial service contracts	Garbage removal contracts
Snow removal contracts	Solid waste disposal contracts

5300 Professional and Technical - Expenditures for services which by their nature can be performed only by persons or firms with specialized skills and knowledge. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided. For example:

Medical and dental	Accounting and auditing
Food service management	Legal
Management consulting	Advertising
Student testing	Data processing
Underwriting	Public safety
Engineering/architectural	Labor relations
Contract bargaining	Book- binding
Employee training seminars	

Uniform Massachusetts Accounting System – July, 2003

5320 Tuition - Expenditures to reimburse educational agencies for instructional services rendered to students residing in the legal boundaries described for the paying municipality. If additional detail is desired, it should identify the payee. For example:

In-state schools	Private schools
Regional districts	Out-of-state schools
Collaboratives	Charter Schools

5330 Pupil Transportation - Expenditures for transporting children to/from school and school activities. If additional detail is desired it should identify the transporter. For example:

Other school district	Public carrier
Contractor	Parents

5340 Communication - Expenditures for transmitting and receiving messages or information such as:

Telephone, telegraph	Wireless phones
Data processing lines	Printing and mailing
Postage	Delivery services

5350 Recreational - Expenditures for recreational activities such as:

Entertainers, lecturers, films
Supervision or instruction of recreational activities
Museum or event admission fees
Athletic event officials fees

5380 Other Purchased Services - Expenditures for purchased services not properly classified elsewhere such as:

Weather reports	Animal and pest control
Mini-bus service (contracted)	Photography
Laundry and cleaning	Non-school field trips

Supplies

As a general guideline, a supply item is any article or material, which meets at least one of the following conditions:

- It is consumed in use;
- It loses its original shape or appearance with use;
- It is expendable; that is. if the article is damaged or some of its parts are lost or worn out, it is usually better to replace it with an entirely new unit rather than repair it;
- It is an inexpensive item whose small unit cost (less than \$5,000) makes it inadvisable to capitalize the item;
- It loses its identity by incorporation into a different or more complex item.

5410 Energy Supplies - The cost of expendable supplies purchased to provide energy to municipalities. Gasoline, however, should be included with Vehicular Supplies (5480) and oil used for heating should be classified as Energy.

5420 Office Supplies - The cost of expendable supplies and materials used in the offices of a municipality such as:

Stationery, paper, forms
Photocopying
Pens, pencils, paper clips, and other sundries

5430 Building and Equipment Repairs and Maintenance Supplies - The cost of supplies which are purchased by a municipality to repair or maintain buildings owned by the municipality such as:

HVAC items	Electrical
Plumbing	Paint
Hand tools or power tools	Glass
Floor coverings	Doors
Wall coverings	Window coverings

5450 Custodial and Housekeeping Supplies - The cost of expendable supplies related to custodial and housekeeping functions such as:

Cleaning supplies
Bedding and linens
Brooms and mops

Uniform Massachusetts Accounting System – July, 2003

5460 Groundskeeping Supplies - The cost of expendable supplies related to groundskeeping functions such as:

Rakes, hoes, and other tools	Track cinders
Paint for grounds	Fertilizers
Loam, grass seed, lime	Soil and Sod
Pesticides and herbicides	Trees and shrubs

5480 Vehicular Supplies - The cost of expendable supplies utilized for maintenance purposes in municipally owned motor vehicles such as:

Gasoline	Tires and tubes
Anti-freeze	Motor oil and lubricants
Batteries	Parts and accessories

5490 Food and Food Service Supplies - The cost of expendable supplies used for food service purposes such as:

Perishables	Non-perishables
Serving utensils	

5500 Medical and Surgical Supplies - The cost of expendable supplies and materials used for surgical or medical purposes such as:

First aid kits	Orthopedic supplies
Operating room packs	Sutures
Pacemakers	Instruments
Isotopes	Drugs
Chemicals and solutions	Oxygen
(used for medical purposes)	X-ray film

5510 Educational Supplies - The cost of expendable supplies and materials used for educational purposes such as:

Test materials	Workbooks and textbooks
Teaching aids	Kindergarten supplies
Books and processing	Athletic equipment for school
Plan books and registers	Audio-visual supplies
Maps and charts	Encyclopedias
Special education supplies	

Uniform Massachusetts Accounting System – July, 2003

5530 Public Works Supplies - The cost of expendable supplies and materials used for public works operational purposes. These items might be segregated by function (water, sewer, engineering) or by material (wood, plastic) depending on the particular needs of the local unit.

5580 Other Supplies - The cost of expendable supplies utilized for purposes not classified elsewhere:

Firefighting	Recreational
Data processing	Uniforms and other clothing
Crime prevention	Library supplies
Magazine subscriptions	Newspaper subscriptions

Intergovernmental

5610 Federal - Any payments to federal agencies for services provided to the local government. Payment of the local government's withholding liability would not be charged to this account since such disbursements are not expenditures.

5620 County Amortization - This account includes amortization schedules for abolished counties, (e.g. Hampden and Worcester) pursuant to M.G.L. Ch. 34B, §8.

5621 County Tax M.G.L. - Amounts paid to the county for municipal services provided by the county pursuant to Ch. 35, §31.

5630 State Assessments - Amounts paid to the state for services provided by the State. Separate accounts should be established for each item on the Cherry Sheet.

5631 Special Education M.G.L., Ch. 71B, §10 and 12; Ch. 766, Acts of 1972

5636 Health Insurance, Governmental Retirees M.G.L. Ch. 32A, §10B

5637 Health Insurance, Retired Municipal Teachers M.G.L. Ch. 32A, §10B

5639 Mosquito Control Projects M.G.L. Ch. 252, §5A

5640 Air Pollution Control Districts M.G.L. Ch. 111, §§142B and 142C; Ch. 676, §1, Acts of 1960

5641 Metropolitan Area Planning Council M.G.L. Ch. 40B, §§26 and 29; Ch. 476, Acts of 1974

5642 Old Colony Planning Council M.G.L. Ch. 332, Acts of 1967

5646 RMV Non-Renewal Surcharge M.G.L., Ch. 90, §60A

Uniform Massachusetts Accounting System – July, 2003

- 5650 Other State Assessments - Amounts paid to entities other than federal, state or county, for municipal services, provided by others. Separate accounts should be established for each item on the Cherry Sheet.
- 5661 MBTA M.G.L. Ch. 161A, §§8 and 9; Ch. 825, §§6 and 7, Acts of 1974
5662 Boston Metropolitan District M.G.L. Ch. 383, §12, Acts of 1929; Ch. 535, Acts of 1954
5663 Regional Transit Authorities M.G.L., Ch. 161B, §§10 and 11; Ch. 1141, Acts of 1973
5664 Multi-Year Repayments Program
5667 Small Town Road Assistance Program (STRAP) repayments M.G.L. 1983, Ch. 637, §32
- 5690 Other Intergovernmental - Expenses for intergovernmental functions not classified elsewhere.
- 5694 Mass Water Resources Authority intercepts

Other Charges and Expenses

- 5710 In-State Travel - Expenditures for transportation, meals, hotel and other travel expenses incurred by staff traveling within the Commonwealth. Per diems in lieu of reimbursement are also included in this grouping. Seminar fees are not travel costs and should be classified as Professional and Technical Services (5300).
- 5720 Out-of-State Travel - Expenditures for transportation, meals, hotel and other travel expenses incurred by staff traveling outside the Commonwealth. Per diems in lieu of reimbursement are also included in this grouping. Seminar fees are not travel costs and should be classified as Professional and Technical Services (5300). This account may be used if there is a city ordinance or town bylaw requiring separate approval of this expenditure.
- 5730 Dues and Memberships - Expenditures for memberships in professional and technical organizations. The full cost of the dues or membership fees should be charged here even if the cost includes tangible items such as a subscription to a journal.
- 5740 Insurance Premiums - Expenditures for various types of insurance coverage including property, liability and fidelity. Insurance for group health is not charged here but is recorded under Fringe Benefits.

Uniform Massachusetts Accounting System – July, 2003

5760 Judgments - Expenditures from current funds for court judgments against the local unit.

5770 Veterans' Benefits - Payments for veterans benefits as provided by law.

5780 Other Unclassified Items - Expenditures for items not classified elsewhere.
For example:

Depreciation	Survivor benefits
Payments in Lieu of Taxes	Reserve fund appropriations
Revenue funds	Agency fund disbursements

Capital Outlay

These codes should be used whenever possible to monitor expenditures for eventual capitalization of fixed asset acquisitions.

5810 Land - Expenditures for the acquisition of land, air rights, water rights, and mineral rights. When land is purchased along with buildings, the cost of the land should be segregated and charged here.

5820 Buildings - Expenditures for the direct purchase of or major capital improvements to existing buildings. Capitalized lease obligations for buildings would be charged here. New construction performed by a contractor would be charged to 5890. New construction performed by the local government's own staff would be segregated as a capital project with non-capital outlay object codes. Depreciation of buildings would be charged to account 5829.

5829 Buildings - Depreciation - Depreciation of buildings accounted for in 5820.

5830 Plant - Expenditures for the acquisition of or major capital improvements to existing buildings used to provide utility services (e.g., water pumping station, electric generating station). Capitalized lease obligations for plant would be charged here. New plant construction performed by a contractor would be charged to 5890. New plant construction performed by the local government's own staff would be segregated as a capital project with non-capital outlay object codes. Depreciation of plant would be charged to account 5839.

5839 Plant - Depreciation - Depreciation of plant accounted for in 5830.

Uniform Massachusetts Accounting System – July, 2003

5840 Site Improvements - Expenditures for major capital improvement of sites and adjacent ways after acquisition. This account would only be used when the local government has determined that the management information provided by non-capital outlay object codes is not necessary. Depreciation of site improvements would be charged to account 5849.

5849 Site Improvements - Depreciation - Depreciation of site improvement accounted for in 5840.

5850 Additional Equipment - Expenditures for equipment, which increases the number of items of equipment available (e.g., a local government's first police car or a sixth car to expand a fleet of five). Depreciation of equipment would be charged to account 5859. Equipment items include:

Automobiles	Trucks and buses
Communications equipment	Classroom furniture
EMS equipment/vehicles	Fire alarm equipment
Refuse containers	Office equipment and furniture
Construction equipment	Bulletin boards and shelving
Classroom equipment	Firefighting/FA equipment

5859 Additional Equipment - Depreciation - Depreciation of additional equipment accounted for in 5850.

5870 Replacement Equipment - Expenditures for equipment, which replaces existing assets. For example, purchase of a new or used ambulance to replace one which has or will be sold would be recorded here.

5879 Replacement Equipment - Depreciation - Depreciation of replacement equipment accounted for in 5870.

5890 Construction in Progress - Expenditures made in connection with construction projects, such as:

Fire stations	School buildings
Waste water treatment plants	Sewer systems

Debt Service

- 5910 Maturing Principal on Long-Term Debt - Disbursements to repay the principal portion of long-term debt.
- 5915 Interest on Long-Term Debt - Disbursements to pay the interest owed on long-term debt.
- 5925 Interest on Notes - Disbursements to pay the interest owed on notes and other short-term borrowings.

Other Financing Uses

- 5950 Repayment of Temporary Loans - To track the disbursement of repayment amounts.
- 5960 Interfund Operating Transfers - To track operating transfers to other funds.
- 5961 Transfers to General Fund
- 5962 Transfers to Special Revenue Funds
- 5963 Transfers to Capital Projects Funds
- 5964 Transfers to Permanent Funds
- 5965 Transfers to Proprietary Funds
- 5966 Transfers to Special Purpose Trust and Agency Funds

CHAPTER 8 - BUDGET ENTRIES

The purpose of this chapter is to briefly describe the present budgetary process in Massachusetts and to present illustrative journal entries for recording a municipality's annual budget.

In order to permit the reporting of budget versus actual revenues and expenditures, it is essential that the system for preparing budgets be based on the system of accounting that is utilized by a governmental unit. This chapter describes the process of preparing the budget information to be recorded in the accounting records.

The Budgetary Process in Massachusetts

The fiscal year-end of Massachusetts municipalities and districts is June 30th. The budget process in most local governments is a continuous cycle. It generally begins in the fall of the preceding fiscal year for which the budget is being prepared and is not complete until the tax rate is set which generally occurs about one year later. At that time, the next year's budgetary planning is ready to begin. Although the budget process involves many activities, there are several significant steps that can be identified which are particularly important in understanding the budget sequence in Massachusetts and ultimately the timing of the accounting entries.

<u>Activity</u>	<u>Approximate Completion Date</u>
1. Operating expense budgets prepared for each department	November
2. Revenue budget estimated for each department and for unit	November
3. Real property and personal property valuation determined	January
4. Budgets submitted to authorizing bodies for approval	
• Finance Committee	December
• Town Meeting (M.G.L. Ch. 39, §9)	Feb. - May
• City Council (M.G.L. Ch. 44, §32)	Late June
5. Budgets approved	June
6. "Cherry Sheets" received	July
7. Other amounts required to be raised identified	July
8. Other "available funds" identified and use determined	April - Dec.
9. Overlay for "abatements and exemptions" determined	Sept. - Dec.
10. Tax rate set and tax levy committed for collection	Sept. - Dec.

In Massachusetts, the elements of a budget include several different sources of revenue and expenditures, some of which are appropriated, and others required to be raised and paid in accordance with applicable statutes. A summary of the principal revenues and expenditures encompassed in an annual budget includes:

<u>Revenues</u>	<u>Comment</u>
Real estate and personal property taxes	Amounts assessed to property owners; represents the principal source of city/town revenue
State reimbursements and distributions	State "Cherry Sheet" distributions
Federal grants	Generally for restricted purposes
Other Revenues	Motor vehicle excise, charges for services of municipal departments including enterprise activities, deficit bond proceeds

<u>Expenditures</u>	<u>Comment</u>
Departmental operating budget	Current year's operating expense budget
State and county assessments	State "Cherry Sheet"
Other amounts to be raised	Includes court judgments, abatement deficits, appropriation deficits and revenue deficits.

With the exception of the "Other amounts to be raised," each of the items in the budget represents amounts that are expected to occur in the current budget year. "Other amount to be raised" have, in fact, occurred in a prior year, after the budget for that particular year was finalized. Accordingly, for GAAP purposes, such amounts will have been accounted for as an expenditure of that year, and fund balance will have been reduced or a reserve will have been created. Under Massachusetts law, such amounts are required to be raised in the following year. As will be noted below, the special nature of these items is recognized in the budgetary recording process by crediting these directly to the account "Budgetary Fund Balance."

Integration of Records

Budgetary control accounts should be integrated with the actual control accounts in the general ledger. However, budget and actual amounts should be accounted for separately. This will be accomplished by:

- Providing separate budget and actual accounts in the general ledger;

- Requiring that individual journal entries reflect exclusively either budget or actual transactions (thus, if the debit is to a budget account, the credit must also be made to such an account).

To emphasize this separation, all BUDGET ACCOUNTS are presented in capital letters in all the illustrative journal entries throughout this Manual.

Control Account

The UMAS system utilizes a "zero balance" control account to ensure that the budget has been fully and completely recorded. This account is entitled "Budgetary Control" in order to accurately describe its function with the actual account. Additionally, each fund which has a legally adopted budget, should have a budgetary control account which must have a zero balance after the budget for that fund has been recorded.

The Budget Accounts

In order to simplify and facilitate the reporting of comparisons of budget and actual revenues and expenditures, several additional budgetary control accounts are used in the system. These accounts, together with a brief description of the budgetary items to be classified in each, are listed below.

<u>Number</u>	<u>Title</u>	<u>Classification Description</u>
3810	ESTIMATED TAX LEVY	Real estate and personal property taxes
3815	ESTIMATED REVENUE	Excises, most licenses and fees, grants, and other such items
3820	ESTIMATED OTHER FINANCING SOURCES	Operating transfers in, bond proceeds
3830	APPROPRIATIONS	All amounts formally appropriated by town meeting or city council
3860	OTHER AUTHORIZED EXPENDITURES	Other local expenditures not requiring appropriation
3870	ESTIMATED OTHER FINANCING USES	Reflects Other Financing Uses such as operating transfers-out
3880	BUDGETARY FUND BALANCE	Planned surplus (or deficit) of current year, revenue over current year expenditures

3890	BUDGETARY CONTROL	The offsetting debit or credit for other budget entries
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Recording the Budget

Recording the budget is a four-step process:

- Step 1: Record appropriations on or about July 1 in both General and subsidiary ledgers for proper budgetary control. The level of control in the subsidiary ledgers is at the discretion of the Accountant/Auditor, but at a minimum, should reflect the vote of the community's legislative body. Appropriations should include other financing uses such as transfers to other funds and should only include those for the upcoming fiscal year beginning July 1.
- Step 2: Record revenue estimates of the year on or about July 1. Revenues should include local estimated receipts, other financing sources and transfers from other funds, an estimate of real and personal property tax levy net of Overlay and state Cherry Sheet distributions and reimbursements.
- Step 3: Record "Other Amounts To Be Raised" by taxation as soon as they become known. These amounts are itemized on page 2, parts IIB through IID of the Tax Rate or Pro Forma Recapitulation form and include state and county assessments, the Overlay and certain amounts allowed by Massachusetts General Laws to be overspent.
- Step 4a: Record the Pro Forma Recapitulation form when approved by the Director of Accounts (only if estimated semi-annual or third quarter estimated tax bills are first approved by the Director).
- Step 4b: Record the Tax Rate Recapitulation form when approved by the Director of Accounts.

Source Documents

There are several source documents for the budgetary entries: the certified list of appropriations voted (certified by the city or town Clerk according to M.G.L. Ch. 41, §15A, the annual Cherry Sheet, the estimate of revenues from which the annual budget was prepared, the Balance Sheet, the Tax Rate Recapitulation and/or Pro Forma Recapitulation form(s). These documents may be supplemented by budget control worksheets such as the ones that follow to assist in ensuring that correct budget amounts are recorded in the accounting records of the community and are accurately distributed to the various funds.

Budget Control Worksheets

Four worksheets have been designed to simplify the allocation of budgeted amounts to the various funds without loss of control. The use of worksheets of this sort is recommended, but is not required. For purposes of this presentation, the worksheets only show general ledger entries and the journal entries that follow show both the general and subsidiary ledger entries. They may in addition assist the Accountant/Auditor to reconcile items found on the Tax Rate and/or Pro Forma Recapitulation form(s) which require the Accountant/Auditor to verify the accuracy of the information presented to the Department of Revenue. The four worksheets include:

Budget Control Worksheet - Appropriations: classifies and summarizes annual appropriations by fund type and by expenditure functions.

Budget Control Worksheet - Local Receipts: classifies and summarizes annual local estimated receipts by fund type.

Budget Control Worksheet - Other Receipts: details transfers from other funds, other financing sources, an estimate of tax levy and Cherry Sheet revenues net of offsets.

Budget Control Worksheet - Other Amounts to be Raised: details other amounts allowed by Massachusetts General Laws to be raised by taxation without appropriation as found on the Pro Forma and/or Tax Rate Recapitulation form(s).

Copies of each worksheet, together with instructions, are presented in the following pages of the chapter.

BUDGET CONTROL WORKSHEET - APPROPRIATIONS							
	Total	General Fund	Special Revenue	Capital Projects	Proprietary	Fiduciary	
<u>Appropriations:</u>							
General Government	\$ 990,000	\$ 990,000					
Public Safety	\$ 1,580,000	\$ 1,340,000	\$ 240,000				
Education	\$ 5,625,000	\$ 5,625,000					
Public Works	\$ 2,555,000	\$ 1,735,000	\$ 820,000				
Human Services	\$ 165,000	\$ 165,000					
Culture and Recreation	\$ 14,657	\$ 14,657					
Debt Service	\$ 845,000	\$ 845,000					
Capital Outlay	\$ 700,000	\$ 700,000					
Unclassified	\$ -	\$ -					
Subtotal Appropriations	\$ 12,474,657	\$ 11,414,657	\$ 1,060,000	\$ -	\$ -	\$ -	
<u>Other Financing Uses:</u>							
Other Financing Uses	\$ -	\$ -					
Transfers to Other Funds	\$ 50,343	\$ 50,343					
Subtotal Other Financing							
Uses Including Transfers	\$ 50,343	\$ 50,343	\$ -	\$ -	\$ -	\$ -	
<u>Total Appropriations and Other Financing</u>							
<u>Uses:</u>	\$ 12,525,000	\$ 11,465,000	\$ 1,060,000	\$ -	\$ -	\$ -	

Instructions for Preparing Budget Control Worksheet - Appropriations

This worksheet is designed to simplify the process of identifying and classifying amounts appropriated by a municipality's authorizing body into a form that will facilitate the preparation of budget journal entries. It should be prepared in connection with other budget control worksheets. It will be noted that the worksheet is presented in summary form (by function, rather than by function, department and expenditure object) for space considerations. It is assumed that a municipality will have prepared a more detailed appropriation worksheet (by function, department and expenditure object) as an intermediary step toward the preparation of this worksheet. The worksheet is most easily prepared if the following sequence of directions is followed:

1. Enter the information from the Clerk's certified copy of amounts appropriated.
2. Review each appropriation and apply the amount to the appropriate fund or funds by functional category. Note that the General Fund will have the most entries, but that special consideration should be given to:

Enterprise activities - appropriations for the operational expenses of a department classified as an enterprise activity should be applied to the Proprietary column.

Operating transfers - it will be necessary to identify any operating transfers (transfers from a fund receiving the revenue to a fund through which the resources are to be expended) appropriated in the annual budget and classify them separately as "estimated other financing uses."

BUDGET CONTROL WORKSHEET - LOCAL RECEIPTS						
	<u>Total</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Fiduciary</u>
<u>Local Estimated Receipts:</u>						
Motor Vehicle Excise	\$ 825,000	\$ 825,000				
Other Excise	\$ -					
Penalties & Interest on Taxes and Excises	\$ 70,000	\$ 70,000				
Payment in Lieu of Taxes	\$ -					
Charges for Services - Water	\$ -					
Charges for Services - Sewer	\$ -					
Charges for Services - Hospital	\$ -					
Charges for Services - Trash Disposal	\$ -					
Other Charges for Services	\$ 2,500	\$ 2,500				
Fees	\$ 26,250	\$ 26,250				
Rentals	\$ 2,500	\$ 2,500				
Departmental Revenue - Schools	\$ 4,500	\$ 4,500				
Departmental Revenue - Libraries	\$ -					
Departmental Revenue - Cemeteries	\$ -					
Departmental Revenue - Recreation	\$ -					
Other Departmental Revenue	\$ -					
Licenses and Permits	\$ 31,500	\$ 31,500				
Special Assessments	\$ -					
Fines and Forfeits	\$ 17,500	\$ 17,500				
Investment Income	\$ 40,000	\$ 40,000				
Miscellaneous Recurring	\$ -					
Miscellaneous Non-Recurring	\$ -					
<u>Total Local Estimated Receipts:</u>	\$ 1,019,750	\$ 1,019,750	\$ -			

General Ledger Journal
Entry #3

Instructions for Preparing Budget Control Worksheet - Local Receipts

This worksheet is designed to simplify the process of identifying and classifying the information included as local estimated receipts on the Pro Forma or Tax Rate Recapitulation form in order to facilitate the preparation of budget journal entries. It should be prepared in connection with the other budget control worksheets. The worksheet is most easily prepared if the following sequence of directions is followed:

1. Enter the information that would be found on page 3, local estimated receipts, of the Pro Forma or Tax Rate Recapitulation form.
2. Starting with Motor Vehicle Excise, review each line item and apply the amount from column (b) to the fund in which the revenue is reportable. Note that the General Fund will have the most entries.

BUDGET CONTROL WORKSHEET - OTHER RECEIPTS						
	General Ledger Journal Entry #4					
	Total	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Fiduciary</u>
Transfers From Other Funds:	\$ 19,500		\$ 16,500			\$ 3,000
	General Ledger Journal Entry #5A					
	Total	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Fiduciary</u>
Other Financing Sources:	\$ 100,000	\$ 100,000				
	General Ledger Journal Entry #6					
	Total	<u>Real Property</u>	<u>Personal Property</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Fiduciary</u>
Estimated Tax Levy:	\$ 9,218,951	\$ 8,857,531	\$ 361,420			
	Total					
Total Cherry Sheet Revenues (net of offsets):	\$ 2,046,949					
	General Ledger Journal Entry #7					

Instructions for Preparing Budget Control Worksheet - Other Receipts

This worksheet is designed to simplify the process of detailing the information included as transfers from other funds, other financing sources, an estimate of tax levy net of Overlay, and Cherry Sheet distributions and reimbursements from the Clerk's certification of appropriations as well as from other budgetary references. It should be prepared in connection with the other budget control worksheets. The worksheet is most easily prepared if the following sequence of directions is followed:

1. Include as transfers from other funds amounts from the Clerk's certification of appropriations.
2. Include as other financing sources amounts from the Clerk's certification of appropriations.
3. Include an estimate of real and personal property tax levy. This amount may be the municipality's estimated levy limit for the fiscal year or estimated levy determined during the budget process. The amount is net of the overlay.
4. Include the Cherry Sheet revenue amount as reported to the municipality by the Commissioner of Revenue annually.

BUDGET CONTROL WORKSHEET - OTHER AMOUNTS TO BE RAISED				
		Total	General	Proprietary
<div style="text-align: center;"> <div>General Ledger Journal Entry #8</div> <div> <div> <div>Total State and County Assessments</div> <div>\$</div> <div>475,000</div> </div> <div> <div>General</div> <div>\$</div> <div>475,000</div> </div> <div></div> </div> </div>				
<div style="text-align: center;"> <div>General Ledger Journal Entry #9</div> <div> <div> <div>Allowance for Abatements and Exemptions (Overlay)</div> <div>\$</div> <div>360,000</div> </div> <div></div> <div>360,000</div> </div> </div>				
Other Amounts to Be Raised				
By Taxation:				
		Total	General	Proprietary
Tax Title	\$	-		
Debt and Interest	\$	-		
Final Court Judgments	\$	10,650	\$ 10,650	
Overlay Deficits	\$	2,250	\$ 2,250	
Cherry Sheet Offsets	\$	-		
Revenue Deficits	\$	-		
Offset Receipts Deficits	\$	-		
Snow and Ice Deficits	\$	-		
Enterprise Fund Deficits	\$	-		
Other	\$	-		

Instructions for Preparing Budget Control Worksheet - Other Amounts to be Raised

This worksheet is designed to simplify the process of detailing the information included as Other Amounts to be Raised as reported on the Tax Rate or Pro Forma Recapitulation form. It should be prepared in connection with the other budget control worksheets. The worksheet is most easily prepared if the following sequence of directions is followed:

1. Include the Cherry Sheet assessment amount as reported to the municipality by the Commissioner of Revenue annually.
2. Include the amount estimated for Overlay for the fiscal year.
3. Include other amounts required to be raised by taxation as they become known.

Illustrative Journal Entries

Illustrative journal entries for the budget control worksheets presented in the preceding exhibits are provided below. All entries are presented for the General Fund; budget entries for other funds are illustrated in subsequent chapters.

General Fund

1. The initial entry would be made as of July 1, the start of the fiscal year, and would record the total appropriations as reflected on the appropriations worksheet:

001-3890	BUDGETARY CONTROL	11,414,657	
001-3830	APPROPRIATIONS		11,414,657

To record the annual budget

Subsidiary ledger entry for this journal entry would be:

001-5000	Subsidiary Appropriation Control	11,414,657	
001-5100	Personal Services		8,725,000
001-5200	Purchase of Services		450,000
001-5400	Supplies		190,000
001-5600	Intergovernmental		100,000
001-5800	Capital Outlay		700,000
001-5910	Maturing Principal on Long-term Debt		845,000
001-5850	Additional Equipment		404,657

2. Amounts appropriated in the General Fund, which will be expended in another fund, are recorded as an estimated financing use as follows (note that the fund to which the operating transfer is made will have a similar but opposite entry):

001-3890	BUDGETARY CONTROL	50,343	
001-3870	ESTIMATED OTHER FINANCING USES		50,343

To record budgeted operating transfers-out

Subsidiary ledger entry for this journal entry would be:

001-5000	Subsidiary Appropriation Control	50,343	
001-5963	Transfers to Capital Projects Funds		5,000
001-5965	Transfer to Proprietary Fund		45,343

Uniform Massachusetts Accounting System – July, 2003

3. Budgeted revenues, as summarized on the Budget Control Worksheet - Local Receipts:

001-3815	ESTIMATED REVENUE	1,019,750	
001-3890	BUDGETARY CONTROL		1,019,750

To record estimated receipts budget

Subsidiary ledger entry for this journal entry would be:

001-4150	Motor Vehicle Excise	825,000	
001-4410	Licenses	15,000	
001-4770	Fines and Forfeits	17,500	
001-4240	Non-Enterprise Charges for Usage	2,500	
001-4320	Fees	26,250	
001-4360	Rentals	2,500	
001-4450	Permits	16,500	
001-4340	Tuition	4,000	
001-4350	Pupil Transportation	500	
001-4170	Penalties and Interest on Taxes and Excises	70,000	
001-4820	Earnings on Investments	40,000	
001-4000	Subsidiary Revenue Control		1,019,750

4. Other financing sources to be transferred from other funds for use in the General Fund are recorded as follows (note that the transferring fund will have a similar but opposite entry):

001-3820	ESTIMATED OTHER FINANCING SOURCES	19,500	
001-3890	BUDGETARY CONTROL		19,500

To record budgeted operating transfers in

Subsidiary ledger entry for this journal entry would be:

001-4970	Transfer from Special Revenue Funds	16,500	
001-4970	Transfer from Special Purpose Trust and Agency Funds	3,000	
001-4000	Subsidiary Revenue Control		19,500

Uniform Massachusetts Accounting System – July, 2003

- 5A. The amount, "From Available Funds to Reduce Tax Rate" represents the planned use of surplus funds, or funds which have been classified as a part of the unappropriated fund balance of a municipality. These amounts are not part of the municipality's budgeted revenue or expenditures for the year. Such amounts, in essence, fund a planned budget deficit and the budgetary entry reflects this fact:

001-3880	BUDGETARY FUND BALANCE	100,000	
001-3890	BUDGETARY CONTROL		100,000

To record other amounts appropriated to revenue

- 5B. Simultaneously, an actual entry must be made to reclassify the amounts reserved from Undesignated Fund Balance.

001-3590	Undesignated Fund Balance	100,000	
001-3240	Fund Balance Reserved for Expenditures		100,000

To record the appropriation of free cash to reduce the tax rate

6. The estimated tax levy is recorded as follows:

001-3810	ESTIMATED TAX LEVY	9,218,951	
001-3890	BUDGETARY CONTROL		9,218,951

To record the estimated tax levy

Subsidiary ledger entry for this journal entry would be:

001-4120	Real Property Taxes	8,857,531	
001-4110	Personal Property Taxes	361,420	
001-4000	Subsidiary Revenue Control		9,218,951

7. Expected "Cherry Sheet" distributions are recorded as follows:

001-3815	ESTIMATED REVENUE	2,046,949	
001-3890	BUDGETARY CONTROL		2,046,949

To record "Cherry Sheet" distributions from the State, net of offsets

Subsidiary ledger entry for this journal entry would be:

001-4610	Reimbursement for Loss of Taxes on State Owned Land	17,400	
001-4610	Abatements to Veterans, Blind & Surviving Spouse	5,700	
001-4610	Abatements to the Elderly	12,500	
001-4660	Veterans' Benefits	10,249	
001-4620	Chapter 70	1,771,900	
001-4660	Highway Fund	54,000	
001-4620	Transportation of Pupils	106,600	
001-4620	School Construction Projects	68,600	
001-4000	Subsidiary Revenue Control		2,046,949

8. The current year's assessment for state and county charges is recorded as an estimated other financing use.

001-3890	BUDGETARY CONTROL	475,000	
001-3860	OTHER AUTHORIZED EXPENDITURES		475,000

To record state and county assessments for the fiscal year

Subsidiary ledger entry for this journal entry would be:

001-5000	Subsidiary Appropriation Control	475,000	
001-5621	County Tax		140,000
001-5631	Special Education		60,000
001-5641	Metropolitan Area Planning Council		25,000
001-5661	MBTA		250,000

9. The Overlay for the current year is recorded as a reduction of estimated revenue.

001-3890	BUDGETARY CONTROL	360,000	
001-3815	ESTIMATED REVENUE		360,000

To record the overlay for the fiscal year

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	360,000	
001-4130	Abatements and Exemptions		360,000

Uniform Massachusetts Accounting System – July, 2003

- 10A. The final budget amounts to be recorded are "Other Amounts to Be Raised." The "Other Amounts" are raised in the current year's levy to offset expenditures made in the prior year and will accordingly be credited directly to the Budgetary Fund Balance account. At the same time that the budget entry is recorded, an additional entry will be made to restore each of these amounts to the Undesignated Fund Balance account. Such amounts were segregated during the prior year's closeout process to ensure that they were raised in the current year's levy. Note that the latter entry is not a budget entry, but a reclassification within non-budgetary accounts.

001-3890	BUDGETARY CONTROL	12,900	
001-3880	BUDGETARY FUND BALANCE		12,900

To record "other amounts to be raised" included in fiscal year tax levy

COURT JUDGMENTS	10,650
UNPROVIDED ABATEMENTS	2,250

There is no entry necessary in the subsidiary ledgers.

- 10B. Simultaneously, an actual entry must be made to reclassify the amounts reserved to Undesignated Fund Balance.

001-3590	Undesignated Fund Balance	12,900	
001-3595	Unreserved Fund Balance - Court Judgments		10,650
001-3594	Unreserved Fund Balance - Unprovided Abatements and Exemptions		2,250

To reclassify various fund balance accounts to unreserved fund balances

CHAPTER 9 - GENERAL FUND

The General Fund is the largest and single most important fund of a local government. Most of a local government'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.

Generally, all funds received by a governmental entity belong to the General Fund unless otherwise directed by Massachusetts General Laws or by Special Acts of the Massachusetts Legislature. Grants must be segregated as well as funds received in which the entity is acting as a trustee or agent. It is improper for a governmental entity to reserve General Fund monies as Special Revenue without proper authority granted by legislation or by the Director of Accounts.

The principal revenue resources of the General Fund include real estate and personal property taxes (for districts this translates into assessments), motor vehicle and other excises, departmental receipts, and state aid. With the exception of the portion of the annual budget which is funded through 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 in this chapter, 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.

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.

The principal source of revenue for the General Fund is the property tax. 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.

Illustrative Journal Entries

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

* Budget entries (see chapter 8, Budget Entries, for budgetary journal entries)

Expenditures and Other Cash Disbursements

Supplemental Appropriations

Transactions and Transfers

Revenues

Other Transactions

Special Topics

Year-end Transactions

Closing Trial Balance

Addendum

Opening Entries

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.

Uniform Massachusetts Accounting System – July, 2003

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.

001-1040	Cash - Unrestricted	424,250	
001-1060	Cash - Restricted	750	
001-1110	Short Term Investments	550,000	
001-1211	Personal Property Taxes Receivable 2002	50,000	
001-1221	Real Estate Taxes Receivable 2002	295,000	
001-1222	Real Estate Taxes Receivable 2001	5,000	
001-2610	Deferred Revenue - Real and Personal Property Taxes		205,000
001-1231	Allowance for Abatements & Exemptions 2002		40,000
001-1232	Allowance for Abatements & Exemptions 2001		5,000
001-1240	Tax Liens Receivable	32,250	
001-2622	Deferred Revenue - Tax Liens		32,250
001-1261	Motor Vehicle Excise Receivable 2002	215,500	
001-2630	Deferred Revenue - Motor Vehicle Excise		215,500
001-1340	Departmental Receivables	75,000	
001-2654	Deferred Revenue - Departmental		75,000
001-1880	Tax Foreclosures	8,250	
001-2010	Warrants Payable		450,000
001-2020	Accounts Payable		35,000
001-2120	Federal Income Tax Withholdings Payable		10,000
001-2130	State Income Tax Withholdings Payable		2,500
001-2140	Retirement Withholdings Payable		1,750
001-2150	Insurance Withholdings Payable		2,250
001-2190	Other Payroll Withholdings Payable		65,000
001-2520	Abandoned Property, Tailings and Unclaimed Items		50,000
001-3580	Fund Balance Designated for Other Purposes		750
001-3211	Fund Balance Reserved for Encumbrances		60,000
001-3240	Fund Balance Reserved for Expenditures		100,000
001-3220	Fund Balance Reserved for Overlay Released by the Assessors for Expenditures		22,500
001-3350	Fund Balance Reserved for Teachers' Pay Deferral	50,000	
001-3590	Undesignated Fund Balance		345,400
001-3594	Unreserved Fund Balance - Unprovided Abatements and Exemptions	2,250	
001-3595	Unreserved Fund Balance - Court Judgments	9,650	
		<u>1,717,900</u>	<u>1,717,900</u>

Uniform Massachusetts Accounting System – July, 2003

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" account reclassified at the close of the prior year must be re-established.

001-3910	Revenue	100,000	
001-2610	Deferred Revenue - Real and Personal Property Taxes		100,000

To re-establish the deferred revenue accounts

Subsidiary ledger entry for this journal entry would be:

001-4120	Real Estate Taxes	100,000	
001-4000	Subsidiary Revenue Control		100,000

3. Certain payables and liabilities are paid.

001-2010	Warrants Payable	450,000	
001-2020	Accounts Payable	35,000	
001-2190	Other Payroll Withholdings Payable	65,000	
001-1040	Cash - Unrestricted		550,000

To record warrants payable, accounts payable, and other payroll withholdings payable

4. To reverse the entry of free cash to reduce the tax rate.

001-3240	Fund Balance Reserved for Expenditures	100,000	
001-3590	Undesignated Fund Balance		100,000

To reverse entry appropriating "free cash" to reduce the tax rate

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). All expenditures or cash disbursements must be authorized by an approved treasury warrant (M.G.L. Ch. 41, §56). (See investment of excess cash under "Other Transactions.")

Payroll expenditures - 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.

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.

001-3930	Expenditures	150,000	
001-1040	Cash - Unrestricted		150,000

To record the payroll expenditures - warrant # _____

Subsidiary ledger entry for this journal entry would be:

001-5110	Salaries and Wages, Permanent Positions	115,000	
001-5120	Salaries and Wages, Temporary Positions	35,000	
001-5000	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.

001-1040	Cash - Unrestricted	52,000	
001-2120	Federal Income Tax Withholdings Payable		30,000
001-2130	State Income Tax Withholdings Payable		9,000
001-2140	Retirement Withholdings Payable		9,000
001-2150	Insurance Withholdings Payable		4,000

To record the receipt of the payroll withholdings

Uniform Massachusetts Accounting System – July, 2003

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.

001-2120	Federal Income Tax Withholdings Payable	40,000	
001-2130	State Income Tax Withholdings Payable	11,000	
001-2140	Retirement Withholdings Payable	10,750	
001-2150	Insurance Withholdings Payable	6,250	
001-3930	Expenditures	38,000	
001-1040	Cash - Unrestricted		106,000

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:

001-5170	Unemployment Insurance	20,000	
001-5170	Health Insurance (Employer's Portion)	18,000	
001-5000	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.

001-3930	Expenditures - Current Year	356,500	
001-1040	Cash - Unrestricted		356,500

To record the expenditures charged to current year appropriations - warrant # _____

Uniform Massachusetts Accounting System – July, 2003

Subsidiary ledger entry for this journal entry would be:

001-5210	Energy	3,000	
001-5420	Office Supplies	1,100	
001-5450	Custodial and Housekeeping Supplies	900	
001-5480	Vehicular Supplies	1,500	
001-5510	Educational Supplies	4,000	
001-5430	Building and Equipment Repairs and Maintenance Supplies	1,000	
001-5910	Maturing Principal on Long-term Debt	300,000	
001-5915	Interest on Long-term Debt	45,000	
001-5000	Subsidiary Appropriation Control		356,500

9. The expenditures of the prior year are paid

001-3950	Prior Year Expenditures	44,000	
001-1040	Cash - Unrestricted		44,000

To record the expenditures charged to prior year appropriations -
warrant #_____

Subsidiary ledger entry for this journal entry would be:

001-5210	Energy	12,000	
001-5480	Vehicular Supplies	12,000	
001-5850	Additional Equipment	20,000	
001-5000	Subsidiary Appropriation Control		44,000

10. The county tax is paid

001-3930	Expenditures	450,000	
001-1040	Cash - Unrestricted		450,000

To record the expenditures charged to state and county assessments -
warrant #_____

Subsidiary ledger entry for this journal entry would be:

001-5621	County Tax	450,000	
001-5000	Subsidiary Appropriation Control		450,000

Uniform Massachusetts Accounting System – July, 2003

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.

001-1040	Cash - Unrestricted	160	
001-3930	Expenditures		160

To record the receipt of a refund of expenditures paid

Subsidiary ledger entry for this journal entry would be:

001-5000	Subsidiary Appropriation Control	160	
001-5420	Office Supplies		10
001-5450	Custodial and Housekeeping Supplies		10
001-5510	Educational Supplies		100
001-5430	Building and Equipment Repairs and Maintenance Supplies		40

Supplemental Appropriations

12. The appropriating authority votes to appropriate available funds (free cash) from Undesignated Fund Balance. The appropriation is shown first.

001-3880	BUDGETARY FUND BALANCE	10,000	
001-3830	APPROPRIATIONS		10,000

To record the transfer of free cash to appropriations

Subsidiary ledger entry for this journal entry would be:

001-5000	Subsidiary Appropriation Control	10,000	
001-5270	Rental of Data Processing Equipment		10,000

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

001-3590	Undesignated Fund Balance	10,000	
001-3240	Fund Balance Reserved for Expenditures		10,000

To adjust Undesignated Fund Balance for the portion of it used for appropriations

Transactions and Transfers

The accounting for interfund transactions is frequently misunderstood and inconsistently applied. A common terminology describing each of the various types of interfund

transactions and the accounting for each type is uniform. Interfund transactions include the following types of activities:

Quasi-external Transactions - Transactions (revenues, expenditures, or expenses) if they involved organizations internal to the municipality (thus payments in lieu of taxes from an 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 - All other interfund transactions are transfers, which may be of two types:

Residual Equity Transfers - Non-recurring 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 unrestricted net assets in Proprietary Funds.

Operating Transfers - All other interfund transactions (thus transfer of funds from the General Fund to 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 #14, which follows.

14. The Recreation Department (accounted for in the General Fund) fills two of its vehicles with gasoline at the Water Enterprise gasoline pumps.

001-3930	Expenditures	50	
001-1040	Cash - Unrestricted		50

To record the purchase of gasoline from the Water Enterprise

Uniform Massachusetts Accounting System – July, 2003

Subsidiary ledger entry for this journal entry would be:

001-5480	Vehicular Supplies	50	
001-5000	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.

001-1040	Cash - Unrestricted	250	
001-3930	Expenditures		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:

001-5000	Subsidiary Appropriations Control	250	
001-5420	Office Supplies		250

Transfers - Transfers are either legally authorized transactions within a single fund or legally authorized transactions between two or more funds.

Legally Authorized Transfers Within A Single Fund - During the fiscal year a situation may develop where it becomes necessary to authorize one of the following:

- The transfer of funds between departmental appropriations;
- The use all or 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.

001-3830	APPROPRIATIONS	2,000	
001-3830	APPROPRIATIONS		2,000

Subsidiary ledger entry for this journal entry would be:

001-5110	Salaries and Wages - Permanent	2,000	
001-5240	Repairs and Maintenance		2,000

Uniform Massachusetts Accounting System – July, 2003

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.

001-3830	APPROPRIATIONS	5,000	
001-3830	APPROPRIATIONS		5,000

Subsidiary ledger entry for this journal entry would be:

001-5780	Other Unclassified Items	5,000	
001-5850	Additional Equipment		5,000

18. The appropriating authority votes to transfer funds from the Fund Balance Reserved for Overlay Released by the Assessors for Expenditures account to provide funding to repair the plumbing in a municipal building.

001-3880	BUDGETARY FUND BALANCE	3,000	
001-3830	APPROPRIATIONS		3,000

Subsidiary ledger entry for this journal entry would be:

001-5000	Subsidiary Appropriations Control	3,000	
001-5240	Repairs and Maintenance		3,000

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

001-3220	Fund Balance Reserved for Overlay Released By the Assessors for Expenditures	3,000	
001-3590	Undesignated 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.

Uniform Massachusetts Accounting System – July, 2003

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

001-3830	APPROPRIATIONS	1,000	
001-3870	ESTIMATED OTHER FINANCING USES		1,000

Subsidiary ledger entries for this journal entry would be:

001-5780	Other Unclassified Items	1,000	
001-5965	Transfers to Proprietary Funds		1,000

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

001-3970	Other Financing Uses	1,000	
001-1040	Cash - Unrestricted		1,000

20. The appropriating authority votes to transfer funds from the "Fund Balance Reserved for Expenditures" (free cash) account to provide funding to repair a water break.

001-3880	BUDGETARY FUND BALANCE	1,500	
001-3870	ESTIMATED OTHER FINANCING USES		1,500

Subsidiary ledger entry for this journal entry would be:

001-5000	Subsidiary Appropriations Control	1,500	
001-5965	Transfer to Proprietary Fund		1,500

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

001-3240	Fund Balance Reserved for Expenditures	1,500	
001-3590	Undesignated Fund Balance		1,500

Another entry which has to be made is as follows:

001-3970	Other Financing Uses	1,500	
001-1040	Cash - Unrestricted		1,500

Subsidiary ledger entry for this journal entry would be:

001-5965	Transfer to Proprietary Fund	1,500	
001-5000	Subsidiary Appropriations Control		1,500

Revenues

The following series of journal entries describe the various types of revenue in the General Fund.

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. A provision for possible abatements and exemptions is provided in the accounting records from the Tax Rate Recapitulation form. The receivables should be maintained in the general ledger by year of commitment. When a local government adopts the quarterly tax billing cycle, estimated bills are committed in July and October.

21A. The commitment warrant for estimated real estate and personal property taxes is presented to the Collector by the Assessors.

001-1251	Estimated Personal Property Taxes Receivable	250,000
001-1252	Estimated Real Estate Taxes Receivable	2,000,000
001-2610	Deferred Revenue - Real and Personal Property Taxes	2,250,000

21B. For quarterly or estimated semi-annual communities, when the tax rate is set, the estimated receivable and deferred estimated revenue are reversed and the actual commitment and overlay are recorded.

001-2610	Deferred Revenue - Real and Personal Property Taxes	2,250,000
001-1251	Estimated Personal Property Taxes Receivable	250,000
001-1252	Estimated Real Estate Taxes Receivable	2,000,000

To reverse the preliminary commitment of quarterly or estimated semi-annual Estimated Real and Personal Property Taxes Receivable

Uniform Massachusetts Accounting System – July, 2003

- 21C. The commitment warrant for real estate and personal property taxes is presented to the Collector by the Assessors.

001-1210	Personal Property Taxes Receivable	500,000	
001-1220	Real Estate Taxes Receivable	4,000,000	
001-1230	Allowance for Abatements and Exemptions		250,000
001-2610	Deferred Revenue - Real and Personal Property Taxes		4,250,000

To record the actual commitment of property taxes

22. The summary of abatements and exemptions for the month of November is forwarded to the Accounting Officer from the Assessors.

001-1230	Allowance for Abatements and Exemptions	250,000	
001-1220	Real Estate Taxes Receivable		250,000

To record the abatements and exemptions for November

23. The Collector remits to the Treasurer the collections on real estate and personal property taxes.

001-1040	Cash - Unrestricted	940,000	
001-1210	Personal Property Taxes Receivable		40,000
001-1220	Real Estate Taxes Receivable		900,000

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

24. The property tax revenue for the month is recorded by transferring to Revenue from Deferred Revenue the amount of cash collected (net).

001-2610	Deferred Revenue - Real and Personal Property Taxes	940,000	
001-3910	Revenue		940,000

To record the revenue from collection of property taxes

Uniform Massachusetts Accounting System – July, 2003

Subsidiary ledger entries for this journal entry would be:

001-4000	Subsidiary Revenue Control	940,000	
001-4110	Personal Property Taxes		40,000
001-4120	Real Estate Taxes		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. Revenue is recognized on the cash basis or when collections are received. 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.

25. The commitment warrant for motor vehicle excise is forwarded to the Collector by the Assessors.

001-1260	Motor Vehicle Excise Receivable	790,000	
001-2630	Deferred Revenue - Motor Vehicle Excise		790,000

To record commitment #11 of 2003 motor vehicle excise

26. The summary of abatements issued on motor vehicle excise is forwarded to the Accounting Officer by the Assessors.

001-2630	Deferred Revenue - Motor Vehicle Excise	23,000	
001-1260	Motor Vehicle Excise Receivable		23,000

To record abatements on motor vehicle excise 2003

27. The Treasurer's report of cash received is submitted to the Accountant and is agreed to the Collector's transmittal sheet.

001-1040	Cash - Unrestricted	80,000	
001-1260	Motor Vehicle Excise Receivable		80,000

To record cash collected on motor vehicle excise

Uniform Massachusetts Accounting System – July, 2003

28. The motor 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.

001-2630	Deferred Revenue - Motor Vehicle Excise	80,000	
001-3910	Revenue		80,000

To record the revenue from collection on motor vehicle excise

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	80,000	
001-4150	Motor Vehicle Excise		80,000

29. 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.

001-1260	Motor Vehicle Excise Receivable	100	
001-1040	Cash - Unrestricted		100

To record refunds of overpayments collected on motor vehicle excise

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

001-3910	Revenue	100	
001-2630	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:

001-4150	Motor Vehicle Excise	100	
001-4000	Subsidiary Revenue Control		100

31. The commitment warrant for boat excise is forwarded to the Collector by the Assessors.

001-1270	Boat Excise Receivable	2,500	
001-2641	Deferred Revenue - Boat Excise		2,500

To record commitment #1 of 2003 boat excise

Uniform Massachusetts Accounting System – July, 2003

32. The Treasurer's report of cash received is submitted to the Accountant and is agreed to the Collector's transmittal sheet.

001-1040	Cash - Unrestricted	2,000	
001-1270	Boat Excise Receivable		2,000

To record cash collected on boat excise

33. 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.

001-2641	Deferred Revenue - Boat Excise Receivable	2,000	
001-3910	Revenue		1,000
001-2310	Due to Special Revenue Fund		1,000

To record the revenue from collection on boat excise

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	1,000	
001-4160	Other Excise		1,000

Tax liens - Unpaid real estate taxes can be subject to a lien 14 days after a demand notice of delinquency has been issued (M.G.L. Ch. 60, §53). 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 (M.G.L. Ch. 60, §37).

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 enterprise liens (water, sewer, and electric light).

Uniform Massachusetts Accounting System – July, 2003

34. The Tax Collector records delinquent real estate taxes and forwards a copy of the taking document to the Treasurer and the Accounting Officer.

001-1240	Tax Liens Receivable	46,850	
001-1220	Real Estate Taxes Receivable		44,600
001-2622	Deferred Revenue - Tax Liens		2,250

To record the tax liens on delinquent real estate taxes 2002

35. Deferred Revenue - Real and Personal Property Taxes is adjusted for the tax liens taken, and Deferred Revenue - Tax Liens is established.

001-2610	Deferred Revenue - Real and Personal Property Taxes	44,600	
001-2622	Deferred Revenue - Tax Liens		44,600

To record the adjustment to Deferred Revenue for real estate taxes to tax lien

36. 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).

001-1040	Cash - Unrestricted	5,350	
001-1240	Tax Liens Receivable		5,250
001-3910	Revenue		100

To record cash collected on tax liens

37. The Revenue and Deferred Revenue - Tax Liens amounts are adjusted to reflect the cash received on tax lien accounts.

001-2622	Deferred Revenue - Tax Liens	5,250	
001-3910	Revenue		5,250

To record the revenue from collections on tax liens

Subsidiary ledger entry for these journal entries #36 and 37 would be:

001-4000	Subsidiary Revenue Control	5,350	
001-4142	Tax Liens Redeemed		5,250
001-4170	Penalties and Interest on Tax Liens		100

38. The Board of Assessors or Land Court determines 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.

001-1230	Allowance for Abatements and Exemptions	1,600	
001-2622	Deferred Revenue - Tax Liens	1,850	
001-1240	Tax Liens Receivable		1,850
001-2610	Deferred Revenue - Real and Personal Property Taxes		1,600

To record the abatement of taxes previously tax liened

39. The Treasurer or other custodian of tax liens may sell land of low value that has a recorded tax lien (M.G.L. Ch. 60, §79). 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.

001-1040	Cash - Unrestricted	6,500	
001-1060	Cash - Restricted	2,000	
001-1240	Tax Liens Receivable		6,300
001-2530	Excess on Sale of Land of Low Value		2,000
001-3910	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 on Sale of Land of Low Value would be unnecessary.) See Journal entry #40 for the subsidiary revenue entry.

40. Revenue and the Deferred Revenue - Tax Liens are adjusted to reflect the cash received on the sale of land of low value.

001-2622	Deferred Revenue - Tax Liens	6,300	
001-3910	Revenue		6,300

To record the revenue from sale of lands of low value

Subsidiary ledger entry for these journal entries #39 and #40 would be:

001-4000	Subsidiary Revenue Control	6,500	
001-4142	Tax Liens Redeemed		6,300
001-4170	Penalties and Interest on Tax Liens		200

41. 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.

001-1040	Cash - Unrestricted	4,500	
001-1240	Tax Liens Receivable		4,500

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

42. The receivable, Revenue and Deferred Revenue - Tax Liens are adjusted to reflect the sale of lands of low value.

001-2622	Deferred Revenue - Tax Liens	5,500	
001-1240	Tax Liens Receivable		1,000
001-3910	Revenue		4,500

To record the revenue from sale of land of low value

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

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	4,500	
001-4142	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.)

43. 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 normal disclaimer document must be filed and the following entries recorded.

001-1220	Real Estate Taxes Receivable	1,150	
001-2622	Deferred Revenue - Tax Liens	600	
001-1240	Tax Liens Receivable		1,750

To record the disclaimer of the tax lien

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

001-2622	Deferred Revenue Tax Liens	1,150	
001-2610	Deferred Revenue - Real and Personal 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 (M.G.L. Ch.60, §50). 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 practicable. The transactions involving foreclosures are reflected in the entries shown below.

45. 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. 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.

001-1880	Tax Foreclosure	3,300	
001-1240	Tax Liens Receivable		3,200
001-3920	Other Financing Sources		100

To record the foreclosure of tax liens receivable

Uniform Massachusetts Accounting System – July, 2003

46. 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.

001-2622	Deferred Revenue - Tax Liens	3,200	
001-3910	Revenue		3,200

To record the revenue from foreclosures of tax liens

Subsidiary ledger entries for journal entries #45 and #46 would be:

001-4000	Subsidiary Revenue Control	3,300	
001-4145	Tax Foreclosures		3,200
001-4970	Transfer from Proprietary Fund		100

47. The Treasurer or other foreclosure custodian sells a foreclosure property for \$4,000 which had a carrying basis of \$4,400. The cash collected is reported through the Treasurer's report of cash received. Normally additional information supporting the transaction must be supplied to properly record the entries.

001-1040	Cash - Unrestricted	4,000	
001-1880	Tax Foreclosures		4,000

To record the sale of tax foreclosure property

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

001-3910	Revenue	400	
001-1880	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:

001-4840	Miscellaneous	400	
001-4000	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.)

49. 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" (M.G.L. Ch. 44, §63A). The following entry illustrates the collection of pro forma tax upon the sale of foreclosure property.

001-1040	Cash - Unrestricted	80	
001-3910	Revenue		80

To record the pro forma tax collected on foreclosure sale

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	80	
001-4120	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 M.G.L. Chapter 60, §95.

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

001-1254	Taxes Receivable in Litigation	5,000	
001-2610	Deferred Revenue - Real and Personal Property Taxes	5,000	
001-1220	Real Estate Taxes Receivable		5,000
001-2623	Deferred Revenue - Tax Foreclosures		5,000

To transfer outstanding real estate taxes to taxes in litigation

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

001-1040	Cash - Unrestricted	5,000	
001-2623	Deferred Revenue Tax Foreclosures	5,000	
001-1254	Taxes Receivable in Litigation		5,000
001-3910	Revenue		5,000

To record payment of taxes receivable in litigation

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	5,000	
001-4143	Litigated Taxes Collected		5,000

State distribution receipts - State "Cherry Sheet" distributions are recognized as revenue at the time they are received. Offset items (school lunch, aid to reduce class size, racial equality and library) are considered special revenue and recorded as revenue in the Special Revenue Funds.

52. State distributions are received and reported through the Treasurer's report of cash received.

001-1040	Cash - Unrestricted	1,650,000	
001-3910	Revenue		1,650,000

To record the receipt of various state distributions

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	1,650,000	
001-4610	Reimbursement for Loss of Taxes		250,000
001-4620	Education Distributions and Reimbursements - School Aid Distributions		1,400,000

53. 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.

001-3970	Other Financing Uses	5,000	
001-3910	Revenue		5,000

To adjust the special education assessment

Subsidiary ledger entries for this journal entry would be:

001-4000	Subsidiary Revenue Control	5,000	
001-4620	Education Distributions and Reimbursements - School Aid Distributions		5,000
001-5631	Special Education, Chapter 71B	5,000	
001-5000	Subsidiary Appropriations Control		5,000

Department 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. (Proprietary Fund receivables are separately classified) 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. It is possible for other funds to have departmental receivables. In Special Revenue Funds the accounting would be the same as the General Fund using the modified accrual method of accounting.

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.

54. The Clerk's receipts are turned over to the Treasurer and reported through the Treasurer's report of cash received.

001-1040	Cash - Unrestricted	1,800	
001-3910	Revenue		1,800

To record the Clerk's receipts

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	1,800	
001-4420	Other Licenses		1,200
001-4320	Fees		500
001-4450	Permits		100

Off-duty work details - Amounts for off-duty work details are collected from outside sources and recorded in an agency account (M.G.L. Ch. 44, §53C). 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.

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

001-1040	Cash - Unrestricted	50	
001-3910	Revenue		50

To record receipt of fees from off-duty work details

Subsidiary ledger journal entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	50	
001-4320	Fees		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 (M.G.L. Ch. 44, §55). 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.

56. The Treasurer purchases a certificate of deposit through an approved Treasurer's warrant.

001-1110	Short Term Investments	100,000	
001-1040	Cash - Unrestricted		100,000

To record the purchase of certificate of deposit

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

001-1040	Cash - Unrestricted	106,000	
001-1110	Short Term Investments		100,000
001-3910	Revenue		6,000

To record the maturity of an investment in certificates of deposit

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	6,000	
001-4820	Earnings on Investments		6,000

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 received and the payment reported through an approved Treasurer's warrant.

Uniform Massachusetts Accounting System – July, 2003

58. The Treasurer issues a revenue anticipation note.

001-1040	Cash - Unrestricted	800,000	
001-2710	Revenue or Tax Anticipation Notes Payable		800,000

To record the issuance of revenue anticipation notes

59. The Treasurer pays the principal and interest on a maturing note.

001-2710	Revenue or Tax Anticipation Notes Payable	800,000	
001-3930	Expenditures	21,000	
001-1040	Cash - Unrestricted		821,000

To record the payment of a revenue anticipation note

Subsidiary ledger entry for this journal entry would be:

001-5925	Interest on Notes	21,000	
001-5000	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.

60. A Petty Cash Fund is established.

001-1020	Petty Cash	150	
001-1040	Cash - Unrestricted		150

To record the establishment of a Petty Cash Fund in a department

61. A Petty Cash Fund is reimbursed.

001-3930	Expenditures	50	
001-1040	Cash - Unrestricted		50

To reimburse Petty Cash Fund for expenditures

Subsidiary ledger entry for this journal entry would be:

001-5420	Office Supplies	50	
001-5000	Subsidiary Appropriation Control		50

Uniform Massachusetts Accounting System – July, 2003

62. A Petty Cash Fund is determined to be unnecessary and is closed out.

001-1040	Cash - Unrestricted	150	
001-1020	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.

63. Funds are transferred to the Capital Projects Fund to be used on a capital project.

001-1630	Due from Capital Projects Fund	5,000	
001-1040	Cash - Unrestricted		5,000

To record the transfer to the Capital Projects Fund

There are no subsidiary ledger entries for this journal entry

64. Funds are transferred to the Enterprise Fund to pay maturing debt and interest.

001-3970	Other Financing Uses	55,343	
001-1040	Cash - Unrestricted		55,343

To record the transfer to the Enterprise Fund

Subsidiary ledger entry for this journal entry would be:

001-5965	Transfers to Proprietary Fund	55,343	
001-5000	Subsidiary Appropriations Control		55,343

Uniform Massachusetts Accounting System – July, 2003

65. Funds are received from, the Special Revenue Fund to be used for expenditures of the General Fund.

001-1040	Cash - Unrestricted	19,500	
001-3920	Other Financing Sources		19,500

To record the transfer from the Special Revenue Fund

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	19,500	
001-4970	Interfund Operating Transfers In		19,500

66. Funds are transferred to the Capital Projects Fund to be utilized in the sewer betterment construction project.

001-3970	Other Financing Uses	20,000	
001-1040	Cash - Unrestricted		20,000

To record the transfer to the Capital Projects Fund

Subsidiary ledger entry for this journal entry would be:

001-5963	Transfer to Capital Projects Fund	20,000	
001-5000	Subsidiary Appropriation 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 must be 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.

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

001-3930	Expenditures - Current Year	15,000	
001-1040	Cash - Unrestricted		15,000

To record the expenditures on warrant #_____

Subsidiary ledger entry for this journal entry would be:

001-5760	Judgments	15,000	
001-5000	Subsidiary Appropriation Control		15,000

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

When the Tax Rate Recapitulation form is recorded, it will be necessary for the Accounting Officer to adjust the Unreserved Fund Balance - Court Judgments, and Unreserved Fund Balance - Unprovided Abatements and Exemptions as shown on the opening trial balance in this chapter.

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

001-3590	Undesignated Fund Balance	11,900	
001-3595	Unreserved Fund Balance - Court Judgments		9,650
001-3594	Unreserved Fund Balance - Unprovided Abatements and Exemptions		2,250

To reclassify various fund balance accounts to Unreserved Fund Balances

69. Unclaimed checks five years or older are taken into revenue.

001-2520	Abandoned Property, Tailings and Unclaimed Items	25,000	
001-3910	Revenue		25,000

To record the revenue from unclaimed checks

Subsidiary entry for this journal entry would be

001-4000	Subsidiary Revenue Control	25,000	
001-4840	Miscellaneous		25,000

70. The community, through special legislation, receives the proceeds of deficit bonds to be repaid over a five year period.

001-1040	Cash - Unrestricted	5,000,000	
001-3920	Other Financing Sources		5,000,000

To record the proceeds of deficit bonds

Uniform Massachusetts Accounting System – July, 2003

In the GLTOAG

050-1996	Amounts to be Provided for the Payment of Bonds	5,000,000	
050-2999	Bonds Payable - Outside the Debt Limit		5,000,000

71. The teachers' pay deferral is amortized for the current year in accordance with the amortization schedule.

001-3590	Undesignated Fund Balance	15,000	
001-3350	Fund Balance Reserved for Teachers' Pay Deferral		15,000

To record the amortization of teachers' pay deferral

72. The state makes a payment deducted from the local government's local aid for debt service on a qualified bond.

001-3930	Expenditures	500,000	
001-2670	Deferred Revenue - Intergovernmental	500,000	
001-1720	Due from Commonwealth of Massachusetts		500,000
001-3910	Revenue		500,000

To record the payment of a debt service on a deferred bond

73. The government sells \$20,000,000 in bonds at a premium of \$500,000 on a project for which the debt service is excluded from the tax levy.

001-1040	Cash - Unrestricted	20,500,000	
001-3920	Other Financing Sources		20,000,000
001-3296	Fund Balance Reserved for Reduction of Future Excluded Debt		500,000

To record the proceeds of bonds sold at a premium, the debt service of which is excluded from the tax levy limit

In the GLTOAG

050-1996	Amounts Provided for the Payment of Bonds	20,000,000	
050-2940	Bonds Payable - Outside the Debt Limit		20,000,000

Uniform Massachusetts Accounting System – July, 2003

74. The government received notice from the Massachusetts Teachers' Retirement Board that \$250,000 has been paid to retired teachers on behalf of the community.

001-3930	Expenditures	250,000	
001-3910	Revenue		250,000

To record the payments made to retired teachers by the Massachusetts Teachers' Retirement Board on behalf of the community

No subsidiary entries are necessary

75. The government receives notice that the securities it owns have increased in market value by \$2,000.

001-1110	Short Term Investments	2,000	
001-3910	Revenue		2,000

To adjust the carrying value of investments to equal market value

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	2,000	
001-4890	Gain or Loss in Investment Portfolio		2,000

76. The government takes foreclosed land for its own use. The taxes, penalties, and interest on the land equals \$500.

001-3930	Expenditures	500	
001-2623	Deferred Revenue - Tax Foreclosures	500	
001-1880	Tax Foreclosures		500
001-3910	Revenue		500

To record the taking of land in tax foreclosure for use by the community

There are two subsidiary ledger entries for this journal entry:

Subsidiary Revenue ledger

001-4000	Subsidiary Revenue Control	500	
001-4145	Tax Foreclosures		500

Subsidiary Expenditure ledger

001-5810	Land	500	
001-5000	Subsidiary Appropriation Control		500

Uniform Massachusetts Accounting System – July, 2003

In the GFAAG, the following entry will be recorded:

010-1910	Land	500	
010-3015	Net Assets Unrestricted		500

To record the acquisition of land on which taxes were foreclosed

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

77. Free Cash is voted.

001-3590	Undesignated Fund Balance	150,000	
001-3240	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.

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

001-2610	Deferred Revenue - Property Taxes	100,000	
001-3910	Revenue		100,000

To adjust the receivable to the modified accrual method

Subsidiary ledger entry for the this journal entry would be:

001-4000	Subsidiary Revenue Control	100,000	
001-4120	Real Estate Taxes		100,000

Uniform Massachusetts Accounting System – July, 2003

79. The interest earned but not received on investments must be accrued. This interest is considered available for the current period.

001-1550	Accrued Interest Receivable	14,000	
001-3910	Revenue		14,000

To accrue interest on investments

Subsidiary ledger entry for this journal entry would be:

001-4000	Subsidiary Revenue Control	14,000	
001-4820	Earnings on Investments		14,000

80. The amount due from the General Fund to the Water Enterprise Fund for reimbursement of the operating deficit is recorded.

001-3970	Other Financing Uses	75,670	
001-2360	Due to Proprietary Fund		75,670

To record the liability to the Proprietary Fund to fund its operating deficit

Subsidiary entry for this journal entry would be:

001-5965	Transfer to Proprietary Fund	75,670	
001-5000	Subsidiary Appropriations Control		75,670

81. Amounts required for abatements and exemptions in excess of amounts initially provided ("overlay deficits") are reclassified.

001-3594	Unreserved Fund Balance - Unprovided Abatements and Exemptions	20,000	
001-1230	Allowance for Abatement and Exemptions		20,000

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

Uniform Massachusetts Accounting System – July, 2003

82. The Deferred Revenue - Real and Personal Property Taxes account has to be adjusted for the underestimate in the Allowance for Abatements and Exemptions - 2002 account.

001-2610	Deferred Revenue - Real and Personal Property Taxes	20,000	
001-3590	Undesignated Fund Balance		20,000

To adjust the Deferred Revenue - Real and Personal Property Taxes account for the underestimates in the Allowance for Abatements and Exemptions account.

83. The Allowance for Abatements and Exemptions account has to be adjusted to record the release of funds by the Assessors

001-1230	Allowance for Abatements and Exemptions	5,000	
001-3220	Fund Balance Reserved for Overlay Released by the Assessors for Expenditures		5,000

To adjust Allowance for Abatements and Exemptions

84. The Deferred Revenue - Real and Personal Property Taxes account has to be adjusted for the excess in the Allowance for Abatements and Exemptions.

001-3590	Undesignated Fund Balance	5,000	
001-2610	Deferred Revenue - Real and Personal Property Taxes		5,000

To adjust the Deferred Revenue - Real and Personal Property Taxes account for the excess in the Allowance for Abatements and Exemptions

85. To reinstate the fund balance for the portion reserved for expenditures and which has been funded.

001-3240	Fund Balance Reserved for Expenditures	10,000	
001-3590	Undesignated 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 Undesignated Fund Balance and, third, the expenditure accounts are closed to Undesignated Fund Balance. The final entries segregate a portion of Unreserved Fund Balance for Court Judgments, unused appropriations from available funds, and outstanding encumbrances.

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

001-3830	APPROPRIATIONS	11,424,657	
001-3870	ESTIMATED OTHER FINANCING USES	617,593	
001-3815	ESTIMATED REVENUE		11,925,650
001-3820	ESTIMATED OTHER FINANCING SOURCES		19,500
001-3880	BUDGETARY FUND BALANCE		97,100

To close the budget accounts for the fiscal year

87. The Revenue and Other Financing Sources must be closed to Undesignated Fund Balance.

001-3910	Revenue	11,959,714	
001-3920	Other Financing Sources	19,600	
001-3590	Undesignated Fund Balance		11,979,314

To close the revenues to fund balance

88. The Expenditures and Other Financing Uses must be closed to Undesignated Fund Balance.

001-3590	Undesignated Fund Balance	11,412,703	
001-3930	Expenditures		10,722,190
001-3950	Prior Year Expenditures		44,000
001-3970	Other Financing Uses		646,513

To close Expenditures and Other Financing Uses to Undesignated Fund Balance

89. To reclassify Unreserved Fund Balance - Court Judgments

001-3595	Unreserved Fund Balance - Court Judgments	15,000	
001-3590	Undesignated Fund Balance		15,000

To reclassify payment of court judgment

Uniform Massachusetts Accounting System – July, 2003

90. Part of the balance in the Undesignated Fund Balance account is reclassified to the Fund Balance Reserved for Encumbrances account to provide for encumbrance outstanding at the year-end

001-3590	Undesignated Fund Balance	50,000	
001-3211	Fund Balance Reserved for Encumbrances		50,000

To reserve a portion of undesignated Fund Balance for outstanding encumbrances at year-end

91. Amounts reserved for encumbrance in account 3211, Fund Balance Reserved for Encumbrances, at the close of the prior year are reclassified to account 3590, Undesignated Fund Balance

001-3211	Fund Balance Reserved for Encumbrances	60,000	
001-3590	Undesignated Fund Balance		60,000

To reclassify encumbrances reserved at the beginning of the year to Undesignated Fund Balance

Closing Trial Balance

The closing trial balance has been prepared after posting all of the journal entries illustrated in this chapter.

001-1040	Cash - Unrestricted	6,925,897	
001-1060	Cash - Restricted	2,750	
001-1120	Short Term Investments	552,000	
001-1210	Personal Prop. Taxes Receivable	510,000	
001-1220	Real Estate Taxes Receivable	3,101,550	
001-1230	Allowance for Abatements and Exemptions		58,400
001-1240	Tax Liens Receivable	55,250	
001-1260	Motor Vehicle Excise Receivable	902,600	
001-1270	Boat Excise Receivable	500	
001-1340	Departmental Receivables	75,000	
001-1550	Accrued Interest Receivable	14,000	
001-1630	Due from Capital Projects Fund	5,000	
001-1880	Tax Foreclosures	7,150	
001-2130	State Income Tax Withholdings Payable		500
001-2310	Due to Special Revenue Funds		1,000
001-2360	Due to Proprietary Funds		75,670
001-2520	Abandoned Property, Tailings and Unclaimed Items		25,000
001-2530	Excess on Sale of Land of Low Value		2,000
001-2610	Deferred Revenue - Real and Personal Property Taxes		3,453,150
001-2622	Deferred Revenue - Tax Liens		55,250
001-2630	Deferred Revenue - Motor Vehicle Excise		902,600
001-2641	Deferred Revenue - Boat Excise		500
001-2654	Deferred Revenue - Departmental		75,000
001-3211	Fund Balance Reserved for Encumbrances		50,000
001-3240	Fund Balance Reserved for Expenditures		148,500
001-3296	Fund Balance Reserved for Future Excluded Debt		500,000
001-3350	Fund Balance Reserved for Teachers' Pay Deferral	35,000	
001-3580	Fund Balance Designated for Other Purposes		750
001-3590	Undesignated Fund Balance		6,873,377
001-3594	Unreserved Fund Balance - Unprovided Abatements and Exemptions	20,000	
001-3595	Unreserved Fund Balance - Court Judgments	15,000	
		<u>12,221,697</u>	<u>12,221,697</u>

CHAPTER 10 - SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for resources legally restricted to expenditure for specified current operating purposes. Accounting and financial reporting is identical to the General Fund.

In Massachusetts, the resources which will be accounted for in Special Revenue Funds will include the following:

- State and Federal grants, Entitlements and Shared Revenue not accounted for in other funds;
- School Lunch Fund;
- Highway Improvement Program;
- Receipts Reserved for Appropriation;
- Community Preservation Act;
- Law Enforcement Trust Fund;
- Wetlands Protection Fund;
- Offset Receipts Fund;
- Water Pollution Abatement Trust Fund (Title 5 Betterment Loan Program) (see journal entries in Appendix H);
- Gifts and Donations

This chapter presents examples of Special Revenue Funds under the UMAS system and journal entries to reflect the accounting requirements of these funds. A few examples are presented, but the accounting for all Special Revenue Funds is the same. One important exception is a sewer department operated under Chapter 83, §16. Although the operations of the fund may be accounted for separately as Special Revenue, any surplus or deficit is closed to the General Fund at the end of the fiscal year.

A listing of Special Revenue Funds normally used is found in Appendix I to this Manual.

Grants, Entitlements and Shared Revenue

In some Massachusetts governments the revenues from state and federal grants constitute a significant percentage of their annual revenue. The number of grants that a government might receive in a given fiscal year can vary from a few, perhaps 15 to 20, to well over 100. The legal and contractual obligations, as well as the accounting and reporting responsibility which a grant may impose on a community, can be burdensome.

For purposes of understanding the accounting system's approach to grant accounting, there is a need to define terms.

Grants - a contribution from another government to be used or expended for a specified purpose activity or facility. Grants can be further classified as:

Capital grants - restricted by the grantor for the acquisition and/or construction of fixed assets.

Operating grants - for all other purposes.

Unrestricted grants - those which can be used for any legal purposes without restriction.

Restricted grants - those which must be used for specific purposes.

Entitlements - the amount of payment to which a government is entitled or determined by the federal government pursuant to an allocation formula contained in applicable statutes.

Shared Revenue - revenues levied by one government but shared on a predetermined basis, often in proportion to the amount collected at the local level by governments or other class of government.

Determination of Fund to be Used

Under Generally Accepted Accounting Principles, a grant should generally be accounted for in the fund in which it will be spent. This is best determined by analyzing the purpose and requirement of each grant. For purposes of accounting under the UMAS system, grants, entitlements and shared revenue will be classified by fund in accordance with the following general guidelines:

Capital grants or shared revenues restricted for capital acquisitions or construction, other than those associated with Enterprise Funds, should be accounted for in the Capital Projects Fund.

Grants, entitlements or shared revenues received or utilized for Enterprise Fund operations and/or capital assets should be accounted for in that fund.

Grants, entitlements or shared revenue which are unrestricted, or which, though restricted, may be restricted more as to form than substance and which are in fact appropriated and expended in the General Fund, should be accounted for in that fund, with the exception of federal grants as explained below.

All other intergovernmental distributions not described above, will be accounted for in the Special Revenue Fund.

Under these guidelines, substantially all "Cherry Sheet" distributions will be accounted for in the General Fund. Set forth below is a list of "Cherry Sheet" distributions which will either be accounted for in another fund, or which will have some impact on a fund other than the General Fund.

<u>Description of Item</u>	<u>Funds Affected</u>	
	<u>Accounting</u>	<u>Other</u>
Construction of School Projects (Chapter 70B)	General	Long-Term Obligations Group
Reimbursement Offset Items:		
Public Libraries (M.G.L. Ch. 78)	Special Revenue	
Racial Equality (M.G.L. Ch. 76)	Special Revenue	
School Lunch Program (1970, Ch. 871)	Special Revenue	
Aid to Reduce Class Size	Special Revenue	

Since most federal grants are not appropriated, all federal grants other than those specifically restricted to Capital Projects or Enterprise Funds will be accounted for in the Special Revenue Fund. Amounts appropriated and expended in the General Fund should be transferred and the expenditures accounted for in that fund.

Accountants/Auditors are reminded that M.G.L. Ch. 35 §32A and Ch. 40 §5D require that all federal grants received by local governments be charged for pension costs incurred because of the grant and remitted to the retirement plan of which the community is a member. The current charge is 9% of total federal grant payroll. This does not include members of the Massachusetts Teachers' Retirement system.

Special Revenue Fund Accounting

As with other governmental funds, the basis of accounting on which Special Revenue Funds will be reported will be the modified accrual basis. During the fiscal year, however, revenues will be recorded on the cash basis, and expenditures will be recorded as disbursed. Year-end adjusting entries will be recorded to reflect the books on a modified accrual basis at that time.

Grants, entitlements, or shared revenues recorded in governmental funds should be recognized as revenue in the accounting period when they become susceptible to accrual (i.e., both measurable and available). In applying this definition, legal and contractual requirements should be carefully reviewed for guidance. Some such resources, usually entitlements or shared revenues are restricted more in form than in substance. Only a failure on the part of the recipient to comply with prescribed regulations will cause a forfeiture of the resources. Such resources should be recorded as revenue at the time of receipt or earlier if the susceptible to accrual criteria are met. For other such resources (usually grants) expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition will depend upon compliance with these requirements. As noted above, year-end adjustments will be made to reflect grant revenues on a modified accrual basis.

School Lunch Fund - Revolving Fund

Funds for the operation and maintenance of school lunch programs are derived from three principal sources: meal charges (lunch receipts); state grants; and federal grants. On some occasions, general tax revenues may contribute to funding the school lunch operation.

In many governments, school lunch operations require sizeable expenditures and since state and federal funds paid to governments for such operations are restricted in nature, it is reasonable to account for such operations in a separate Special Revenue Fund.

Subsidiary ledgers in this fund are optional. To facilitate their operation when used, sample subsidiary ledger entries are provided below where appropriate.

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.

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

220-1040	Cash - Unrestricted	4,265	
220-1720	Due from Commonwealth of Massachusetts	2,350	
220-2010	Warrants Payable		1,000
220-3560	Fund Balance - Revolving Funds		5,615
		<u>6,615</u>	<u>6,615</u>

To record the opening trial balance

2. In order to restore the accounting to the proper basis, the entry accruing prior year's Revenue must be reversed.

220-3910	Revenue	2,350	
220-1720	Due from Commonwealth of Massachusetts		2,350

To reverse prior year ending accrual

Subsidiary ledger entry for this journal entry would be:

220-4640	Education Offset Items - Reserve for Direct Expenditures	2,350	
220-4000	Subsidiary Revenue Control		2,350

Budgetary Entries - Budgetary accounts are not required for this fund.

Expenditures - Expenditures and other cash disbursements are handled in the same manner as in the General Fund. Appropriate controls (such as inclusion on the Treasurer's warrant) must be maintained.

3. When "Warrants Payable" are paid on an approved warrant

220-2010	Warrants Payable	1,000	
220-1040	Cash - Unrestricted		1,000

To record warrants payable

4. When payment is made on an approved warrant.

220-3930	Expenditures	2,682	
220-1040	Cash - Unrestricted		2,682

To record expenditures from warrant #_____

Subsidiary ledger entry for this journal entry would be:

220-5490	Food and Food Service Supplies	2,682	
220-5000	Subsidiary Appropriation Control		2,682

5. To establish a Petty Cash Fund

220-1020	Petty Cash	100	
220-1040	Cash - Unrestricted		100

To record Petty Cash Fund for school lunch

Revenue Recognition - Revenue for the School Lunch Fund comes from three sources: charges to the users (students) for the services provided, reimbursement from the state, and federal distributions. These sources are recorded as revenue when the payments are received. Examples of federal distributions are not shown, but would be recognized as revenue when received.

Uniform Massachusetts Accounting System – July, 2003

6. When lunch receipts are turned over to the Treasurer.

220-1040	Cash - Unrestricted	672	
220-3910	Revenue		672

To record deposit of lunch receipts

Subsidiary ledger entry for this journal entry would be:

220-4000	Subsidiary Revenue Control	672	
220-4370	Other Departmental Revenue		672

7. When the amount from the state is received.

220-1040	Cash - Unrestricted	15,685	
220-3910	Revenue		15,685

To record payment in full of October invoice

Subsidiary ledger entry for this journal entry would be:

220-4000	Subsidiary Revenue Control	15,685	
220-4580	Other Federal Revenue - Through the State		15,685

Encumbrances - Use of an encumbrance system is recommended, but not required. When one is used, the entries will be similar to those illustrated in the General Fund.

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 typical year-end adjustments.

8. The governmental receivable at the year-end is considered fully collectible and is therefore recorded as revenue.

220-1720	Due from Commonwealth of Massachusetts	3,000	
220-3910	Revenue		3,000

To record the receivable and to accrue the revenue (received within 60 days)

Subsidiary ledger entry for this journal entry would be:

220-4000	Subsidiary Revenue Control	3,000	
220-4580	Other Federal Revenue - Through the State		3,000

Uniform Massachusetts Accounting System – July, 2003

9. To record warrants payable at year-end.

220-3930	Expenditures	800	
220-2010	Warrants Payable		800

To record warrants payable

Subsidiary ledger entry for this journal entry would be:

220-5490	Food and Food Service Supplies	800	
220-5000	Subsidiary Appropriation Control		800

Closing Entries - Only one closing entry is required.

10. Closing actual revenue and expenditure to fund balance

220-3910	Revenue	17,007	
220-3560	Fund Balance - Revolving Funds		13,525
220-3930	Expenditures		3,482

To close revenue and expenditures to fund balance

Closing Trial Balance

220-1020	Petty Cash	100	
220-1040	Cash - Unrestricted	16,840	
220-1720	Due from Commonwealth of Massachusetts	3,000	
220-2010	Warrants Payable		800
220-3560	Fund Balance - Revolving Funds		19,140
		<u>19,940</u>	<u>19,940</u>

Highway Improvement Program - Grant Fund

Highway funds represent funds made available by the Commonwealth of Massachusetts for the repair of highways in a government. Since the funds are restricted for the purposes outlined in the agreement entered into with the state Highway Department, it is proper to account for such funds in a Special Revenue Fund. According to paragraph 3 of NCGA Statement 1, Special Revenue Funds would be used for "Other than major Capital Projects." The determination as to which are major capital projects is left to the individual Accountant.

The use of subsidiary ledgers in this fund is optional. In the illustrative journal entries which follow, subsidiary ledger journal entries have been provided where appropriate.

Opening Entry - 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

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.

239-1040	Cash - Unrestricted	15,000	
239-1720	Due from Commonwealth of Massachusetts	20,000	
239-2730	Grant Anticipation Notes Payable		20,000
239-3520	Fund Balance Designated for State Grants		15,000
		<u>35,000</u>	<u>35,000</u>

To record the opening balances in the general ledger

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

239-3910	Revenue	20,000	
239-2670	Deferred Revenue - Intergovernmental		20,000

To re-establish the "Deferred Revenue" account

Subsidiary ledger entry for this journal entry would be:

239-4680	Other State Revenue	20,000	
239-4000	Subsidiary Revenue Control		20,000

Budget Entries - As with most other governmental funds, budgets are normally recorded at the beginning of the fiscal year or when the project and the grant have been approved.

3. Budget Entry - Both the estimated cost of the project and the amount of the state grant are recorded for budget purposes.

239-3815	ESTIMATED REVENUE	30,000	
239-3830	APPROPRIATIONS		30,000

To record the budget for Main Street resurfacing

Uniform Massachusetts Accounting System – July, 2003

Subsidiary ledger entries for this journal entry would be:

239-5000	Subsidiary Appropriation Control	30,000	
239-5240	Repairs and Maintenance		30,000
239-4680	Other State Revenue	30,000	
239-4000	Subsidiary Revenue Control		30,000

Expenditures - Expenditures and other cash disbursements are recorded in the same manner as in the General Fund.

4. Expenditures applicable to "Highway Construction" or repairs are processed through an approved warrant.

239-3930	Expenditures	2,600	
239-1040	Cash - Unrestricted		2,600

To record the expenditures made on warrant # _____

Subsidiary ledger entries for this journal entry would be:

239-5240	Repairs and Maintenance	2,000	
239-5530	Public Works Supplies	600	
239-5000	Subsidiary Appropriation Control		2,600

Revenues - The only source of revenue normally associated with the highway fund are the reimbursements from the Commonwealth.

5. Requests for reimbursement are forwarded to the Massachusetts Highway Department

239-1720	Due from Commonwealth of Massachusetts	27,600	
239-2670	Deferred Revenue - Intergovernmental		27,600

To record the expenditures made on highway projects not yet reimbursed by the Commonwealth

Uniform Massachusetts Accounting System – July, 2003

6. The Treasurer reports reimbursement on account of \$6,000 of highway grants (represents several grants and accumulated receivables).

239-1040	Cash - Unrestricted	6,000	
239-1720	Due from Commonwealth of Massachusetts		6,000

To record the receipt of highway reimbursements

7. The revenue from these receipts is recorded.

239-2670	Deferred Revenue - Intergovernmental	6,000	
239-3910	Revenue		6,000

To record the revenue from reimbursements from the Commonwealth

Subsidiary ledger entry for the journal entry would be:

239-4000	Subsidiary Revenue Control	6,000	
239-4680	Other State Revenue		6,000

Temporary Borrowing - Treasurers may borrow temporarily in anticipation of reimbursement from the Commonwealth for highway construction and repairs. The issuance of temporary loans should be reported through the Treasurer's Report of Cash Received and the payment through an approved Treasurer's warrant.

8. The Treasurer reports receipts of \$30,000 from the proceeds of a temporary loan issued under M.G.L. Ch. 44, §6A for a period of one year in anticipation of reimbursement from the State.

239-1040	Cash - Unrestricted	30,000	
239-2730	Grant Anticipation Notes Payable		30,000

To record the issuance of a temporary loan in anticipation of reimbursement from a state grant

9. The temporary loan issued in a prior year matures and is paid.

239-2730	Grant Anticipation Notes Payable	20,000	
239-3930	Expenditures	2,000	
239-1040	Cash - Unrestricted		22,000

To record the payment of temporary loans

Uniform Massachusetts Accounting System – July, 2003

The subsidiary ledger entry for this journal entry would be:

239-5925	Interest on Notes	2,000	
239-5000	Subsidiary Appropriation Control		2,000

Encumbrances - Use of an encumbrance system is recommended but is not required. Where one is used, the entries will be similar to those illustrated in the General Fund.

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.

Closing Entries - Closing entries are prepared to close out the activity for the year. Memorandum accounts are generally not closed out on a fiscal year basis, but rather when the project or grant is complete.

10. The budget entry is reversed to close out the accounts.

239-3830	APPROPRIATIONS	30,000	
239-3815	ESTIMATED REVENUE		30,000

To close the budget accounts

11. Revenues, other financing sources, expenditures and other financing uses are closed to Fund Balance Designated for State Grants.

239-3520	Fund Balance Designated for State Grants	18,600	
239-3910	Revenue		14,000
239-3930	Expenditures		4,600

To close the revenues and expenditures to fund balance

Closing Trial Balance

239-1040	Cash - Unrestricted	26,400	
239-1720	Due from Commonwealth of Massachusetts	41,600	
239-2670	Deferred Revenue - Intergovernmental		41,600
239-2730	Grant Anticipation Notes Payable		30,000
239-3520	Fund Balance Designated for State Grants	3,600	
		<u>71,600</u>	<u>71,600</u>

Receipts Reserved for Appropriation

Receipts from a specific revenue source that by law is accounted for separately from the General Fund (segregated) and must be spent by appropriation.

Since, by definition, the "receipts reserved for appropriation, will be appropriated as part of a government's annual budget, such amounts should be transferred as appropriated from the Special Revenue Fund to the General Fund and the expenditures accounted for in that fund. Set forth below are journal entries which illustrate the usual transactions involving receipts reserved for appropriation. Parking meter receipts have been selected to illustrate the functioning of this category of Special Revenue Funds. Subsidiary ledger entries are not required, but are suggested if the volume of activity is significant. They are not illustrated for this fund but if utilized, treatment would be similar to other funds. Budget entries are illustrated below, but are optional.

Opening Entry

1. The opening trial balance effectively represents cash receipts from previous years which have not yet been appropriated, or if appropriated, have not yet been transferred to the appropriate fund for expenditure.

232-1040	Cash - Unrestricted	20,000	
232-3240	Fund Balance Reserved for Expenditures		16,500
232-3300	Fund Balance - Receipts Reserved for		
	Appropriation		3,500
		<u>20,000</u>	<u>20,000</u>

2. To reverse previous year appropriation from parking meter receipts.

232-3240	Fund Balance Reserved for Expenditures	16,500	
232-3300	Fund Balance - Receipts Reserved for		
	Appropriation		16,500

To reverse entry appropriating parking meter receipts at the annual town meeting

BUDGETARY ENTRIES

As with most other governmental units, budgets are also normally recorded at the beginning of the fiscal year

Uniform Massachusetts Accounting System – July, 2003

3. When the certified list of appropriations is received from the city/town Clerk, the budget should be recorded.

232-3880	BUDGETARY FUND BALANCE	16,500	
232-3870	ESTIMATED OTHER FINANCING USES		16,500

To record the annual budget for the current year

Revenue

4. When parking meter receipts are deposited, the revenue is recognized.

232-1040	Cash - Unrestricted	328	
232-3910	Revenue		328

To record parking meter receipts

Operating Transfers

5. The appropriated amount should be transferred to the relevant fund (in this case, the General Fund).

232-3970	Other Financing Uses	16,500	
232-1040	Cash - Unrestricted		16,500

To record transfer of appropriated parking meter receipts to the General Fund

Annual Town Meeting

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

7. Parking meter receipts are voted.

232-3300	Fund Balance - Receipts Reserved for Appropriation	18,500	
232-3240	Fund Balance - Reserved for Expenditures		18,500

To record appropriation from parking meter receipts at annual town meeting.
(This entry will be reversed after beginning of next fiscal year)

Closing Entries

8. The budgetary entry for the fiscal year is reversed.

232-3870	ESTIMATED OTHER FINANCING USES	16,500	
232-3880	BUDGETARY FUND BALANCE		16,500

To close the budgetary accounts for the fiscal year

9. At year-end, the revenue and transfer accounts should be analyzed, closed out, and the differences reclassified to fund balance.

232-3910	Revenue	20,128	
232-3970	Other Financing Uses		16,500
232-3300	Fund Balance - Receipts Reserved for Appropriation		3,628

To close the revenue and other financing uses

Closing Trial Balance

232-1040	Cash - Unrestricted	23,628	
232-3240	Fund Balance Reserved for Expenditures		18,500
232-3300	Fund Balance - Receipts Reserved for Appropriation		5,128
		<u>23,628</u>	<u>23,628</u>

Community Preservation Act - Receipts Reserved

M.G.L. Ch. 44B provides for the establishment of a Community Preservation Fund. This fund has three purposes: the purchase of open space, the preservation of historic resources and the establishment of affordable housing. The primary source of revenue for these purposes is a property tax surcharge of up to three percent which is assessed on each parcel of taxable real estate. A second source of revenue is state matching funds which is provided by a surcharge on land fees at the Registry of Deeds or Land Court. The fund is also credited with the proceeds for the sale of fund assets. The fund is created by a vote of the legislative body of the municipality and approved by the voters at referendum. The fund applies solely to cities and towns. A community may borrow in anticipation of the surcharge collected for the purposes of the Act.

The Accountant/Auditor must establish a separate Special Revenue Fund to account for the revenues and expenditures. The Treasurer may pool the funds for purposes of investment. However, any interest earned on fund balances must be allocated back

to the fund. Unlike most Special Revenue Funds in Massachusetts, the Community Preservation Fund is subject to appropriation by both the Community Preservation Committee (established under the act) and the appropriation body of the municipality. Appropriations from any funding source (except borrowing) are by majority. There is a requirement that the legislative body appropriate or reserve for future appropriation at least 10 percent of the estimated annual fund revenues in each of the allowable categories. Annual fund revenues include the estimated revenues from both the surcharge and the state trust with one exception. In the first year of the surcharge estimated revenues only include the surcharge. If estimated revenues are less than actual revenues the shortfall must be raised in the subsequent year. Abated or uncollectable surcharges are charged to the fund.

Sample accounting entries

1. The legislative body appropriates the following amounts from estimated revenues:

\$300,000	For open space acquisitions
\$ 60,000	For open space reserve
\$ 60,000	For historic resources reserve
\$ 60,000	For community housing reserve
\$ 20,000	For committee operating expenses

In addition, \$100,000 was appropriated from the Historic Resources Reserve Fund Balance for the acquisition of an historic site.

- la. To record estimated revenues budgeted.

246-3815	ESTIMATED REVENUE	500,000	
246-3890	BUDGETARY CONTROL		500,000

Subsidiary Ledger

246-4190	Other Taxes	500,000	
246-4000	Subsidiary Revenue Control		500,000

- lb. To record amounts appropriated from estimated revenues.

246-3890	BUDGETARY CONTROL	500,000	
246-3830	APPROPRIATIONS		500,000

Uniform Massachusetts Accounting System – July, 2003

Subsidiary Ledger

246-5000	Subsidiary Appropriation Control	500,000	
246-5810	Land		300,000
246-5810	Land		60,000
246-5820	Buildings		60,000
246-5820	Buildings		60,000
246-5420	Office Supplies		20,000

lc. To record amounts appropriated from Historic Resources Reserve Fund balance.

246-3880	BUDGETARY FUND BALANCE	100,000	
246-3830	APPROPRIATIONS		100,000

Subsidiary Ledger

246-5000	Subsidiary Appropriation Control	100,000	
246-5820	Buildings		100,000

ld. Actual entry to record amounts appropriated to fund balance reserves.

246-3320	Fund Balance Reserved for Community Preservation Act	180,000	
246-3241	Fund Balance Reserved for Open Space		60,000
246-3242	Fund Balance Reserved for Historic Resources		60,000
246-3243	Fund Balance Reserved for Community Housing		60,000

le. Actual entry to record appropriation from Fund Balance Reserved for Historic Resources.

246-3320	Fund Balance Reserved for Community Preservation Act	100,000	
246-3242	Fund Balance Reserved for Historic Resources		100,000

2. The Assessors forward a notice of commitment for FY2003 to the Accounting Officer showing a committed real estate tax of \$2,000 and Community Preservation surcharge of \$60.

General Fund

001-1220	Real estate taxes receivable	2,000	
001-2610	Deferred Revenue - Real and Personal Property Taxes		2,000

Uniform Massachusetts Accounting System – July, 2003

Community Preservation Act Fund

246-1250	Property Tax Receivable - Community Preservation Act	60	
246-2625	Deferred Revenue - Community Preservation Act		60

3. The taxpayer pays the full amount of the bill for \$2,060.

General Fund

001-1040	Cash - Unrestricted	2,000	
001-1220	Real Estate Taxes Receivable		2,000
001-2610	Deferred Revenue - Real and Personal Property Taxes	2,000	
001-3910	Revenue		2,000

Community Preservation Act Fund

246-1040	Cash - Unrestricted	60	
246-1250	Property Tax Receivable - Community Preservation Act		60
246-2625	Deferred Revenue - Community Preservation Act	60	
246-3910	Revenue		60

4. The taxpayer has paid the entire bill of \$2,060 and applies for an abatement. The Assessors grant an abatement of \$500 in the real estate tax and \$15 in the Community Preservation surcharge.

Community Preservation Act Fund

246-3910	Revenue	15	
246-1040	Cash - Unrestricted		15

5. Closing Entries

246-3815	ESTIMATED REVENUE		500,000
246-3830	APPROPRIATIONS	600,000	
246-3880	BUDGETARY FUND BALANCE		100,000

6. Closing Trial Balance

246-1040	Cash - Unrestricted	60	
246-3241	Fund Balance Reserved for Open Space		60,000
246-3242	Fund Balance Reserved for Historic Resources		160,000
246-3243	Fund Balance Reserved for Community Housing		60,000
246-3320	Fund Balance Reserved for Community Preservation Act	279,940	
		<u>280,000</u>	<u>280,000</u>

Law Enforcement Trust, Chapter 486 of the Acts of 1984 - Revolving Fund

The community receives \$50,000 in forfeited funds, which represents 50% of the total forfeiture.

The Accountant/Auditor establishes fund 247, "Law Enforcement Trust Fund." Despite its name, it is a Special Revenue Fund. Since there was no previous year's activity, there is no opening balance or opening entries.

Budgetary Entries - There are no budgetary entries because the Law Enforcement Trust funds may be spent without appropriation.

Revenue Recognition - Revenue is received after forfeiture of the assets to the courts and the community receives a 50% portion. Revenue is recognized on a modified accrual basis.

1. Upon receipt of the Treasurer's notice of the funds the Accountant/Auditor records the receipt of funds.

247-1040	Cash - Unrestricted	50,000	
247-3910	Revenue		50,000

To record the receipt of forfeited funds in the Law Enforcement Trust Fund

Note: No subsidiary accounts are necessary

Expenditures - Expenditures are handled in the same manner as the General Fund

Uniform Massachusetts Accounting System – July, 2003

2. The Accountant pays a bill received from the Police Chief.

247-3930	Expenditures	5,000	
247-1040	Cash - Unrestricted		5,000

To record the payment of an invoice from the Law Enforcement Trust Fund

3. The Treasurer invests a portion of the Law Enforcement Trust, which is not needed to pay bills immediately.

247-1110	Short Term Investments	20,000	
247-1040	Cash - Unrestricted		20,000

To record the investments of funds

4. The investment matures and yields \$30 in interest.

247-1040	Cash - Unrestricted	20,030	
247-3910	Revenue		30
247-1110	Short Term Investments		20,000

5. Since the Law Enforcement Trust Fund does not retain the interest, the interest is transferred to the General Fund.

247-3970	Other Financing Uses	30	
247-1040	Cash - Unrestricted		30

Adjusting entries - There are no adjusting entries necessary

Closing Entry - Only one closing entry is required.

247-3910	Revenue	50,030	
247-3930	Expenditures		5,000
247-3970	Other Financing Uses		30
247-3560	Fund Balance - Revolving Funds		45,000

Closing Trial Balance

247-1040	Cash - Unrestricted	45,000	
247-3560	Fund Balance - Revolving Funds		45,000

Wetlands Protection Fees, Chapter 287 §54 of the Acts of 1989 - Revolving Fund

The Accountant establishes a Special Revenue Fund for the purposes of accounting for Wetlands Protection Fees. These fees may only be used for the costs associated with the review and approval of requests under M.G.L. Ch. 131, §40.

The funds are accounted for in Account 228, "Wetlands Protection Receipts." This account is a Special Revenue Fund. The amount in Fund Balance Reserved for Special Purposes (228-3280) represents the amount of fees paid which are in dispute and are therefore not available for appropriation.

1. Opening Trial Balance

228-1040	Cash - Unrestricted	50,000	
228-2010	Warrants Payable		10,000
228-3280	Fund Balance Reserved for Special Purposes		5,000
228-3560	Fund Balance - Revolving Funds		35,000

2. Budgetary Entries - None required

3. Revenue Recognition - The Conservation Commission receives \$50 which represents the first \$25 of the filing fee and ½ of the remaining amount of the filing fee of \$75 (\$25). The remaining \$25 is sent directly to the Department of Environmental Protection by the developer.

228-1040	Cash - Unrestricted	50	
228-3910	Revenue		50

To record the receipt of a filing fee

Subsidiary ledger entry for this journal entry would be:

228-4000	Subsidiary Revenue Control	50	
228-4370	Other Departmental Revenue		50

Expenditures - Expenditures are handled in the same manner as the General Fund

Uniform Massachusetts Accounting System – July, 2003

4. The Accountant/Auditor receives a bill for consulting services for review of soil removal. The bill is placed on a warrant.

228-3930	Expenditures	150	
228-2010	Warrants Payable		150

To record the placing of the consultant's bill on the warrant.

Subsidiary ledger entry for this journal entry would be:

228-5300	Professional and Technical	150	
228-5000	Subsidiary Appropriation Control		150

5. The Accountant/Auditor receives notice that the warrant containing the previous bill and the bills of the previous year has been paid.

228-2010	Warrants Payable	10,150	
228-1040	Cash - Unrestricted		10,150

No subsidiary entry is needed

Adjusting Entries - There are no adjusting entries

Closing Entries

6. At year-end, the revenue and expenditure accounts should be analyzed, closed out, and the difference reclassified to fund balance

228-3910	Revenue	50	
228-3560	Fund Balance - Revolving Funds	100	
228-3930	Expenditures		150

Closing Trial Balance

228-1040	Cash - Unrestricted	39,900	
228-3280	Fund Balance Reserved for Special Purposes		5,000
228-3560	Fund Balance - Revolving Funds		34,900
		<u>39,900</u>	<u>39,900</u>

Offset Receipts Funds

Chapter 339 of the Acts of 1981 created M.G.L. Chapter 44, §53E. This law allows a local government to create a separate fund which uses receipts for a particular purpose to fund the operation of the program for that purpose. These programs have become known as “offset receipt” funds because receipts collected during the fiscal year are used to defray the cost of the program. These funds are Special Revenue Funds and must be appropriated by the Town Meeting/City Council. The amount of the appropriation is limited to either the actual receipts of the prior year or, if requested, a higher amount approved by the Director of Accounts. Any surplus remaining in the fund at the end of the fiscal year must be closed to the General Fund and any deficit must be raised on the next fiscal year’s tax rate.

The community establishes an offset receipts fund for a town beach. The expenses for the beach are funded through the sale of stickers to residents. The town received \$50,000 in revenue in the previous fiscal year and expects the same amount for the upcoming fiscal year. However, the town received \$55,000 in revenue.

Budgetary Entries

1. When the list of appropriations is received from the Clerk the budget should be recorded.

261-3815	ESTIMATED REVENUE	50,000	
261-3830	APPROPRIATIONS		50,000

To record the appropriations to the town beach offset receipt fund

2. Revenue Recognition - Upon receipt of the Treasurer’s notice, the Accountant records the receipt of funds.

261-1040	Cash - Unrestricted	55,000	
261-3910	Revenue		55,000

To record the receipt of funds from the sale of beach stickers

Subsidiary journal entry would be:

261-4000	Subsidiary Revenue Control	55,000	
261-4240	Other Non-Utility Usage Charges		55,000

Uniform Massachusetts Accounting System – July, 2003

3. Expenditures - Expenditures are handled in the same manner as the General Fund.

261-3930	Expenditures	45,000	
261-1040	Cash - Unrestricted		45,000

To record the expenditure for lifeguard stipends

The subsidiary entry would be:

261-5350	Recreational expenditures	45,000	
261-5000	Subsidiary Appropriation Control		45,000

Adjusting Entries - There are no adjusting entries

Closing Entry – Two closing entries are required and since the fund does not retain the surplus, the surplus is transferred to the General Fund.

4. The budgetary entries are closed.

261-3830	APPROPRIATIONS	50,000	
261-3815	ESTIMATED REVENUE		50,000

To close the budget entries for the beach offset receipt fund

5. The actual entries are closed and the surplus is transferred to the General Fund.

261-3910	Revenue	55,000	
261-3930	Expenditures		45,000
261-1040	Cash - Unrestricted		10,000

To close revenue and expenditures and to transfer surplus to the General Fund

Title 5 Betterment Loan Program - Other Special Revenue Fund

A 1997 program allows the Water Pollution Abatement Trust (WPAT) to grant \$20,000 to individuals communities to administer a loan program to residents to upgrade their septic systems. There is a one-time grant of \$20,000 (\$2,000 of which is withheld by the trust pending completion of the program) and up to \$500,000 in interest-free loans per community to be reloaned to residents for repairs to septic systems. To account for this program two Special Revenue Funds need to be established. One to initiate and administer the program and the other to account for the loans to residents. Special

Uniform Massachusetts Accounting System – July, 2003

Revenue Fund 276 is to initiate and administer the program. Special Revenue Fund 277 is to account for the loans.

Entries for Special Revenue Fund 276, Title 5 Administration and GLTOAG

1. The Community receives a grant from WPAT.

276-1040	Cash - Unrestricted	18,000	
276-3910	Revenue		18,000

To record the receipt of grant funds.

2. The community expends administrative funds from the grant.

276-3930	Expenditures	18,000	
276-1040	Cash - Unrestricted		18,000

To record expenditures made in compliance with grant.

3. The community records the amount of the grant withheld by WPAT.

276-1720	Due from Commonwealth of Massachusetts	2,000	
276-2670	Deferred Revenue - Intergovernmental		2,000

To record balance of grant payable when loan is approved.

4. In the General Long-term Obligation Account Group (GLTOAG), the Accountant records the bonds.

050-3760	Bonds Authorized (Memorandum)	200,000	
050-3770	Bonds Authorized - Offset (Memorandum)		200,000

To record City Council/Town Meeting vote authorizing borrowing.

5. The community receives a \$50,000 loan from the WPAT.

276-1040	Cash - Unrestricted	50,000	
276-2720	Bond Anticipation Notes Payable		50,000

To record loan proceeds received from WPAT.

Uniform Massachusetts Accounting System – July, 2003

6. The community pays for the repairs to the septic system.

276-3930	Expenditures	40,000	
276-1040	Cash - Unrestricted		40,000

To record expenditures for engineering, contractors and inspectors.

7. The community executes a note.

276-2720	Bond Anticipation Notes Payable	200,000	
276-3920	Other Financing Sources		200,000

To convert BANS to long-term debt upon notification by MWPAT. (Entry #5 plus additional advances of \$150,000)

8. The Accountant records the bonds in the GLTOAG.

050-1996	Amounts to be Provided for Payment of Bonds	200,000	
050-2995	Bonds Payable - Outside Debt Limit - WPAT		200,000

To record General Long-Term Obligation

Entries for Special Revenue Fund 277, Title 5 Loans

The Accountant establishes a Special Revenue Fund, 277, Title 5 Loans

9. The community grants a loan to a resident.

277-1440	Apportioned Assessments - Not Yet Due	50,000	
277-2660	Deferred Revenue - Special Assessments		50,000

To record the commitment of apportioned Title 5 Betterments by the Board of Assessors.

10. The first payment of the loan becomes due.

277-1420	Apportioned Assessments Added to Taxes	10,000	
277-1430	Committed Interest Added to Taxes	500	
277-1440	Apportioned Assessments - Not Yet Due		10,000
277-2660	Deferred Revenue - Special Assessments		500

Uniform Massachusetts Accounting System – July, 2003

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

11. The resident pays the loan payments.

277-1040	Cash - Unrestricted	10,500	
277-1420	Apportioned Assessments Added to Taxes		10,000
277-1430	Committed Interest Added to Taxes		500

To record collection of Title 5 Betterments

12. The community recognizes the revenue from the loan payment.

277-2660	Deferred Revenue - Special Assessments	10,500	
277-3910	Revenue		10,500

To recognize revenue collected

13. The community repays the WPAT.

277-3930	Expenditure	8,000	
277-1040	Cash - Unrestricted		8,000

To record repayment of loan to WPAT

14. The Accountant records the bond payment in the GLTOAG.

050-2995	Bonds Payable - Outside Debt Limit - WPAT	8,000	
050-1996	Amounts to be Provided for Payment of Bonds		8,000

To record the current maturities of bond principal

050-3770	Bonds Authorized - Offset (Memorandum)	200,000	
050-3760	Bonds Authorized - (Memorandum)		200,000

To record the issuance of Title 5 loans

Gifts and Donations

Gifts and donations may be accepted by the community pursuant to the provisions of M.G.L. Chapter 44, §53A. These amounts may be expended without appropriation, however, must be spent in accordance with the provisions of the gift or donation.

Uniform Massachusetts Accounting System – July, 2003

1. A resident donates \$10,000 to the community for the purpose of establishing a park. The Accountant establishes fund 251, Grants and Gifts, and records the proceeds.

251-1040	Cash - Unrestricted	10,000	
251-3910	Revenue		10,000

To record the gift of a citizen

2. The government hires a contractor to build the park. The contractor submits a bill for services.

251-3930	Expenditures	9,000	
251-2010	Warrants Payable		9,000

To record the submission of the bill of the contractor and placement on the warrant

3. The warrant is approved and sent to the Treasurer for disbursement.

251-2010	Warrants Payable	9,000	
251-1040	Cash - Unrestricted		9,000

To record the disbursement of funds to the contractor

4. The contractor presents the final bill for the completion of the park and the bill is placed on a warrant.

251-3930	Expenditures	1,000	
251-2010	Warrants Payable		1,000

5. The warrant is approved and sent to the Treasurer for disbursement.

251-2010	Warrants Payable	1,000	
251-1040	Cash - Unrestricted		1,000

To record the disbursement of funds to the contractor

CHAPTER 11 - CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for the purchase or construction of major capital facilities not properly accounted for in the Proprietary Funds. Capital Projects Funds are generally not used to account for the acquisition of furniture, fixtures, equipment or other relatively short-lived assets.

A clear distinction should be made between Capital Projects, which are projects for the construction of major facilities such as a new Town or City Hall, and capital outlay expenditures, which are for the purchase of relatively short-lived assets such as those referred to above. Capital projects may be distinguished by at least one, and usually all, of the following characteristics, while capital outlay expenditures normally have none of them:

- Financing provided in whole or in part by the issuance of bonds;
- Expenditures made during more than one fiscal year;
- Expenditures are "project-oriented," (thus, not a regular part of the ongoing operations of the local unit of government).

Generally, a separate fund is required for each project. This is particularly important when projects are funded in full or in part by bond issues or intergovernmental revenues in order to demonstrate that proceeds have been used for intended purposes. However, when a group of related projects is financed in whole or in part by a single bond issue, a single fund may be used to account for all related projects.

Budget

As with other governmental funds, the budget for capital 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. 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 Capital Project Funds.

Capital Project Accounting

As with the other governmental funds, the basis of accounting on which Capital Project Funds will be reported is the modified accrual basis. During the fiscal year, however, revenue will be fully reserved until collected, and expenditures will be recorded as

disbursed. 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.

Many capital projects are partially financed by state or federal grants. In order to maintain control over these items, the grant award should be recorded in a memorandum entry when official, formal notification of the grant is received from the granting agency. If Emergency Finance Board approval is also required (Chapter 74, Acts of 1945), this should be obtained before recording the grant. The receivable will be recorded when terms of the grant have been satisfied and application for funds, if required, has been submitted.

The accounting for temporary loans in anticipation of either grant reimbursement or long-term debt proceeds requires special comment. Since expenditures in capital projects are generally made prior to the time that grant revenues or bond proceeds are received, it could be expected that the projects' operations would result in a deficit fund balance. If this situation should occur, such a deficit and the reasons for it should be shown as a footnote to the financial statements.

At the completion of the project, unused bond proceeds may be reallocated pursuant to M.G.L. Chapter 44, §20. In brief, this allows the unused funds to be appropriated for any purpose for which the municipality could normally borrow for an equal or longer period of time; or, if the amount is less than \$1,000, it may be used to reduce the principal of the capital project borrowing. This transfer is shown as the third year's transaction.

A permanent record should be retained by each municipality setting forth the details of each capital project completed. This record should include a description of the project, authorization date, completion date, authorized cost, and full details relating to the financing of the project and its actual cost.

Interest earned in the fund on the investment of the proceeds from bonds and notes is payable to the General Fund (M.G.L. Chapter 44, §53).

Interest incurred on temporary borrowing by a capital project will be funded by an appropriation from the General Fund.

Illustrative Journal Entries

The journal entries in the remainder of this chapter illustrate Capital Projects Fund accounting for a project involving the construction of a new fire station which is to be completed over two fiscal years. Other facts related to the project include the following:

- Total project cost approved by the appropriate authority is \$10,000,000;
- Financing to be provided from:
 - Initially through temporary borrowing
 - \$5,000,000 from bonds which are expected to be issued at the end of the first year
 - 50% from federal grant reimbursements

Uniform Massachusetts Accounting System – July, 2003

- Plans call for awarding the total project to a single contractor to simplify management responsibilities;
- The contract to be awarded will include a 10% holdback pending satisfactory completion of the project;
- Appropriations of \$100,000 in the first year and \$150,000 in the second year are made for the payment of interest on temporary loans;

Accounting for the activities of the Capital Projects Fund is depicted through a series of journal entries in the following pages. They are presented in the following sequence:

First Year's Transactions

Memorandum Entries
Budget and Memorandum Entries
Temporary Borrowing
Operating Transfers
Project Expenditures
Project Revenues
Grants
Serial Bond Issues
Investment of Excess Cash
Encumbrances
Adjusting Entries
Closing Entries
Closing Trial Balance

Second Year's Transactions

Opening Entries
Budget Entries
Operating Transfers
Change Orders
Project Expenditures and Encumbrances
Project Revenues
Temporary Borrowing
Investment of Excess Cash
Closing Entries
Closing Trial Balance

Third Year's Transactions

Opening Entries
Budget Entries
Operating Transfers
Closing Entries

First Year of the Project

Memorandum Entries

The following four memorandum accounts are used in this fund and will be explained later in the chapter:

301-3730 Project Authorized
301-3740 Project Authorized - Offset
301-3710 State and Federal Grants Awarded
301-3720 State and Federal Grants - Offset

Although memorandum 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. At the completion of the project, the memorandum entries should be reversed or otherwise closed out.

Budgetary and Memorandum Entries

1. The focus of the budgetary entries in the capital projects 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 following entry illustrates the memorandum entry made to record the total authorized cost for the project including \$100,000 for temporary interest during the first year of the project. This entry is not necessary if the project is to be completed in the current fiscal period.

301-3730	Project Authorized	10,100,000	
301-3740	Project Authorized - Offset		10,100,000

To record the total estimated cost of the project

2. At the beginning of the fiscal year, the budget for the capital project should be recorded. The budget for this project has been prepared on the assumption that approximately one-half of the project will be completed in the first year, that \$100,000 has been appropriated for temporary interest on loans, that grant reimbursements for one-half of the expenditures incurred will be received, that \$100,000 will be transferred from the general fund, and that the serial bond issue which has been authorized will be issued.

301-3815	ESTIMATED REVENUE	2,500,000	
301-3820	ESTIMATED OTHER FINANCING SOURCES	5,100,000	
301-3830	APPROPRIATIONS		5,100,000
301-3880	BUDGETARY FUND BALANCE		2,500,000

To record the budget for the year

Subsidiary ledger entries are not illustrated in this chapter as they are maintained in the same manner as the General Fund.

If during the fiscal year, expenditures exceed appropriations, then a supplemental appropriation entry should be made by debiting Budgetary Fund Balance and crediting Appropriations. An adjustment to Projects Authorized as in entry #3 should also be made.

3. The memorandum entry must now be reversed by the budgeted appropriation for the fiscal year.

301-3740	Project Authorized - Offset	5,100,000	
301-3730	Project Authorized		5,100,000

To adjust memorandum accounts for fiscal budget recorded

When the bonds to be issued in connection with the project are authorized, an entry should be recorded in the General Long-Term Obligation Account Group.

4. When the grant is awarded the following entry should be made.

301-3710	State and Federal Grants Awarded	5,000,000	
301-3720	State and Federal Grants Awarded - Offset		5,000,000

To record the award of grants for the project

Temporary Borrowing

Short-term notes may be sold to finance the initial capital project expenditures pending bond issuance or grant reimbursement. To the extent that such borrowing are not immediately needed, the available cash should be invested.

5. Short-term borrowing is completed in anticipation of reimbursement from the federal government and issuance of bonds.

301-1040	Cash - Unrestricted	5,000,000	
301-2720	Bond Anticipation Notes Payable		2,500,000
301-2730	Grant Anticipation Notes Payable		2,500,000

To record short-term borrowing to finance capital projects

Operating Transfers

6. Cash is transferred from the General Fund to be used on the capital project.

301-1040	Cash - Unrestricted	100,000	
301-2301	Due to General Fund		100,000

To record the advance from the General Fund. The intention is to repay this advance.

Project Expenditures

7. All expenditures should be made on an approved warrant. Expenditure entries remain the same whether or not an encumbrance system is used.

301-3930	Expenditures	500,000	
301-1040	Cash - Unrestricted		450,000
301-2050	Contracts Payable - Retained Percentage		50,000

To record the expenditures per warrant # _____

Project Revenues

The financing of the project will be provided initially through short-term borrowing. Grant reimbursement requests will be submitted to the government as expenditures are incurred. Such amounts will be recorded as revenue when collected.

Grants

To minimize the interest expense associated with short-term borrowing for reimbursable type grants, such grants should be applied for as soon after incurring the expense as the grant terms allow.

8. The granting agency is billed for its share (50%) of the expenditures per the grant agreement.

301-1710	Due from Federal Government	250,000	
301-2670	Deferred Revenue - Intergovernmental		250,000

To record the application to granting agency for reimbursement

9. The memorandum accounts are adjusted for the amount of the grant billed.

301-3720	State and Federal Grants Awarded - Offset	250,000	
301-3710	State and Federal Grants Awarded		250,000

To adjust for grant billed

10. Cash is collected from the granting agency.

301-1040	Cash Unrestricted	250,000	
301-1710	Due from Federal Government		250,000

To record collections on grant

11. The revenue from the grant receipts is recorded.

301-2670	Deferred Revenue - Intergovernmental	250,000	
301-3910	Revenue		250,000

To record the revenue from grant receipts

Serial Bond Issues

When serial bonds are issued, the liability is recorded in the General Long-Term Obligation Group of Accounts. At the same time an entry would be made in the General Long-Term Obligation Group of Accounts to reverse the bonds authorized entry. The proceeds from the issues are reported in the Capital Projects Fund as another financing source.

12. Near the end of the year, bonds for this project are sold at a premium of \$40,000 over their face value and \$10,000 of accrued interest is received. The premium and accrued interest will be transferred to the General Fund (M.G.L. Ch. 44, §20).

301-1040	Cash - Unrestricted	5,050,000	
301-3920	Other Financing Sources		5,050,000

To record the proceeds of bonds issued at a premium with accrued interest

13. Cash is transferred to General Fund for premium and accrued interest on bonds issued.

301-3970	Other Financing Uses	50,000	
301-1040	Cash - Unrestricted		50,000

To transfer cash to the General Fund

Note: No contra entry is illustrated in the General Fund.

14. The temporary loans in anticipation of bond issue are repaid along with related interest.

301-2720	Bond Anticipation Notes Payable	2,500,000	
301-3930	Expenditures	75,000	
301-1040	Cash - Unrestricted		2,575,000

To record the repayment of temporary loans per warrant #_____

Investment of Excess Cash

15. Bond or Note proceeds are invested in certificates of deposit.

301-1110	Short Term Investments	5,400,000	
301-1040	Cash - Unrestricted		5,400,000

To record expenditures for investments per warrant #_____

Although the certificates of deposit could have matured in the first year, for the purpose of this example, they did not mature until the second year.

Encumbrances

16. When a signed contract is entered into, the full amount of the contract should be encumbered. The full amount of the contracts is encumbered, even though it may exceed the amount budgeted for the current year.

301-3940	Encumbrances	9,800,000	
301-3211	Fund Balance Reserved for Encumbrances		9,800,000

To record the encumbrances for capital projects contracts

17. The encumbrances must be canceled 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 #7, previously.

301-3211	Fund Balance Reserved for Encumbrances	500,000	
301-3940	Encumbrances		500,000

To cancel encumbrances for portion of contract completed

Adjusting Entries

18. The interest on certificates of deposit will not be collected until maturity. Therefore the interest which has been earned from the date of purchase to June 30 should not be accrued and recognized as revenue in the current fiscal year. The interest should not be accrued because the certificates of deposit will mature in the subsequent fiscal year and the funds cannot be considered available. For a complete definition of “availability”, see NCGA Statement 1, paragraph 62.

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

301-3211	Fund Balance Reserved for		
	Encumbrances	4,900,000	
301-3940	Encumbrances		4,900,000

To reverse the encumbrances outstanding at the close of the fiscal year

20. The unexpended appropriation for interest on temporary loans is transferred back to General Fund.

301-3970	Other Financing Uses	25,000	
301-1040	Cash - Unrestricted		25,000

To record transfer to the General Fund

Closing Entries

The year-end closing entries will follow the same pattern established in other governmental funds.

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

301-3830	APPROPRIATIONS	5,100,000	
301-3880	BUDGETARY FUND BALANCE	2,500,000	
301-3815	ESTIMATED REVENUE		2,500,000
301-3820	ESTIMATED OTHER FINANCING SOURCES		5,100,000

To close the budget accounts

Uniform Massachusetts Accounting System – July, 2003

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

301-3590	Undesignated Fund Balance	100,000	
301-3211	Fund Balance Reserved for Encumbrances		100,000

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

23. The Revenue and Other Financing Sources and the Expenditures and Other Financing Uses accounts are closed to fund balance.

301-3910	Revenue	250,000	
301-3920	Other Financing Sources	5,050,000	
301-3930	Expenditures		575,000
301-3970	Other Financing Uses		25,000
301-3590	Undesignated Fund Balance		300,000
301-3940	Encumbrances		4,400,000

To close the Revenue and Expenditure accounts to Undesignated Fund Balance

Closing Trial Balance

301-1040	Cash - Unrestricted	1,900,000	
301-1110	Short Term Investments	5,400,000	
301-3710	State and Federal Grants Awarded - (Memorandum)	4,750,000	
301-3720	State and Federal Grants Awarded - Offset (Memorandum)		4,750,000
301-3730	Projects Authorized - (Memorandum)	5,000,000	
301-3740	Projects Authorized - Offset (Memorandum)		5,000,000
301-2050	Contracts Payable - Retained Percentage		50,000
301-2301	Due to General Fund		100,000
301-2730	Grant Anticipation Notes Payable		2,500,000
301-3211	Fund Balance Reserved for Encumbrances		4,400,000
301-3590	Undesignated Fund Balance		250,000
		<u>17,050,000</u>	<u>17,050,000</u>

Second Year of the Project

Many of the second year transactions are virtually identical to those of the first year, except for the dollar amounts involved. The major differences in the second year relate

to the opening entry, the maturity of investments, the payments of retainage due, and the close out of the project.

Opening Entries

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).

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

301-3940	Encumbrances	4,900,000	
301-3211	Fund Balance Reserved For Encumbrances		4,900,000

To reinstate the prior year's encumbrances

Budget Entries

25. The current year's budget is recorded. The appropriation consists of \$150,000 for interest plus \$4,800,000 project cost (\$9,800,000 total project less \$5,000,000 appropriated in the first year). The estimated revenue is 50% of the \$4,800,000 appropriated project cost plus 50% of the \$100,000 fund balance reserved for encumbrances brought forward from the previous year.

301-3815	ESTIMATED REVENUE	2,450,000	
301-3820	ESTIMATED OTHER FINANCING SOURCES	150,000	
301-3880	BUDGETARY FUND BALANCE	2,350,000	
301-3830	APPROPRIATIONS		4,950,000

To record the current year's budget

26. The memorandum entry must now be reversed by the budgeted appropriation for the fiscal year.

301-3740	Project Authorized - Offset (Memorandum)	4,950,000	
301-3730	Project Authorized - (Memorandum)		4,950,000

To adjust memorandum accounts for fiscal year budget recorded

Operating Transfers

27. Cash is transferred from the General Fund to be used on the capital project.

301-1040	Cash - Unrestricted	150,000	
301-3920	Other Financing Sources		150,000

To record the transfer from the General Fund

Note: This entry is not reflected in the journal entries prepared for the General Fund since it occurs during the second year of the Capital Projects Fund transactions.

Change Orders

A change order is signed for \$100,000.

28. The budget entry is adjusted for the change order.

301-3880	BUDGETARY FUND BALANCE	100,000	
301-3830	APPROPRIATIONS		100,000

To increase budget for change order expected to be expended this year

29. The memorandum entry is reversed by the budgeted appropriation.

301-3740	Project Authorized - Offset (Memorandum)	100,000	
301-3730	Project Authorized - (Memorandum)		100,000

To adjust memorandum accounts for budget recorded

30. The encumbrance accounts are adjusted for the change order.

301-3940	Encumbrances	100,000	
301-3211	Fund Balance Reserved for Encumbrances		100,000

To adjust encumbrances for change order

Project Expenditures and Encumbrances

31. Expenditures on the project are made.

301-3930	Expenditures	7,200,000	
301-1040	Cash - Unrestricted		6,700,000
301-2050	Contracts Payable - Retained Percentage		500,000

To record the expenditures per warrant # _____

32. Outstanding encumbrances are canceled when invoices are received for work completed.

301-3211	Fund Balance Reserved for Encumbrances	5,000,000	
301-3940	Encumbrances		5,000,000

To cancel encumbrances for portion of contract completed

33. When the project is completed, inspected, and found to meet specifications, the retainage is paid.

301-2050	Contracts Payable - Retained Percentage	550,000	
301-1040	Cash - Unrestricted		550,000

To record the payment of retainage on contract

Project Revenues

34. Request for reimbursement of expenditures is made to the granting agency.

301-1710	Due from Federal Government	2,500,000	
301-2670	Deferred Revenue - Intergovernmental		2,500,000

To record the application to granting agency for reimbursement

Uniform Massachusetts Accounting System – July, 2003

35. The memorandum accounts are adjusted for the amount of the grant billed.

301-3710	State and Federal Grant Awarded - (Memorandum)	2,500,000	
301-3720	State and Federal Grant Awarded - Offset (Memorandum)		2,500,000

To adjust for grant billed

36. Cash is collected on receivables from the granting agency (note that the amount received is net of 50% of \$1,000 of expenditures which did not qualify for grant reimbursements).

301-1040	Cash - Unrestricted	2,499,500	
301-1710	Due from Federal Government		2,499,500

To record collections on grant

37. A notice is received from the granting agency of disallowed expenditures. 50% are disallowed.

301-2670	Deferred Revenue - Intergovernmental	500	
301-1710	Due from Federal Government		500

To record disallowance of reimbursement

38. The revenue from grant receipts is recorded.

301-2670	Deferred Revenue - Intergovernmental	2,499,500	
301-3910	Revenue		2,499,500

To record the revenue from grant receipts

Temporary Borrowing

39. The temporary loans are repaid.

301-2730	Grant Anticipation Notes Payable	2,500,000	
301-3930	Expenditures	150,000	
301-1040	Cash - Unrestricted		2,650,000

To record the repayment of temporary loans

Investment of Excess Cash

40. The certificates of deposit mature and interest income is recorded.

301-1040	Cash - Unrestricted	5,995,000	
301-1110	Short Term Investments		5,400,000
301-3910	Revenue		595,000

To record the receipts of maturities and interest of certificates of deposit

41. The portion of revenue which was derived from earnings on investments must be returned to the General Fund.

301-3970	Other Financing Uses	595,000	
301-1040	Cash - Unrestricted		595,000

To record the transfer to the General Fund for earnings on investments

Note: This entry is not reflected in the journal entries prepared for the General Fund since it occurs during the second year of the Capital Projects Fund transactions.

Closing Entries

42. To reverse the budget entry for the fiscal year.

301-3830	APPROPRIATIONS	5,050,000	
301-3815	ESTIMATED REVENUE		2,450,000
301-3820	ESTIMATED OTHER FINANCING SOURCES		150,000
301-3880	BUDGETARY FUND BALANCE		2,450,000

To close the budget accounts

43. The Revenues and Other Financing Sources and the Expenditures and Other Financing Uses are closed out to fund balance.

301-3910	Revenue	3,094,500	
301-3920	Other Financing Sources	150,000	
301-3590	Undesignated Fund Balance	4,700,500	
301-3930	Expenditures		7,350,000
301-3970	Other Financing Uses		595,000

To close the revenues and expenditures accounts to Undesignated Fund Balance

Uniform Massachusetts Accounting System – July, 2003

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

301-3211	Fund Balance Reserved for Encumbrances	4,400,000	
301-3590	Undesignated Fund Balance		4,400,000

To close out the prior year's Fund Balance Reserved for Encumbrances

45. The balance of the project which will not be expended is closed out.

301-3740	Project Authorized - Offset (Memorandum)	100,000	
301-3730	Project Authorized (Memorandum)		100,000

To close out the authorization accounts on the project

46. Balance of the grant which will not be realized is closed out.

301-3720	State and Federal Grants Awarded - Offset (Memorandum)	50,000	
301-3710	State and Federal Grants Awarded - (Memorandum)		50,000

To close out the grant

Closing Trial Balance

301-1040	Cash - Unrestricted	49,500	
301-3590	Undesignated Fund Balance		49,500

Third Year of the Project

The balance in cash and fund balance represents serial bond proceeds which were not expended on the project. This balance must be appropriated in accordance with M.G.L. Ch. 44, §20.

Opening Entries

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).

Budget Entries

47. The Town Meeting/City Council voted to appropriate the \$49,500 in accordance with M.G.L. Ch. 44, §20.

300-3880	BUDGETARY FUND BALANCE	49,500	
300-3870	ESTIMATED OTHER FINANCING USES		49,500

To record current year's budget

Operating Transfers

48. Cash is transferred to the General Fund as the appropriation will be expended in that fund.

300-3970	Other Financing Uses	49,500	
300-1040	Cash - Unrestricted		49,500

To record transfer to the General Fund

Closing Entries

49. To reverse the budget entry for the fiscal year.

300-3870	ESTIMATED OTHER FINANCING USES	49,500	
300-3880	BUDGETARY FUND BALANCE		49,500

To close budget accounts

50. The Other Financing Uses is closed out to Undesignated Fund Balance.

300-3590	Undesignated Fund Balance	49,500	
300-3970	Other Financing Uses		49,500

To close other financing uses to Undesignated Fund Balance

CHAPTER 12 - PROPRIETARY FUNDS

Proprietary Fund Types

Both Enterprise Funds and Internal Service Funds are Proprietary Fund types. They use the economic resources measurement focus and the accrual basis of accounting. They carry their own assets and long-term obligations. The accounting is similar to private sector accounting. In fact, enterprise funds are required to follow Financial Accounting Standards Board (FASB) guidance issued prior to December 1, 1989, if it does not conflict with GASB guidance. Proprietary funds may, also, follow FASB guidance after December 1, 1989, if it does not conflict with GASB statements that are developed for business enterprises. Internal service may follow such guidance; but are not required to. The use of an Enterprise Fund is mandated by GASB when legal requirements or management policy requires the total cost of providing a service is to be recovered by fees and charges. Different functions or services should not be combined in one Enterprise Fund. For example, water and sewer service should be established as separate Enterprise Funds and not as a single fund.

Internal Service Funds

Internal Service Funds (ISFs) inherently “gross - up” revenues and expenses due to their operations. There is also an inherent assumption that ISFs “break even.” Therefore, an ISF’s net profit or loss could be allocated to various functions based on their participation in those revenues and expenses. The decision whether to include this participation within a governmental or a business - type activity depends on the benefit that the ISF provides to the government. ISF’s that benefit external entities (a rare occurrence) should not be consolidated.

ISFs are used in Massachusetts for self-insurance activity (e.g. group health, workers compensation, building insurance and liability insurance). An example of a basic ISF would be a motor vehicle pool, where the full cost of the pool is supported by charges to other departments’ appropriations. Another would be a central supply office. However, if full cost is not recovered by fees and charges, that is, they are financed by a separate appropriation, the use of an ISF would not be appropriate. Ideally, these functions will probably be included as part of “general government.” Since their use is limited the Manual does not present sample journal entries. If the reader believes he/she has a true ISF, the Bureau of Accounts should be contacted for guidance.

Capitalization of Interest

One issue concerning full cost recovery is the capitalization of interest. GASB Statement 37 (amending 34) prohibits capitalization of construction period interest for capital assets used in governmental activities. Conflicting with this is FASB statement 34 “Capitalization of Interest,” which requires interest be capitalized on construction if there is debt outstanding in the fund, even if the debt has nothing to do with the specific project.

M.G.L. Chapter 44 does not allow the issuance of debt for the payment of interest. Therefore, interest costs on projects must be raised in user charges. For more information on the capitalization of interest the reader should consult FASB's 34 and 62 "Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants."

Electric Light Departments

Electric Light Departments are subject to the regulations issued by state and federal energy management agencies. Electric utilities are established under M.G.L. Chapter 164 and not the Enterprise Fund statute, M.G.L. Chapter 44, §53F½. However, they are required to follow GASB pronouncements and are departments of the municipality. In addition, Electric Light Departments may voluntarily follow the guidance of FASB 71, "Accounting for the Effects of Certain Types of Regulation." To qualify, rates must be regulated by an independent agency, the rates are designed to recover certain specific costs and it is reasonable to assume that the regulated activity can set and collect charges sufficient to recover its costs. As a minimum the Accountant/Auditor should maintain control accounts and review invoices as with any other department to ensure compliance with municipal law.

Utility entities that are separate legal entities from other governments may have to be treated as component units of those other governments starting in periods beginning after June 15, 2003 due to GASB Statement 39. The municipality should take care to make sure that these entities, if applicable, are audited on a timely basis and are reported in the municipality's financial statements properly.

Enterprise Fund Manual

The Division of Local Services has published an Enterprise Fund Manual, which gives specific guidance on the establishment, budgeting and accounting for Enterprise Funds.

Illustrative Journal Entries

Accounting for the activities of the Enterprise 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
- Memoranda Entries
- Budgetary Entries
- Expenditures and Other Cash Disbursements
- Revenue
- Grants
- Construction and Financing of Capital Projects
- Fixed Assets
- Other Transactions
- Special Topics
- Adjusting Entries
- Closing Entries
- Closing Trial Balance

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 example chosen for an enterprise fund reflects the operations of a water department, but the same basic entries and accounting theory are applicable to other Enterprise Funds. Note that account 3880, Budgetary Fund Balance, in a Proprietary Fund is called 3880, Budgetary Net Assets.

At the beginning of the year, the enterprise has under construction a water treatment plant for which the total authorized project cost is \$5,000,000. The project will be funded by a federal grant, which will pay for 75% of the cost. The balance will be funded through the issue of 20-year serial bonds. As of July 1, the beginning of the year, there had been \$850,000 of costs incurred on the project. Grant reimbursement requests, submitted to the federal government under the terms of the grant, amounted to \$562,500, of which amount there was still \$140,000 receivable from the government at the beginning of the year.

There have been included, in the opening trial balances, memorandum accounts for Projects Authorized, Grants Awarded and Bonds Authorized. As has been noted previously, the use of such accounts is recommended for control purposes. However, such amounts should not be included in the financial reports issued by an enterprise.

Opening Entries

The opening entries record the opening trial balance carried over from the prior year and restores the accounts to the basis of accounting on which they will be maintained during the year.

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, including memoranda accounts.

650-1040	Cash - Unrestricted	211,515	
650-1310	User Charges Receivable	59,231	
650-1330	Utility Liens Added to Taxes	8,077	
650-1710	Due from Federal Government	140,000	
650-1950	Construction in Progress	850,000	
650-3710	State and Federal Grants Awarded - (Memorandum)	3,327,500	
650-3720	State and Federal Grants Awarded - Offset (Memorandum)		3,327,500
650-3730	Project Authorized (Memorandum)	4,150,000	
650-3740	Project Authorized - Offset (Memorandum)		4,150,000
650-3760	Bonds Authorized (Memorandum)	1,250,000	
650-3770	Bonds Authorized - Offset (Memorandum)		1,250,000
650-2010	Warrants Payable		54,408
650-2720	Bond Anticipation Notes Payable		450,000
650-3010	Net Assets Restricted		562,500
650-3015	Net Assets Unrestricted		201,915
		<u>9,996,323</u>	<u>9,996,323</u>

To record the opening balances in the Water Enterprise Fund per the trial balance at the close of the prior year

Memoranda Entries

The beginning trial balance included the balance in memoranda accounts established in the prior year to facilitate the control over authorized project costs and approved state and federal grants. The two entries that follow adjust these memoranda accounts for the current year's activities:

Uniform Massachusetts Accounting System – July, 2003

- a. The expenditures for the year on the project are recorded:

650-3740	Projects Authorized - Offset	4,150,000	
650-3730	Projects Authorized		4,150,000

To record expenditures for the year on the project in the memorandum accounts

- b. The amounts billed on grants during the year on the project are recorded

650-3720	State and Federal Grants Awarded - Offset	3,052,500	
650-3710	State and Federal Grants Awarded		3,052,500

To record the amounts billed on the grants during the year

Budgetary Entries

The following entries record the annual budget of the water enterprise fund. It is assumed for the purposes of this illustration that the annual budget includes an amount required for the acquisition of fixed assets. In addition, it is estimated that other financing sources will be needed in order to pay for the costs of operations for the coming fiscal year. Such sources are expected from the General Fund.

2. The appropriations for the fiscal year are recorded.

650-3890	BUDGETARY CONTROL	845,343	
650-3830	APPROPRIATIONS		845,343

To record the budgeted costs for the fiscal year

Uniform Massachusetts Accounting System – July, 2003

Subsidiary ledger entry for this journal entry would be:

650-5000	Subsidiary Appropriation Control	845,343	
650-5110	Salaries and Wages, Permanent Positions		531,000
650-5170	Fringe Benefits on Behalf of Employees		9,000
650-5170	Fringe Benefits on Behalf of Employees		20,000
650-5210	Energy		42,000
650-5230	Non-Energy Utilities		3,500
650-5240	Repairs and Maintenance		7,500
650-5340	Communication		7,250
650-5410	Energy Supplies		4,500
650-5430	Building and Equipment Repairs and Maintenance Supplies		22,500
650-5420	Office Supplies		7,500
650-5480	Vehicular Supplies		98,000
650-5530	Public Works Supplies		35,000
650-5710	In-State Travel		2,750
650-5740	Insurance Premiums		4,500
650-5870	Replacement Equipment		25,000
650-5925	Interest on Notes		25,343

3. The total amounts of estimated revenues for the fiscal year are recorded.

650-3815	ESTIMATED REVENUE	727,750	
650-3890	BUDGETARY CONTROL		727,750

To record the estimated or budgeted revenues for the fiscal year

Subsidiary ledger entry for this journal entry would be:

650-4142	Tax Liens Redeemed	3,500	
650-4170	Penalties and Interest on Taxes And Excises	1,500	
650-4210	Utility Usage Charges	672,750	
650-4240	Other Non-Utility Usage Charges	50,000	
650-4000	Subsidiary Revenue Control		727,750

Uniform Massachusetts Accounting System – July, 2003

4. Revenues appropriated from other funds for use in the Enterprise Fund are recorded.

650-3820	ESTIMATED OTHER FINANCING SOURCES	117,593	
650-3890	BUDGETARY CONTROL		117,593

To record operating transfers-in

Subsidiary ledger entry for this journal entry would be:

650-4970	Interfund Operating Transfers In	117,593	
650-4000	Subsidiary Revenue Control		117,593

5. The budgetary entries for the capital project being constructed in the Enterprise Fund may be recorded with the annual operating budget or separately. The following entries record the estimated revenues and expenditures related to this project.

650-3815	ESTIMATED REVENUES	3,187,500	
650-3880	BUDGETARY FUND BALANCE	962,500	
650-3830	APPROPRIATIONS		4,150,000

Subsidiary ledger entry for this journal entry would be:

650-4540	Other Federal Revenue - Direct	3,187,500	
650-4000	Subsidiary Revenue Control		3,187,500
650-5000	Subsidiary Expenditure Control	4,150,000	
650-5820	Buildings		3,000,000
650-5850	Additional Equipment		1,150,000

Expenditures and Other Cash Disbursements

There are no examples for payroll or vendor disbursements. These activities are treated the same way as in the General Fund.

Appropriation transfers - During the fiscal year a situation may develop where it becomes necessary to authorize the transfer of appropriations between departments, use of a part of the municipality's appropriation reserve account, or the use 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.

Uniform Massachusetts Accounting System – July, 2003

6. The City Council votes to transfer funds from one appropriation account to another.

650-3830	APPROPRIATIONS	2,000	
650-3830	APPROPRIATIONS		2,000

To record approved transfers between appropriations accounts Council order # _____

Subsidiary ledger entry for this journal entry would be:

650-5430	Building and Equipment Repairs and Maintenance Supplies	2,000	
650-5240	Repairs and Maintenance		2,000

- 7A. The City Council votes to appropriate available funds from other Special Revenue Funds to fund an appropriation for interest expenditures after the tax rate has been set and approved.

650-3890	BUDGETARY CONTROL	30,000	
650-3830	APPROPRIATIONS		30,000

To record city council an appropriation for interest expenditures and transfer from the other Special Revenue Fund - Council order # _____

Subsidiary ledger entry for this journal entry would be

650-5000	Subsidiary Appropriation Control	30,000	
650-5925	Interest on Notes		30,000

- 7B. The estimated source of funding for the appropriation is recorded.

611-3820	ESTIMATED OTHER FINANCING SOURCES	30,000	
611-3890	BUDGETARY CONTROL		30,000

To record the estimated financing source

Subsidiary ledger entry for the journal entry would be:

650-4970	Interfund Operating Transfers In	30,000	
650-4000	Subsidiary Revenue Control		30,000

Interfund transactions - Transactions between funds include those where one fund renders a service for 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).

8. The Water Department's office supplies are purchased by the Central Purchasing Department. Periodically, the water department is issued supplies and is required to pay for them.

650-3930	Expenditures	250	
650-1040	Cash - Unrestricted		250

To record the issue of office supplies from Central Purchasing and the related payment

Subsidiary ledger entry for this journal entry would be:

650-5420	Office Supplies	250	
650-5000	Subsidiary Appropriation Control		250

9. The Recreation Department fills two of its vehicles with gasoline at the Water Enterprise's gasoline pumps. This is a reimbursable type of transaction, and would be accounted for in the Enterprise Fund as a reduction of expense.

650-1040	Cash - Unrestricted	50	
650-3930	Expenditures		50

To record the sale of gasoline to an activity accounted for in the General Fund

Subsidiary ledger entry for this journal entry would be:

650-5000	Subsidiary Appropriation Control	50	
650-5480	Vehicular Supplies		50

Revenue

The majority of the revenue in the Water Enterprise Fund, and most other Enterprise Funds, is from usage charges. If the enterprise is involved in a major capital project, there may be substantial revenue from federal and/or state grants as well. Revenue will be recorded during the fiscal year on a cash basis. Year-end adjustments will be made to convert the accounting for revenue to an accrual basis. The accounting for grants is discussed in a separate subheading.

Usage charges - The principal revenue in an Enterprise Fund is the charges for services. Normally, Enterprise Funds should be self-supporting. In order to achieve this objective, the rates being charged should be reviewed periodically to determine their adequacy.

10. The water bills are sent out for the fall, and a commitment warrant, agreeing to the total, is forwarded to the Accounting Officer.

650-1310	User Charges Receivable	200,000	
650-2651	Deferred Revenue - User Charges		200,000

To record the commitment of water user charges for the fall

11. The total of water bills abated or written off is forwarded to the Accounting Officer from the enterprise.

650-2651	Deferred Revenue - User Charges	1,000	
650-1310	User Charges Receivable		1,000

To record the abatements on water user charges for December

12. Payments are collected on current water bills, summarized, and reported on the Treasurer's Report of Cash Received.

650-1040	Cash - Unrestricted	65,000	
650-1310	User Charges Receivable		65,000

To record cash collected on water user charges

13. The revenue account is adjusted to reflect the cash received on the accounts receivable.

650-2651	Deferred Revenue - User Charges	65,000	
650-3910	Revenue		65,000

To record the revenue from the collections on water user charges

Subsidiary ledger entry for this journal entry would be:

650-4000	Subsidiary Revenue Control	65,000	
650-4210	Utility Usage Charges		65,000

Uniform Massachusetts Accounting System – July, 2003

14. A refund of a credit balance on a taxpayer's account is reported on an approved Treasurer's warrant. The credit balance may have resulted from either an overpayment or an abatement after payment was made.

650-1310	User Charges Receivable	20	
650-1040	Cash - Unrestricted		20

To record refund of overpayments collected on water user charges

15. The revenue account is adjusted to reflect the payment of refunds on customer accounts receivable.

650-3910	Revenue	20	
650-2651	Deferred Revenue - User Charges		20

To record the refund of credit balance accounts

Subsidiary ledger entries for this journal entry would be:

650-4210	Utility Usage Charges	20	
650-4000	Subsidiary Revenue Control		20

Water liens - Unpaid water rates may be reclassified to water liens in accordance with M.G.L. Ch. 40, §42B and may be included with other taxes on the real estate tax bills. The water liens are committed by the Assessors. Revenue from water liens is recognized when collected. Even though water liens are billed on real estate bills and collected by the Collector, they are revenue to the Enterprise Fund.

- 16A. The commitment from the Assessors of water liens added to taxes is forwarded to the Accounting Officer.

650-1330	Utility Liens Added to Taxes	8,000	
650-1310	User Charges Receivable		8,000

To record the water liens added to taxes

- 16B The related Deferred Revenue accounts must be adjusted.

650-2651	Deferred Revenue - User Charges	8,000	
650-2653	Deferred Revenue - Utility Liens		8,000

To adjust the Deferred Revenue accounts for user charges taken into liens

Uniform Massachusetts Accounting System – July, 2003

17. Cash is collected on water liens and reported through the Treasurer's Report of Cash Received.

650-1040	Cash - Unrestricted	1,000	
650-1330	Utility Liens Added to Taxes		1,000

To record the collections on water liens

18. The Assessors send the monthly summary of abatements to the Accounting Officer, which includes water liens abated.

650-2653	Deferred Revenue - Utility Liens	1,977	
650-1330	Utility Liens Added to Taxes		1,977

To record the abatement of water enterprise liens for June

Tax liens - Unpaid water liens (M.G.L. Ch. 40, §§42(a) to (i)) can be subject to a tax lien 14 days after a demand notice of delinquency has been issued in accordance with M.G.L. Ch. 60, §53. The lien is taken by the tax Collector and collected by the Treasurer.

- 19A. The Tax Collector records the tax lien on properties for delinquent water enterprise liens.

650-1240	Tax Liens Receivable	1,500	
650-1330	Utility Liens Added to Taxes		1,500

To record the taking of water liens to tax liens

- 19B. The related Deferred Revenue accounts must be adjusted.

650-2653	Deferred Revenue - Utility Liens	1,500	
650-2622	Deferred Revenue - Tax Liens		1,500

20. Payments are received on tax liens and reported on the Treasurer's Report of Cash Received.

650-1040	Cash - Unrestricted	450	
650-1240	Tax Liens Receivable		450

To record collections of water liens in tax liens

Uniform Massachusetts Accounting System – July, 2003

21. The Revenue and the Deferred Revenue - Tax Liens accounts are adjusted to reflect the cash received on tax liens receivable.

650-2622	Deferred Revenue - Tax Liens	450	
650-3910	Revenue		450

To record the revenue from collection of water liens in tax liens

Subsidiary ledger entry for this journal entry would be:

650-4000	Subsidiary Revenue Control	450	
650-4142	Tax Liens Redeemed		450

22. Occasionally a water lien is transferred to tax liens and then, subsequently, it is found that the original billing was in error and must be abated. The entry to record the abatement follows:

650-2622	Deferred Revenue - Tax Liens	50	
650-1240	Tax Liens Receivable		50

To record the abatement of a water lien in tax lien

(An identical entry would be made for tax liens which are disclaimed, except the explanation would indicate "disclaimed" instead of "abated.")

If the Treasurer, or other custodian of tax liens, sells land of low value that is in tax lien as set forth in M.G.L. Ch. 60, §79, then a priority for recognizing revenue is established. First, the proceeds are applied to delinquent real estate taxes in tax lien, then to other taxes in tax lien, then to enterprise liens in tax liens (apportioned by their relative magnitude), then to interest and charges, and, finally, if any proceeds remain, to a liability in the general fund called "Excess on Sale of Land of Low Value."

Tax foreclosures - Tax liens may be subject to a foreclosure, in accordance with M.G.L. Ch. 60, §50 if they are not paid. Foreclosure proceedings are processed by the Treasurer or other tax lien custodian. In the Enterprise Funds, the accounting for foreclosure transactions is limited to the foreclosure itself. Once the property has been foreclosed on, it becomes an asset of the General Fund so that subsequent sales, or other transactions of that particular property, are reflected in the General Fund. The accounting for foreclosures is illustrated in the two following entries.

23. The tax lien custodian forecloses on a tax lien property that had a water lien within the tax lien.

650-3970	Other Financing Uses	100	
650-1240	Tax Liens Receivable		100

To record the foreclosure on a tax lien

Subsidiary ledger entries for this journal entry would be

650-5961	Transfer to the General Fund	100	
650-5000	Subsidiary Appropriation Control		100

24. The revenue and the Deferred Revenue - Tax Liens are adjusted to reflect the cash received on tax lien accounts receivable.

650-2622	Deferred Revenue - Tax Liens	100	
650-3910	Revenue		100

To record the revenue from foreclosure of tax liens

Subsidiary ledger entry for this journal entry would be:

650-4000	Subsidiary Revenue Control	100	
650-4145	Tax Foreclosures		100

Other revenue - Other revenue includes cash receipts from sources that are not normally billed and do not, therefore, become formal receivables of the enterprise until the end of the fiscal year. Examples of these are the non-utility usage charges, such as rental of spare office or garage space, sale of pipe layouts to contractors, or sale of scrap metal.

25. The Water Department sells some scrap pipe to a junk dealer and the proceeds are reported through the Treasurer's Report of Cash Received.

650-1040	Cash - Unrestricted	75	
650-3910	Revenue		75

Subsidiary ledger entry for this journal entry would be:

650-4000	Subsidiary Revenue Control	75	
650-4840	Miscellaneous		75

Grants

Intergovernmental grants - A description of the various types of grants and the accounting for grants under this system is discussed in the chapter on Special Revenue Funds. However, since Proprietary Funds are maintained on a full accrual basis, an adjustment must be made at year-end to accrue intergovernmental revenue earned but not received.

26. The municipality makes expenditures related to the construction of the water treatment plant. Such expenditures qualify for a 75% reimbursement from the federal government under the terms of the federal grant.

650-3930	Expenditures	300,000	
650-2050	Contracts Payable, Retained Percentage		30,000
650-1040	Cash - Unrestricted		270,000

To record expenditure on the capital project

Subsidiary ledger entry for this journal entry would be:

650-5820	Buildings	300,000	
650-5000	Subsidiary Appropriation Control		300,000

27. A general government requisition is prepared requesting draw-down of federal grant funds related to the construction project. Amount requested represents 75% of qualifying expenditures.

650-1710	Due from Federal Government	225,000	
650-2670	Deferred Revenue - Intergovernmental		225,000

To record the requisition of federal grant funds to reimburse capital projects expenditure

28. Collections on the receivable from the federal government are made and are reported through the Treasurer's Report of Cash Received.

650-1040	Cash - Unrestricted	225,000	
650-1710	Due from Federal Government		225,000

To record the collections on receivables from the federal government

29. The revenue and the reserve for uncollected accounts are adjusted to reflect the cash received on the government receivable.

650-2670	Deferred Revenue - Intergovernmental	225,000	
650-3910	Revenue		225,000

To record the revenue from reimbursements by the federal government

Subsidiary ledger entry for this journal entry would be:

650-4000	Subsidiary Revenue Control	225,000	
650-4540	Other Federal Revenue - Direct		225,000

Construction and Financing of Capital Projects

Construction of the water treatment plant, which was started in the prior fiscal year, was completed during the present year. The expenditures made during the year for the project will be classified to expense account 5890, "Construction in Progress." At year-end, adjustments will be made to reclassify such amounts to the fixed asset accounts. The events illustrated in the following journal entries include temporary borrowing taken to finance the project, the payment of construction invoices, the sale of bonds authorized in connection with the project funding and the repayment of the temporary loans.

30. Funds are borrowed on a temporary basis in anticipation of grant reimbursement in order to provide financing for the project.

650-1040	Cash - Unrestricted	200,000	
650-2730	Grant Anticipation Notes Payable		200,000

To record the issuance of temporary loans in anticipation of grant reimbursement

31. Construction invoices for several months are paid, less retainage authorized to be withheld.

650-3930	Expenditures	375,000	
650-2050	Contract Payable, Retained Percentage		37,500
650-1040	Cash - Unrestricted		337,500

To record payment of construction invoices on warrant #_____

Subsidiary ledger entry for this journal entry would be:

650-5890	Construction in Progress	375,000	
650-5000	Subsidiary Appropriation Control		375,000

32. The bonds authorized for funding a portion of the project are sold at par.

650-1040	Cash - Unrestricted	1,250,000	
650-2940	Bonds payable, Outside Debt Limit		1,250,000

To record the cash proceeds received from the sale of bonds

33. At the same time that the entry is made to record the sale of the bonds, an entry would be made to reverse related amounts previously recorded in the bond authorization memorandum accounts.

650-3770	Bonds Authorized - Offset (Memorandum)	1,250,000	
650-3760	Bonds Authorized - (Memorandum)		1,250,000

To reverse, from the bond authorization memoranda accounts, the amount of bonds issued in connection with the water treatment plant

34. Temporary loans taken in anticipation of grant reimbursement are repaid upon the receipt of grant funds.

650-2730	Grant Anticipation Notes Payable	200,000	
650-3930	Expenditures	10,000	
650-1040	Cash - Unrestricted		210,000

To record repayment of notes payable on warrant #_____

Subsidiary ledger entry for this journal entry would be:

650-5925	Interest on Notes	10,000	
650-5000	Subsidiary Appropriation Control		10,000

Fixed Assets

Fixed assets used by a municipality in enterprise activities should be accounted for in accordance with the principles described previously in this chapter. Amounts included in the operating budget for capital outlay, other than for capital projects discussed above, will, when expended, be charged to account 5890. When the assets acquired are significant, the cost of such assets will be reclassified to the fixed asset accounts at the end of the fiscal year.

Uniform Massachusetts Accounting System – July, 2003

35. Two new pick-up trucks are purchased in replacement of two old vehicles.

650-3930	Expenditures	25,000	
650-1040	Cash - Unrestricted		25,000

To record the expenditures for vehicles on warrant # _____

Subsidiary ledger entry for this journal entry would be:

650-5870	Replacement Equipment	25,000	
650-5000	Subsidiary Appropriation Control		25,000

36. Through research of prior year records, it is determined that the buildings in which the water department conducts its activities were constructed by the municipality for a cost of \$250,000 fifteen years ago. Such amounts should be capitalized as a fixed asset recorded at its net depreciated value, and written off over the remaining useful life of the building, which is estimated to be 10 years.

650-1920	Buildings	250,000	
650-1929	Accumulated Depreciation - Buildings		150,000
650-3001	Net Assets Invested in Capital Assets - Net of Related Debt		100,000

To record as a fixed asset the net depreciated value of Water Department buildings. (Original cost of \$250,000, less allowable depreciation of \$150,000.)

Other Transactions

Loan authorization and issuance - Most capital projects and purchases of large equipment of an enterprise are funded, either totally or in part, by long-term borrowing in the form of issuance of serial bonds. These serial issues must be approved by either Town Meeting vote or by the City Council. The authorization is recorded when voted and reduced by either the issuance of bonds or the rescission of the authorization.

Investment of excess cash - Due to the fluctuation in cash flow of the enterprise during the year, there may be excess cash generated, which should be invested to benefit the enterprise. Certificates of deposit, securities, repurchase agreements, and treasury bills are among the vehicles in which the funds may be invested. The expenditures to purchase these investments must be made through approved treasury warrants, and the principal and the interest earned on them must be reported through the Treasurer's Report on Cash Received.

Uniform Massachusetts Accounting System – July, 2003

37. An investment of excess funds is made in securities repurchase agreements

650-1110	Short Term Investments	200,000	
650-1040	Cash - Unrestricted		200,000

To record the investment of excess cash

38. The security repurchase agreements are sold.

650-1040	Cash - Unrestricted	203,000	
650-1110	Short Term Investments		200,000
650-3910	Revenue		3,000

To record the sale of security repurchase agreements

Subsidiary ledger entry for this journal entry would be:

650-4000	Subsidiary Revenue Control	3,000	
650-4820	Earnings on Investment		3,000

Special Topics

Operating transfers - Operating transfers are legally authorized transfers between funds. These are generally funds which are raised in one fund, but which are transferred to, and expended in, a second fund. Transfers are classified as an "other financing use" in the transferring fund, and as an "other financing source" in the receiving fund.

39. Funds are transferred from the General Fund to be used for maturing debt and interest.

650-1040	Cash - Unrestricted	55,343	
650-3920	Other Financing Sources		55,343

Subsidiary ledger entry for this journal entry would be:

650-4000	Subsidiary Revenue Control	55,343	
650-4970	Interfund Operating Transfers In		55,343

Note: Transfers between funds are eliminated on the entity-wide statements. The municipality should take great care to "mark" the revenue/other financing source entries for elimination when converting from fund perspective to entity-wide.

Uniform Massachusetts Accounting System – July, 2003

40. Payment of contract retainage.

650-2050	Contract Payable, Retained Percentage	67,500	
650-1040	Cash - Unrestricted		67,500

To pay contract retainage

41. Repayment of bond anticipation notes.

650-2720	Bond Anticipation Notes	450,000	
650-3930	Expenditures	15,000	
650-1040	Cash - Unrestricted		465,000

To repay bond anticipation notes payable

Adjusting Entries

42. At the end of the fiscal year, the accounting for revenues in the Enterprise Fund must be converted to the accrual basis. This is accomplished by reclassifying the total balances in the "Deferred Revenue - User Charges" to revenue, net of a reasonable amount for the estimated uncollectible accounts, which will be recorded in account 1399, Allowance for Uncollectible Receivables. The calculation of the estimated uncollectible portion of each type of receivable should be based on a given municipality's actual experience. In this example, the allowance includes 5% of the water rates receivable, 100% of water liens and 100% of tax liens. No allowance was considered necessary for the governmental receivables.

650-2651	Deferred Revenue - User Charges	96,726	
650-1399	Allowance for Uncollectible Receivables		17,500
650-3910	Revenue		79,226

To adjust the receivables to the accrual method

Subsidiary ledger entry for this journal entry would be:

650-4000	Subsidiary Revenue Control	79,326	
650-4210	Utility Usage Charges		79,326

Uniform Massachusetts Accounting System – July, 2003

43. The revenue for the current fiscal year is adjusted for that portion which was accrued in the prior year.

650-3910	Revenue	56,231	
650-3599	Unreserved Fund Balance Year-End Adjustments		56,231

To record the adjustment of revenue for prior year accruals

Subsidiary ledger entry for this journal entry would be:

650-4210	Utility Usage Charges	56,231	
650-4000	Subsidiary Revenue Control		56,231

44. The expenditures for the year for the purchase of large capital items are capitalized.

650-1940	Machinery and Equipment	25,000	
650-3930	Expenditures		25,000

To capitalize the large capital items purchased

Subsidiary ledger entry for the journal entry would be:

650-5000	Subsidiary Appropriation Control	25,000	
650-5850	Additional Equipment		25,000

45. The expenditures for the year on the completed capital project are capitalized.

650-1920	Buildings	5,000,000	
650-1950	Construction in Progress		850,000
650-3930	Expenditures		4,150,000

To capitalize the completed capital project

Subsidiary ledger entry for this journal entry would be:

650-5000	Subsidiary Appropriation Control	4,150,000	
650-5830	Plant		4,150,000

46. The revenue recognized from grant reimbursements for the year should be reclassified to Net Assets Invested In Capital Assets, Net of Related Debt since such funds are not part of the operation of the enterprise.

650-3910	Revenue	3,187,500	
650-3001	Net Assets Invested in Capital Assets - Net of Related Debt		3,187,500

To reclassify grant revenue to contributed capital

Subsidiary ledger entry for this journal entry would be:

650-4540	Other Federal Revenue - Direct	3,187,500	
650-4000	Subsidiary Revenue Control		3,187,500

47. The depreciation of fixed assets for the current fiscal year is calculated and recorded.

650-3930	Expenditures	92,500	
650-1929	Accumulated Depreciation - Buildings		10,000
650-1939	Accumulated Depreciation - Plant		80,000
650-1949	Accumulated Depreciation - Machinery and Equipment		2,500

To record the depreciation of fixed assets for the year

Subsidiary ledger entry for this journal entry would be:

650-5828	Buildings - Depreciation	10,000	
650-5839	Plant - Depreciation	80,000	
650-5849	Site Improvements - Depreciation	2,500	
650-5000	Subsidiary Appropriation Control		92,500

Closing Entries

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

650-3830	APPROPRIATIONS	875,343	
650-3815	ESTIMATED REVENUE		727,750
650-3820	ESTIMATED OTHER FINANCING SOURCES		147,593

To close the budget accounts

49. The budget entry for the capital project is reversed.

650-3830	APPROPRIATIONS	4,150,000	
650-3815	ESTIMATED REVENUE		3,187,500
650-3880	BUDGETARY NET ASSETS		962,500

To close the budget accounts for the capital project

50. The revenues, other financing sources, expenditures and other financing uses are closed out to Net Assets Unrestricted.

650-3910	Revenue	799,875	
650-3920	Other Financing Sources	131,013	
650-3015	Net Assets Unrestricted	14,212	
650-3930	Expenditures		945,000
650-3970	Other Financing Uses		100

To close the revenues and expenditure accounts

Uniform Massachusetts Accounting System – July, 2003

Closing Trial Balance

650-1040	Cash - Unrestricted	636,163	
650-1240	Tax Liens Receivable	900	
650-1310	User Charges Receivable	185,251	
650-1330	Utility Liens Added to Taxes	11,600	
650-1710	Due from Federal Government	140,000	
650-1399	Allowance for Uncollectible Receivables		46,794
650-1920	Buildings	1,400,000	
650-1929	Accumulated Depreciation - Buildings		240,000
650-1940	Machinery and Equipment	25,000	
650-1949	Accumulated Depreciation - Machinery and Equipment		2,500
650-3710	State and Federal Grants Awarded - (Memorandum)	275,000	
650-3720	State and Federal Grants Awarded - Offset (Memorandum)		275,000
650-2010	Warrants Payable		54,408
650-2622	Deferred Revenue - Tax Liens		900
650-2653	Deferred Revenue - Utility Liens		4,523
650-2950	Bonds Payable, Outside Debt Limit - (Water)		1,250,000
650-3001	Net Assets Invested in Capital Assets - Net of Related Debt		150,000
650-3010	Net Assets - Restricted		562,500
650-3015	Net Assets Unrestricted		87,289
		<u>2,673,914</u>	<u>2,673,914</u>

CHAPTER 13 - FIDUCIARY FUNDS AND PERMANENT FUNDS

GASB 34 made significant changes to trust funds. The titles of the fund types have changed and the accounting has been modified. Non-expendable and expendable trust funds have been reclassified.

Note: In Fiduciary Fund types, account 3910, Revenue, is titled Additions. Also, account 3930, Expenditures, is entitled Deductions.

Permanent Fund Type

Permanent funds are governmental funds and use the modified accrual method of accounting. They are funds in which the principal is legally restricted and only the earnings can be used to support activities. An example from the Bureau of Accounts' GASB 34 Implementation Guide is the Cemetery Perpetual Care fund. In the case of Cemetery Perpetual Care, the choice of investments is left to the donor or if the donor has not stipulated, the Cemetery Commissioners. These funds are similar to the former non-expendable trust funds, where the beneficiary is the government itself, and the method of accounting is modified accrual. If trusts benefit an individual, private entity or another government, the fund would be a Private Purpose Trust Fund in the Fiduciary Fund type. An example in the GASB 34 Implementation Guide is a scholarship fund. Since the permanent fund type uses the modified accrual basis of accounting, the accounting is similar to Special Revenue Funds.

Beginning entry

1. At the beginning of the year, the Cemetery Permanent Fund had the following balances.

530-1040	Cash - Unrestricted	5,000	
530-1110	Short Term Investments	6,000	
530-2020	Accounts Payable		1,000
530-3280	Fund Balance - Reserved for Special Purposes		1,000
530-3590	Undesignated Fund Balance		9,000

2. Bills of the prior year are paid.

530-2020	Accounts Payable	1,000	
530-1040	Cash - Unrestricted		1,000

To record the payment of prior-year bills

Uniform Massachusetts Accounting System – July, 2003

3. Interest on Investments is received.

530-1040	Cash - Unrestricted	50	
530-3910	Revenue		50

To record the receipt of interest on investments

4. Expenditures are incurred.

530-3930	Expenditures	100	
530-1040	Cash - Unrestricted		100

To record expenditures

5. Cemetery lots are sold.

530-1040	Cash - Unrestricted	500	
530-3910	Revenue		500

To record the sale of cemetery lots

6. Additional expenditures are incurred.

530-3930	Expenditures	50	
530-2020	Accounts Payable		50

To record additional expenditures

7. Closing Entries

530-3910	Revenue	550	
530-3930	Expenditures		150
539-3590	Undesignated Fund Balance		400

To close revenue and expenditure accounts to Undesignated Fund Balance

8. Part of Fund Balance is reclassified as a reserve.

530-3590	Undesignated Fund Balance	500	
530-3280	Fund Balance - Reserved for Special Purposes		500

To reclassify funds whose use is restricted

Uniform Massachusetts Accounting System – July, 2003

Ending Trial Balance

530-1040	Cash - Unrestricted	4,450	
530-1110	Short Term Investments	6,000	
530-2020	Accounts Payable		50
530-3280	Fund Balance - Reserved for Special Purposes		1,500
530-3590	Undesignated Fund Balance		8,900
		10,450	10,450

Private Purpose Fund Type

Private Purpose Trust Funds are fiduciary funds and use the accrual method of accounting. The beneficiary of these funds are individuals, private organizations and other governments. For example, a Scholarship Fund would be a Private Purpose Trust Fund.

Note, in a Private Purpose Trust Fund, account 3910, Revenue, is titled Additions. Also, account 3930, Expenditures, is entitled Deductions.

Beginning Balance

1. At beginning of the fiscal year the Scholarship Trust Fund had the following balances.

851-1040	Cash - Unrestricted	250	
851-1110	Short Term Investments	750	
851-2020	Accounts Payable		500
851-3010	Net Assets Restricted		500

2. Donations are received from various individuals and organizations.

851-1040	Cash - Unrestricted	1,000	
851-3910	Additions		1,000

To record the receipt of donations

Uniform Massachusetts Accounting System – July, 2003

3. Various bill for services performed for the fund are paid.

851-2020	Accounts Payable	500	
851-1040	Cash - Unrestricted		500

To record expenses paid

4. Investments are sold and the fund receives \$5 in interest.

851-1040	Cash - Unrestricted	255	
851-1110	Short Term Investments		250
851-3910	Additions		5

To record the sale of investments

5. An additional \$5 in interest is earned on investments but not yet received.

851-1550	Accrued Interest Receivable	5	
851-3910	Additions		5

To record the interest on investments earned but not yet received

6. Several scholarships are awarded to students.

851-3930	Deductions	750	
851-2020	Accounts Payable		750

To record the award of scholarships

7. The scholarships are paid to the students.

851-2020	Accounts Payable	750	
851-1040	Cash - Unrestricted		750

To record the payment of scholarships

8. Closing entries

851-3910	Additions	1,010	
851-3930	Deductions		750
851-3010	Net Assets Restricted		260

To close temporary accounts to Net Assets Restricted

Ending Trial Balance

851-1040	Cash - Unrestricted	255	
851-1110	Short Term Investments	500	
851-1550	Accrued Interest Receivable	5	
851-3010	Net Assets Restricted		760

Other Fiduciary Fund Types

Other Fiduciary Fund types are: Investment Trust Funds, Pension (and other employee Benefit Fund type and Agency Funds. Investment Trust Funds are seldom used by Massachusetts local governments. Pension funds include pension system trusts and Internal Revenue Code Section 457 deferred compensation plans. Agency funds are used for funds the government is holding for another entity and, therefore, they have no equity. For example, some governments use agency funds to account for withholding taxes. Others merely pay the withholding taxes from the General Fund.

Pension Fund

1. At the beginning of the fiscal year the Pension Fund had the following balances.

700-1040	Cash - Unrestricted	2,000	
700-1110	Short Term Investments	15,000	
700-2020	Accounts Payable		1,000
700-3010	Net Assets Restricted		16,000

2. Amounts withheld from employees are paid to the fund.

700-1040	Cash - Unrestricted	5,000	
700-3910	Additions		5,000

To record amounts received from employees

3. An appropriation from the general fund for the employer contribution is transferred to the pension fund (enterprise funds and other proprietary funds may make their own contributions).

700-1040	Cash - Unrestricted	10,000	
700-3910	Additions		10,000

To record amounts received for employer contributions

Uniform Massachusetts Accounting System – July, 2003

4. Investments are purchased for funds not necessary to meet obligations.

700-1110	Short Term Investments	6,000	
700-1040	Cash - Unrestricted		6,000

To record the investment of cash

5. Benefits are paid to pension fund participants.

700-3930	Deductions	5,000	
700-1040	Cash - Unrestricted		5,000

To record the payment of benefits to plan members

6. Administrative costs are incurred.

700-3930	Deductions	500	
700-2020	Accounts Payable		500

To record the administrative costs for the plan

7. Administrative costs are paid.

700-2020	Accounts Payable	500	
700-1040	Cash - Unrestricted		500

To record the payment of administrative costs

Closing Entries

700-3910	Additions	15,000	
700-3930	Deductions		5,500
700-3010	Net Assets Restricted		9,500

Ending Trial Balance

700-1040	Cash - Unrestricted	5,500	
700-1110	Short Term Investments	21,000	
700-2020	Accounts Payable		1,000
700-3010	Net Assets Restricted		25,500
		<u>26,500</u>	<u>26,500</u>

Agency Fund

1. At the beginning of the fiscal year the Agency had the following balances.

903-1040	Cash - Unrestricted	10,000	
903-2120	Federal Income Tax Withholdings		5,000
903-2130	State Income Tax Withholdings		2,000
903-2170	Union Dues Withholdings Payable		1,000
903-2180	Employee Savings Withholdings Payable		2,000

2. Amounts withheld from the previous year are paid.

903-2120	Federal Income Tax Withholdings Payable	5,000	
903-2130	State Income Tax Withholdings Payable	2,000	
903-2170	Union Dues Withholdings Payable	1,000	
903-2180	Employee Savings Withholdings Payable	2,000	
903-1040	Cash - Unrestricted		10,000

To record the payment of amounts withheld in the previous

3. After payroll is made funds withheld from employees are transferred to the Agency Fund.

903-1040	Cash - Unrestricted	1,000	
903-2120	Federal Income Tax Withholdings Payable		500
903-2130	State Income Tax Withholdings Payable		200
903-2170	Union Dues Withholdings Payable		100
903-2180	Employee Savings Withholdings Payable		200

To record the receipt of the amounts withheld from employees

4. The period and amount of federal income taxes withheld requires the funds to be deposited with a federal depository.

903-2120	Federal Income Tax Withholdings Payable	500	
903-1040	Cash - Unrestricted		500

To record the payment of federal income tax withholdings

Uniform Massachusetts Accounting System – July, 2003

5 The state income taxes are required to be paid to the state.

903-2130	State Income Tax Withholdings Payable	200	
903-1040	Cash - Unrestricted		200

To record the payment of state income tax withholdings

6. Union Dues and Employee Savings plan are remitted.

903-2170	Union Dues Withholdings Payable	100	
903-2180	Employee Savings Withholdings Payable	200	
903-1040	Cash - Unrestricted		300

7. The last payroll of the fiscal year is made and the withholdings are remitted to the Agency Fund.

903-1040	Cash - Unrestricted	1,200	
903-2120	Federal Income Tax Withholdings Payable		600
903-2130	State Income Tax Withholdings Payable		300
903-2170	Union Dues Withholdings Payable		200
903-2180	Employee Savings Withholdings Payable		100

To record receipt of withholdings from the General and Other Funds

8. Ending Trial Balance

903-1040	Cash - Unrestricted	1,200	
903-2120	Federal Income Tax Withholdings Payable		600
903-2130	State Income Tax Withholdings Payable		300
903-2170	Union Dues Withholdings Payable		200
903-2180	Employee Savings Withholdings Payable		100

CHAPTER 14 - THE CALCULATION OF FREE CASH

Free cash is the amount of funds in a city, town or special purpose district, which is unrestricted and available for appropriation in accordance with M.G.L. Ch. 59, §23, after certification by the Director of Accounts.

At the end of the fiscal year, the Accountant/Auditor will close the books of the governmental entity and prepare a Balance Sheet. In the past, some Accountants/Auditors relied upon the entity's audit firm to perform the closing. In recent years, changes in Government Auditing Standards now prohibit Certified Public Accountants from performing certain functions they once performed for the governmental entity.

Every city, town and special purpose district should submit the Balance Sheet with supporting documentation to the Bureau of Accounts for determination of "free cash." Every Regional School District should do the same for determination of "excess and deficiency."

The Director of Accounts certifies free cash based upon the governmental entity's balance sheet for the fiscal year ended June 30th. The balance sheet, consisting of assets, liabilities and fund balances, is prepared with the Accountant/Auditor with a target submission date of September 15th to allow appropriation consideration of such funds during fall season. A combined balance sheet with backup documentation is required from each entity. Backup documentation includes:

- Combining statements for each fund;
- Completed year-end checklist;
- Statement of Indebtedness;
- Quarterly Reconciliation of Treasurer's Cash;
- Schedule of Outstanding Accounts Receivable;
- Detailed analysis of Undesignated Fund Balance;
- Cash Reconciliation form;
- Any other information needed to make a fair determination of the entity's free cash position.

Cities, towns and districts that have authorized debt or had a federal or state grant approved may spend for those purposes from available unrestricted funds in anticipation of the borrowing or receipt of grant funds. Any so-called interfund or internal borrowings or advances must be repaid during the same fiscal year and be made according to rules, regulations and guidelines promulgated by the Director of Accounts (M.G.L. Ch. 44, §20A.). *Illustrative journal entries regarding interfund or internal borrowings are found in Appendix J to this Manual.*

The Basic Free Cash Calculation

BEGIN	Undesignated Fund Balance
MINUS	Accounts Receivable
PLUS	Deferred Revenue
MINUS	Debit balances in other funds
MINUS	Illegally overspent appropriations (appropriations not allowed by General or Special law(s) to be overspent)
MINUS	Prepaid Items
MINUS	Amounts appropriated from free cash
PLUS	60 day collections from the date of mailing, net of refunds, if property tax bills were issued after May 1 st
PLUS	Late Payments
EQUALS	Free Cash

Free Cash Calculation in Detail

BEGIN - Undesignated Fund Balance: Undesignated Fund Balance - General Fund (001-3590). This is the amount of available expendable financial resources, neither reserved nor designated. Overlay Surplus, Fund Balance Reserved for Overlay Released by the Assessors for Expenditures, (001-3220), must be closed out at the end of each fiscal year.

MINUS - Accounts Receivable: All receivables, except for property taxes, should be fully deferred. Otherwise, the amount of receivable outstanding in excess of the deferred revenue is deducted from free cash. The reason for this is that in a governmental fund, revenue is considered available only when received.

If the commitment for the succeeding fiscal year is made prior to the end of the fiscal year being examined on the Balance Sheet, the property tax receivable should be fully reserved. If cash is received for taxes of the subsequent fiscal year, revenue should not be recognized in the current fiscal year.

PLUS - Deferred Revenue: Property taxes are deferred until collected. This means that they will not be recognized as revenue until the funds are received. However, deferred property taxes are added back into the free cash calculation because the property tax will be eventually accounted for either through payment, abatement, property sale or an "Overlay" deficit raised by taxation in a subsequent fiscal year.

MINUS - Debit Balances in Other Funds: If a fund has a deficit fund balance that is the result of anticipated other governmental reimbursements or long-term borrowing, the deficit is deducted from free cash because this represents a “loan” from the General Fund to the fund in deficit. However, if the governmental entity borrows funds (i.e. BAN, GAN, SAN) by June 30th that equals or exceeds the amount of the deficit, the deficit will not reduce free cash.

MINUS - Illegally overspent appropriations (appropriations not allowed by General or Special law(s) to be overspent): If an entity overspends an appropriation, it should only be:

- a. an account which by law may be overspent (e.g. overlay, snow and ice with certain conditions)
- b. an account which gains the approval of the Director of Accounts to overspend (e.g. court judgments, emergencies)

Legally overspent accounts can be either appropriated for or raised on the following fiscal year's Tax Rate Recapitulation form. Illegally overspent accounts such as ordinary operating appropriations, certain capital project expenditures and expenditure driven grants will reduce free cash and must also be raised on the following fiscal year's Tax Rate Recapitulation form.

MINUS - Prepaid Items: Free cash is reduced for prepaid items such as vacations and insurance. Prepaying an item means that the entity is using some of its resources today for tomorrow's obligations. If a city or town adopts M.G.L. Ch. 44, §65, vacation advances will not be deducted from free cash.

MINUS - Amounts Appropriated from Free Cash: Appropriations from free cash prior to the end of the fiscal year for the following fiscal year should be reserved on the Balance Sheet. This reservation will reduce the Undesignated Fund Balance. Free cash cannot be appropriated until it is certified by the Director of Accounts. In addition, free cash cannot be appropriated to an amount greater than the amount so certified.

PLUS - 60 day Accruals: Only for governmental entities that issued a tax bill after May 1st of the fiscal year, the Bureau allows an increase to fund balance by real and personal property tax collections, net of refunds, received 60 days from the date of mailing.

PLUS - Late Payments: Other reimbursements received through September 30th for expenditures made in the prior fiscal year that resulted in deficit fund balances as of June 30th may be accrued or may be requested of the Director of Accounts that the payment be considered toward the deficit payment.

CHAPTER 15 - GENERAL FIXED ASSETS ACCOUNT GROUP AND GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

GFAAG and GLTOAG

GASB 34 abolished the General Fixed Assets Account Group (GFAAG) and the General Long-Term Obligations Account Group (GLTOAG). However, in order for a local government to maintain records to account for assets and long-term obligations for governmental funds (and certain fiduciary funds), UMAS has retained these groups. All assets and long-term obligations for governmental funds should be accounted for in these groups. Assets and long-term obligations for Proprietary Funds and certain Fiduciary Funds are accounted for in the specific fund with which they are associated. GASB 34 requires not only that governmental funds be adjusted to full accrual for the government-wide Statement of Net Assets, but also identify assets and long-term obligations for these funds.

Amounts to be Provided

The Chart of Accounts provides accounts for these groups. For example, the 1990 accounts in the asset section includes various “Amounts to be Provided” for the GLTOAG. It should be noted that the “Amounts to be Provided” should only appear in this account group. No other funds should use these accounts. Account 3015, “Net Assets Unrestricted”, should be used as an offset for governmental fixed assets. However, these assets will not be net of related debt. Accounts in the 1900 group are used to account for fixed assets and accumulated depreciation.

Change Pre-GASB 34

When a governmental fund acquires an asset, capital outlay expenditure is charged and an entry is made in the GFAAG for the acquisition. A change in the handling of depreciation for fixed assets from pre-GASB 34 account group usage is that at the end of the fiscal year, an entry should be made for depreciation crediting the asset and debiting the related accumulated depreciation account. This is necessary to provide information for the government-wide Statement of Net Assets.

Accounting

When a long-term obligation is incurred, the appropriate fund (usually a Capital Projects Fund) recognizes the debt as revenue and an entry is made in the GLTOAG. At the end of the fiscal year, adjusting entries are made for other long-term obligations, such as compensated absences, capital leases and judgments and claims. In addition, future payments for school construction paid from the chapter 70B program can be accounted for.

Illustrative Journal Entries

Current maturities of principal, together with related interest on a general obligations serial bond, will be appropriated and paid in the General Fund. At the same time, an entry will be made in the GLTOAG, reversing the specific bond liability and the related "Amount to be Provided."

The entries which follow illustrate the accounting for the GLTOAG and are presented in the following sequence:

Opening Entry
Memorandum Entries
Bond Issues and Payments
Closing Trial Balance

Opening Entry

At the beginning of the fiscal year, account balances from the prior year's ending trial balance should be recorded in the general ledger.

1. The closing trial balance of the prior year is journalized and entered into the general ledger.

050-1996	Amount to be Provided for Payment of Bonds	2,000,000	
050-1997	Amount to be Provided, State (Ch. 70B)	300,000	
050-2940	Bonds Payable - Outside Debt Limit - School Construction		500,000
050-2912	Bonds Payable - Inside Debt Limit - Land Acquisition and Public Buildings		50,000
050-2988	Bonds Payable - Outside Debt Limit - Industrial and Economic Development		1,000,000
050-2992	Bonds Payable - Outside Debt Limit - Public Disasters and Emergencies		750,000
		<u>2,300,000</u>	<u>2,300,000</u>

To record the opening balances in the general ledger

Memorandum Entries

Memorandum entries are not required for this group of accounts, but are recommended to monitor the amounts of serial loan issues authorized by the appropriate authority and the subsequent serial issues or authorization rescissions. Memorandum accounts should not be closed out at the end of the fiscal year. Such accounts should only be eliminated when zeroed out by serial issues or authorization rescissions. Although these accounts do appear in opening or closing trial balances, they are not reflected in the financial statements.

- a. Serial bond issues are authorized by appropriate authority.

050-3760	Bonds Authorized	1,000,000	
050-3770	Bonds Authorized - Offset		1,000,000

To record the authorization to issue serial bonds

- b. Serial bond are issued (assumes that there were authorization balances carried forward from the prior year).

050-3770	Bonds Authorized - Offset	5,000,000	
050-3760	Bonds Authorized		5,000,000

To record the issuance of bonds authorized

Bond Issues and Payments

2. Serial bond are issued in connection with a capital project recorded in the Capital Projects Funds.

050-1996	Amount to be Provided for Payment of Bonds	5,000,000	
050-2912	Bonds Payable, Inside the Debt Limit - Land Acquisition and Public Buildings		5,000,000

To record the issuance of serial bonds for a new fire station

Uniform Massachusetts Accounting System – July, 2003

3. Payment of current maturing principal is appropriated and paid in the General Fund.

050-2940	Bonds Payable, Outside Debt Limit - School Construction	50,000	
050-2912	Bonds Payable, Inside Debt Limit - Land Acquisition and Public Buildings	25,000	
050-2988	Bonds Payable, Outside Debt Limit - Industrial and Economic Development	50,000	
050-2992	Bonds Payable, Outside Debt Limit - Public Disasters and Emergencies	450,000	
050-1996	Amount to be Provided for Payment of Bonds		545,000
050-1997	Amount to be Provided, State (Ch. 70B)		30,000

To record the current maturities of bond principal

Closing Trial Balance

050-1996	Amount to be Provided for Payment of Bonds	6,455,000	
050-1997	Amount to be Provided, State (Ch. 70B)	270,000	
050-2940	Bonds Payable - Outside Debt Limit - School Construction		450,000
050-2912	Bonds Payable - Inside Debt Limit - Land Acquisition and Public Buildings		25,000
050-2944	Bonds Payable - Outside Debt Limit - Sewer Treatment Plant		5,000,000
050-2988	Bonds Payable - Outside Debt Limit - Industrial and Economic Development		950,000
050-2992	Bonds Payable - Outside Debt Limit - Public Disasters and Emergencies		300,000
		<u>6,725,000</u>	<u>6,725,000</u>

Illustrative Journal Entries

The entries which follow illustrate the accounting for the GFAAG and are presented in the following sequence:

Opening Entry
Closing Trial Balance

Opening Entry

At the beginning of the fiscal year, account balances from the prior year's ending trial balance should be recorded in the general ledger.

1. The closing trial balance of the prior year is journalized and entered into the general ledger.

010-1910	Land	5,000,000	
010-1920	Buildings	10,000,000	
010-1929	Accumulated Depreciation - Buildings		2,000,000
010-1930	Plant	15,000,000	
010-1939	Accumulated Depreciation - Plant		4,000,000
010-1940	Machinery and Equipment	6,000,000	
010-1949	Accumulated Depreciation - Machinery and Equipment		1,500,000
010-1950	Construction in Progress	15,000,000	
010-3015	Net Assets Unrestricted		43,500,000
		<u>51,000,000</u>	<u>51,000,000</u>

2. A project to build a new fire station is completed and bonded.

010-1920	Buildings	5,000,000	
010-1950	Construction in Progress		5,000,000

To record as an asset the new fire station

3. Depreciation is recorded on the fixed assets.

010-3970	Other Financing Sources	3,000,000	
010-1929	Accumulated Depreciation - Buildings		1,500,000
010-1939	Accumulated Depreciation - Plant		1,000,000
010-1949	Accumulated Depreciation - Machinery and Equipment		500,000

To record annual depreciation

Closing Trial Balance

4. Closing Trial Balance

010-1910	Land	5,000,000	
010-1920	Buildings	15,000,000	
010-1929	Accumulated Depreciation - Buildings		3,500,000
010-1930	Plant	15,000,000	
010-1939	Accumulated Depreciation - Plant		5,000,000
010-1940	Machinery and Equipment	6,000,000	
010-1949	Accumulated Depreciation - Machinery and Equipment		2,000,000
010-1950	Construction in Progress	10,000,000	
010-3015	Net Assets Unrestricted		40,500,000
		<u>51,000,000</u>	<u>51,000,000</u>

List of Appendices

<u>Appendix</u>	<u>Title</u>
A	Changes to the Uniform Massachusetts Accounting System
B	Asset Accounts – Summary Table
C	Liability Accounts – Summary Table
D	Fund Equity Accounts – Summary Table
E	Revenue Accounts – Summary Table
F	Functions and Organizational Responsibility
G	Expenditure Objects
H	Water Pollution Abatement Trust Entries
I	List of Funds
J	Accounting Entries for Interfund Borrowing

APPENDIX A

Changes to the Uniform Massachusetts Accounting System

<u>Date</u>	<u>Subject</u>	<u>Add Pages</u>	<u>Remove Pages</u>
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APPENDIX B

ASSET ACCOUNTS - SUMMARY TABLE

<u>Code</u>	<u>Asset Account</u>
1010	Cash on Hand
1020	Petty Cash
1040	Cash - Unrestricted
1060	Cash - Restricted
1110	Short Term Investments
1185	Unamortized Premiums on Bonds
1186	Unamortized Discounts on Bonds
1190	Long Term Investments
1210	Personal Property Taxes Receivable
1220	Real Estate Taxes Receivable
1230	Allowance for Abatements and Exemptions
1240	Tax Liens Receivable
1250	Property Tax Receivable - Community Preservation Act
1251	Estimated Personal Property Taxes Receivable
1252	Estimated Real Estate Taxes Receivable
1253	Deferred Property Tax Receivable
1254	Taxes Receivable in Litigation
1255	Unbilled Real and Personal Property Taxes Receivable
1260	Motor Vehicle Excise Receivable
1270	Boat Excise Receivable
1280	Farm Animal Excise Receivable
1290	Classified Forestlands Tax Receivable
1299	Allowance for Uncollectible Excises
1310	User Charges Receivable
1320	Other Service Receivables
1330	Utility Liens Added to Taxes
1340	Departmental Receivables
1399	Allowance for Uncollectible Receivables
1410	Unapportioned Special Assessments
1420	Apportioned Assessments Added to Taxes
1430	Committed Interest Added to Taxes
1440	Apportioned Assessments, Not Yet Due
1460	Suspended Assessments
1470	Special Assessments Tax Liens
1499	Allowance for Uncollectible Special Assessments

APPENDIX B (Con't)

ASSET ACCOUNTS - SUMMARY TABLE

<u>Code</u>	<u>Asset Account</u>
1510	Notes Receivable
1550	Accrued Interest Receivable
1601	Due From General Fund
1610	Due From Special Revenue Funds
1630	Due From Capital Projects Funds
1660	Due From Proprietary Funds
1680	Due From Permanent, Private Purpose Trust and Agency Funds
1710	Due From Federal Government
1720	Due From Commonwealth of Massachusetts
1730	Due From County
1740	Due From Municipalities
1790	Due From Other Government Units
1810	Inventories for Consumption
1830	Inventories for Resale
1850	Prepaid Expenses
1860	Travel and Payroll Advances
1870	Deposits
1880	Tax Foreclosures
1890	Other Assets
1910	Land
1920	Buildings
1929	Accumulated Depreciation - Buildings
1930	Plant
1939	Accumulated Depreciation - Plant
1940	Machinery and Equipment
1949	Accumulated Depreciation - Machinery and Equipment
1950	Construction in Progress
1991	Amounts to be Provided for Judgments and Claims Payable
1992	Amounts to be Provided for Accrued Sick, Vacation and Other Compensated Absences
1993	Amounts to be Provided for Accrued Retirement Costs
1994	Amounts to be Provided for Payment of Bond Anticipation Notes Payable
1995	Amounts to be Provided for Payment of Capitalized Leases
1996	Amounts to be Provided for Payment of Bonds
1997	Amounts to be Provided, State (Ch. 70B)

APPENDIX C

LIABILITY ACCOUNTS - SUMMARY TABLE

<u>Code</u>	<u>Liability Account</u>
2010	Warrants Payable
2020	Accounts Payable
2050	Contracts Payable, Retained Percentage
2110	Accrued Payrolls Payable
2120	Federal Income Tax Withholdings Payable
2130	State Income Tax Withholdings Payable
2140	Retirement Withholdings Payable
2150	Insurance Withholdings Payable
2160	Charitable Contributions Withholdings Payable
2170	Union Dues Withholdings Payable
2180	Employee Savings Withholdings Payable
2190	Other Payroll Withholdings Payable
2210	Accrued Judgments Payable
2220	Accrued Liabilities
2230	Accrued Sick, Vacation and Compensated Absences
2240	Accrued Retirements Costs
2301	Due To General Fund
2310	Due To Special Revenue Funds
2330	Due To Capital Projects Funds
2350	Due To Permanent Funds
2360	Due To Proprietary Funds
2380	Due To Private Purpose Trust, Pension and Agency Funds
2410	Due To Federal Government
2420	Due To Commonwealth of Massachusetts
2430	Due To County
2440	Due To Municipalities
2490	Due To Other Governmental Units
2510	Undistributed Receipts
2520	Abandoned Property, Tailings and Unclaimed Items
2530	Excess on Sale of Land of Low Value
2550	Deposits Held to Guarantee Payment
2580	Other Liabilities
2590	Matured Debt and Interest Payable
2610	Deferred Revenue - Real and Personal Property Taxes
2622	Deferred Revenue - Tax Liens
2623	Deferred Revenue - Tax Foreclosures

APPENDIX C (Con't)

LIABILITY ACCOUNTS - SUMMARY TABLE

<u>Code</u>	<u>Liability Account</u>
2625	Deferred Revenue - Community Preservation Act
2630	Deferred Revenue - Motor Vehicle Excise
2641	Deferred Revenue - Boat Excise
2642	Deferred Revenue - Farm Animal Excise
2643	Deferred Revenue - Classified Forestlands
2651	Deferred Revenue - User Charges
2652	Deferred Revenue - Other Services
2653	Deferred Revenue - Utility Liens
2654	Deferred Revenue - Departmental
2660	Deferred Revenue - Special Assessments
2670	Deferred Revenue - Intergovernmental
2680	Deferred Revenue - Other
2710	Revenue or Tax Anticipation Notes Payable
2720	Bond Anticipation Notes Payable
2730	Grant Anticipation Notes Payable
2790	Other Notes Payable
2810	Capitalized Lease Obligations
2900 - 2907	Bonds Payable - Inside Debt Limit - Sewer
2908 - 2911	Bonds Payable - Inside Debt Limit - Street and Sidewalk
2912 - 2915	Bonds Payable - Inside Debt Limit - Land Acquisition and Public Buildings
2916 - 2919	Bonds Payable - Inside Debt Limit - Removal of Asbestos
2920 - 2923	Bonds Payable - Inside Debt Limit - Parks and Recreation
2924 - 2927	Bonds Payable - Inside Debt Limit - Cemeteries
2928 - 2931	Bonds Payable - Inside Debt Limit - Energy Conservation
2932 - 2935	Bonds Payable - Inside Debt Limit - Departmental Equipment
2936 - 2939	Bonds Payable - Inside Debt Limit - Other
2940 - 2943	Bonds Payable - Outside Debt Limit - School Construction
2944 - 2947	Bonds Payable - Outside Debt Limit - Sewer Treatment Plants
2948 - 2951	Bonds Payable - Outside Debt Limit - Water
2960 - 2963	Bonds Payable - Outside Debt Limit - Sanitation
2964 - 2967	Bonds Payable - Outside Debt Limit - Parks and Recreation
2980 - 2983	Bonds Payable - Outside Debt Limit - Utility Systems
2984 - 2987	Bonds Payable - Outside Debt Limit - Airports
2988 - 2991	Bonds Payable - Outside Debt Limit - Industrial and Economic Development
2992 - 2994	Bonds Payable - Outside Debt Limit - Public Disasters and Emergencies
2995	Water Pollution Abatement Trust
2996 - 2999	Bonds Payable - Outside Debt Limit - Other

APPENDIX D

FUND EQUITY ACCOUNTS - SUMMARY TABLE

<u>Code</u>	<u>Fund Equity Account</u>
3001	Net Assets Invested in Capital Assets, Net of Related Debt
3010	Net Assets Restricted
3015	Net Assets Unrestricted
3090	Investment in General Fixed Assets
3211	Fund Balance Reserved for Encumbrances
3212	Fund Balance Reserved for Prior Year Encumbrances
3213	Fund Balance Reserved for Construction
3220	Fund Balance Reserved for Overlay Released by the Assessors for Expenditures
3230	Fund Balance Reserved for Assets Held for Resale
3240	Fund Balance Reserved for Expenditures
3241	Fund Balance Reserved for Open Space
3242	Fund Balance Reserved for Historic Resources
3243	Fund Balance Reserved for Community Housing
3250	Fund Balance Reserved for Petty Cash
3260	Fund Balance Reserved for Inventories
3270	Fund Balance Reserved for Debt Service
3280	Fund Balance Reserved for Special Purposes
3291	Fund Balance Reserved for Endowment
3292	Fund Balance Reserved for Employee Retirement
3293	Fund Balance Reserved for Advances
3294	Fund Balance Reserved for Prepaid Expenses
3295	Fund Balance Reserved for Continued Appropriations
3296	Fund Balance Reserved for Reduction of Future Excluded Debt
3300	Fund Balance - Receipts Reserved for Appropriation
3320	Fund Balance Reserved for Community Preservation Act
3350	Fund Balance Reserved for Teachers' Pay Deferral
3400	Fund Balance Undesignated
3510	Fund Balance Designated for Federal Grants
3520	Fund Balance Designated for State Grants
3560	Fund Balance - Revolving Funds
3580	Fund Balance Designated for Other Purposes
3590	Undesignated Fund Balance
3592	Unreserved Fund Balance - Appropriation Deficits
3593	Unreserved Fund Balance - Revenue Deficit
3594	Unreserved Fund Balance - Unprovided Abatements and Exemptions

APPENDIX D (Con't)

FUND EQUITY ACCOUNTS - SUMMARY TABLE

<u>Code</u>	<u>Fund Equity Account</u>
3595	Unreserved Fund Balance - Court Judgments
3597	Unreserved Fund Balance - Offset Receipts Deficit
3599	Unreserved Fund Balance - Year-End Adjustments
3710	State and Federal Grants Awarded - (Memorandum)
3720	State and Federal Grants Awarded - Offset (Memorandum)
3730	Projects Authorized - (Memorandum)
3740	Projects Authorized - Offset (Memorandum)
3760	Bonds Authorized - (Memorandum)
3770	Bonds Authorized - Offset (Memorandum)
3810	Estimated Tax Levy - (Budgetary)
3815	Estimated Revenue - (Budgetary)
3820	Estimated Other Financing Sources - (Budgetary)
3830	Appropriations - (Budgetary)
3860	Other Authorized Expenditures - (Budgetary)
3870	Estimated Other Financing Uses - (Budgetary)
3880	Budgetary Fund Balance - (Budgetary)
3890	Budgetary Control
3910	Revenue
3920	Other Financing Sources
3930	Expenditures
3940	Encumbrances
3950	Prior Year Expenditures
3960	Prior Year Encumbrances
3970	Other Financing Uses

APPENDIX E

REVENUE ACCOUNTS - SUMMARY TABLE

SUBSIDIARY REVENUE CONTROL

4000 Subsidiary Revenue Control

TAXES AND EXCISES

4110 Personal Property Taxes
4120 Real Estate Taxes
4130 Abatements and Exemptions
4142 Tax Liens Redeemed
4143 Litigated Taxes Collected
4145 Tax Foreclosures
4150 Motor Vehicle Excise
4160 Other Excise
4170 Penalties and Interest on Taxes and Excises
4180 Payments in Lieu of Taxes
4190 Other Taxes

CHARGES FOR SERVICES

4210 Utility Usage Charges
4220 Other Utility Non-Usage Charges
4240 Other Non-Utility Usage Charges
4270 Other Non-Utility, Non-Usage Charges for Services
4320 Fees
4340 Tuition
4350 Pupil Transportation
4360 Rentals
4370 Other Departmental Revenue

LICENSES AND PERMITS

4410 Alcoholic Beverage Licenses
4420 Other Licenses
4450 Permits

FEDERAL REVENUE

4515 Community Development Block Grants
4540 Other Federal Revenue - Direct
4580 Other Federal Revenue - Through the State

APPENDIX E (Con't)

REVENUE ACCOUNTS - SUMMARY TABLE

STATE REVENUE

4610 Reimbursement for Loss of Taxes
4620 Education Distributions and Reimbursements - School Aid Distributions
4640 Education Offset Items - Reserve for Direct Expenditures
4660 General Government - Reimbursements and Distributions

STATE REVENUE (cont.)

4680 Other State Revenue

OTHER INTERGOVERNMENTAL REVENUE

4710 Indirect Distributions
4720 County Distributions
4730 Municipal Distributions
4740 Payments on Behalf of

SPECIAL ASSESSMENTS

4750 Special Assessments

FINES AND FORFEITS

4770 Fines and Forfeits

MISCELLANEOUS REVENUE

4810 Sales of Inventory
4820 Earnings on Investments
4830 Contributions and Donations
4840 Miscellaneous
4890 Gain or Loss in Investment Portfolio

OTHER FINANCING SOURCES

4910 Proceeds from Sale of Bonds
4920 Proceeds from Issue of Temporary Loans
4930 Premiums from Sale of Bonds
4940 Disposition of Fixed Assets
4950 Compensation for Loss of Fixed Assets
4960 Interest Received on Bonds Sold
4970 Interfund Operating Transfers In
4990 Otherwise Unclassified Other Financing Sources

APPENDIX F

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

GENERAL GOVERNMENT

- 110 Legislative
- 111 City and Town Council
- 112 Aldermen
- 113 Town Meeting
- 114 Town Meeting Moderator
- 119 Other Legislative
- 120 Executive
- 121 Mayor
- 122 Selectmen
- 123 Town or City Manager
- 129 Other Executive
- 130 Financial Administration
- 131 Finance Committee
- 132 Reserve Fund *
- 133 Finance Director
- 134 Comptroller
- 135 Accountant/Auditor
- 137 Budget Office
- 138 Purchasing Agent
- 141 Assessors
- 142 Revaluation *
- 145 Treasurer
- 146 Collector
- 149 Other
- 150 Operations Support
- 151 Law Department or Town/City Counsel
- 152 Personnel
- 153 Civil Service
- 155 Data Processing or Management Information Systems
- 157 Messenger
- 158 Tax Title Foreclosure *
- 159 Other
- 160 Licensing and Registration
- 161 Clerk
- 162 Elections *
- 163 Registration *

APPENDIX F (Con't)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

165 Licensing Commission
169 Other Licensing and Registration *
170 Land Use
171 Conservation Commission
172 Community Preservation Committee - Open Space
175 Planning Board/Department
176 Zoning/Appeals Board
179 Other Land Use
180 Development
181 Urban Development
182 Economic Development
183 Community Preservation Committee - Housing
185 Rent Control
189 Other Development
190 Other
191 Worker's Compensation Agent
192 Public Buildings and Properties Maintenance *
193 Property Insurance *
194 Community Preservation Committee - Historic Preservation
195 Town Reports *
199 Other General Government

PUBLIC SAFETY

210 Police
220 Fire
230 Emergency Medical Services
231 Ambulance Service
232 Emergency Medical Technicians
240 Protective Inspection
241 Building
242 Gas
243 Plumbing
244 Weights and Measures
245 Electrical
246 Public Scales
249 Other *
290 Other
291 Civil Defense

APPENDIX F (Con't)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

292 Animal Control Officer
293 Traffic Control
294 Forestry
295 Harbormaster
299 Other Public Safety *

EDUCATION

300 Education

PUBLIC WORKS AND FACILITIES

410 Engineering
411 Engineer
420 Highways and Streets
421 Administration *
422 Construction and Maintenance *
423 Snow and Ice Removal *
424 Street Lighting *
425 Vehicle Maintenance *
429 Other *
430 Waste Collection and Disposal
431 Administration *
432 Street Cleaning *
433 Collection and Disposal *
439 Other *
440 Sewerage Collection and Disposal
443 Pumping Stations *
449 Other *
450 Water Distribution
460 Electric Distribution
470 Gas Distribution
480 Transportation Facilities
481 Parking Garage
482 Airport
490 Other
491 Cemetery

APPENDIX F (Con't)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

HUMAN SERVICES

510 Health Inspection Services
511 Health Officer
512 Board of Health
519 Other *
520 Clinical Services
521 Health Center
522 Nursing Service
523 Mental Health Clinic
524 Dental Clinic
529 Other *
530 Medical Facilities
540 Special Programs
541 Council on Aging
542 Youth Services
543 Veterans' Services
549 Other *
560 Public Assistance
590 Other

CULTURE AND RECREATION

610 Library
630 Recreation
650 Parks
670 Museums
690 Other
691 Historical Commission
692 Celebrations *
699 Other Culture and Recreation *

DEBT SERVICE

710 Retirement of Debt *
750 Interest
751 Interest on Long-term Debt *
752 Interest on Short-term Debt *

APPENDIX F (Con't)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

INTERGOVERNMENTAL EXPENDITURES

- 810 Federal Assessment and Charges *
- 820 State Assessments and Charges *
- 830 County Assessments and Charges *
- 840 Other Intergovernmental Assessments and Charges *

UNCLASSIFIED

- 910 Employee Benefits
- 911 Retirement and Pension Contributions *
- 912 Worker's Compensation *
- 913 Unemployment Compensation *
- 914 Health Insurance *
- 915 Life Insurance *
- 916 Medicare *
- 919 Other *
- 930 Capital Projects
- 940 Other Unclassified

UNCLASSIFIED (cont.)

- 941 Court Judgments *
- 945 Liability Insurance *
- 950 Permanent Funds and Special Purpose Trust Funds
- 990 Transfers
- 991 Transfers to General Fund
- 992 Transfers to Special Revenue Fund
- 993 Transfers to Capital Projects Fund
- 994 Transfers to Permanent Funds
- 995 Transfers to Proprietary Funds
- 996 Transfers to Private Purpose Trust and Agency Fund

APPENDIX G

Expenditure Objects

SUBSIDIARY APPROPRIATION CONTROL

5000 Subsidiary Appropriation Control

PERSONAL SERVICES

5110 Salaries and Wages, Permanent Positions

5120 Salaries and Wages, Temporary Positions

5130 Additional Gross, Overtime

5140 Additional Gross, Differentials

5150 Fringe Benefits to Employees

5170 Fringe Benefits on Behalf of Employees

5190 Other Personal Services

PURCHASE OF SERVICES

5210 Energy

5230 Non-Energy Utilities

5240 Repairs and Maintenance

5270 Rentals and Leases

5290 Other Property Related Services

5300 Professional and Technical

5320 Tuition

5330 Pupil Transportation

5340 Communication

5350 Recreational

5380 Other Purchased Services

SUPPLIES

5410 Energy Supplies

5420 Office Supplies

5430 Building and Equipment Repairs and Maintenance Supplies

5450 Custodial and Housekeeping Supplies

5460 Groundskeeping Supplies

5480 Vehicular Supplies

5490 Food and Food Service Supplies

5500 Medical and Surgical Supplies

5510 Educational Supplies

5530 Public Works Supplies

5580 Other Supplies

APPENDIX G (Con't)

Expenditure Objects
SUBSIDIARY APPROPRIATION CONTROL

INTERGOVERNMENTAL

5610 Federal
5620 County Amortization
5621 County Tax
5630 State Assessments
5631 Special Education
5636 Health Insurance, Governmental Retirees
5637 Health Insurance, Retired Municipal Teachers
5639 Mosquito Control Projects
5640 Air Pollution Control Districts
5641 Metropolitan Area Planning Council
5642 Old Colony Planning Council
5646 RMV Non-Renewal Surcharge
5650 Other State Assessments
5661 MBTA
5662 Boston Metropolitan District
5663 Regional Transit Authorities
5664 Multi-Year Repayments Program
5667 Small Town Road Assistance Program
5690 Other Intergovernmental
5694 Mass Water Resources Authority

OTHER CHARGES AND EXPENSES

5710 In-State Travel
5720 Out-of-State Travel
5730 Dues and Memberships
5740 Insurance Premiums
5760 Judgments
5770 Veterans' Benefits
5780 Other Unclassified Items

APPENDIX G (Con't)

**Expenditure Objects
SUBSIDIARY APPROPRIATION CONTROL**

CAPITAL OUTLAY

5810 Land
5820 Buildings
5829 Buildings - Depreciation
5830 Plant
5839 Plant - Depreciation
5840 Site Improvements
5849 Site Improvements - Depreciation
5850 Additional Equipment
5859 Additional Equipment - Depreciation
5870 Replacement Equipment
5879 Replacement Equipment - Depreciation
5890 Construction in Progress

DEBT SERVICE

5910 Maturing Principal on Long-term Debt
5915 Interest on Long-term Debt
5925 Interest on Notes

OTHER FINANCING USES

5950 Repayment of Temporary Loans
5960 Interfund Operating Transfers
5961 Transfers to General Fund
5962 Transfers to Special Revenue Funds
5963 Transfers to Capital Projects Funds
5964 Transfers to Permanent Funds
5965 Transfers to Proprietary Funds
5966 Transfers to Special Purpose Trust and Agency Funds

APPENDIX H

Water Pollution Abatement Trust Entries

Accounting if in an Enterprise Fund

1. The government signs a loan agreement with the WPAT.

650-1510	Notes Receivable	1,100,000	
650-2720	Bond Anticipation Notes Payable		1,100,000

To record the interim construction loan approved by WPAT

2. The government begins construction.

650-1950	Construction in Progress	500,000	
650-2020	Accounts Payable		500,000

To record construction invoices forwarded to DEP for approval

3. The government draws cash to pay for construction costs.

650-1040	Cash, Unrestricted	500,000	
650-1510	Notes Receivable		500,000

To record the draw down of cash

4. The government pays the invoices.

650-2020	Accounts Payable	500,000	
650-1040	Cash, Unrestricted		500,000

To record the payment of invoices

5. The government converts the issuance to long term financing.

650-2720	Bond Anticipation Notes Payable	1,100,000	
650-3930	Expenditures	20,000	
652-2940	Bonds Payable, Outside Debt Limit		1,120,000

To record the conversion of the WPAT debt to long-term

Uniform Massachusetts Accounting System – July, 2003

6. Repayment of Loan.

650-2940	Bonds Payable, Outside Debt Limit	9,500	
650-1040	Cash, Unrestricted		9,500

To record the repayment of the loan

7. The government receives a state subsidy.

650-2940	Bonds Payable, Outside Debt Limit	30,000	
650-3930	Expenditures	25,000	
650-3910	Revenue		55,000

To record the WPAT state subsidy

Accounting if in the General Fund or a Capital Projects Fund

(Note: Account code in this example begins with “001”, but would be coded otherwise if in a Capital Projects Fund)

1. The government signs a loan with WPAT.

001-1510	Notes Receivable	1,100,000	
001-2720	Bond Anticipation Notes Payable		1,100,000

To record the interim construction loan approved by WPAT

2. The government begins construction.

001-3930	Expenditures	500,000	
001-2020	Accounts Payable		500,000

To record construction invoices forwarded to DEP for approval

3. The government draws cash to for construction costs.

001-1040	Cash, Unrestricted	500,000	
001-1510	Notes Receivable		500,000

To record the draw down of cash

Uniform Massachusetts Accounting System – July, 2003

4. The government pays the contractor.

001-2020	Accounts Payable	500,000	
001-1040	Cash, Unrestricted		500,000

To record the payment of invoices for construction

5A. The government converts to permanent financing (General Fund entry).

001-2720	Bond Anticipation Notes Payable	1,100,000	
001-3970	Other Financing Uses	16,000	
001-3920	Other Financing Sources		1,116,000

To record bond issue and cost of sale

5B. The government converts to permanent financing (GLTOAG entry).

050-1996	Amounts to be Provided for Payment of Bonds	1,116,000	
050-2992	Bonds Payable - Outside Debt Limit - Public Disasters and Emergencies		1,116,000

To record long-term debt

6A. The government budgets for annual debt service.

001-3890	BUDGETARY CONTROL	80,000	
001-3830	APPROPRIATIONS		80,000

To record the appropriation for annual debt service

Subsidiary ledger entries for this entry would be:

001-5000	Subsidiary Appropriation Control	80,000	
001-5910	Maturing Principal on Long-Term Debt		40,000
001-5915	Interest on Long-Term Debt		40,000

6B. The government budgets for the subsidy revenue.

001-3815	ESTIMATED REVENUE	65,000	
001-3890	BUDGETARY CONTROL		65,000

Subsidiary ledger entries for this entry would be:

Uniform Massachusetts Accounting System – July, 2003

001-4680	Other State Revenue	65,000	
001-4000	Subsidiary Revenue Control		65,000

7A. The government records the repayment of the loan (General Fund entry)

001-3930	Expenditures	40,000	
001-1040	Cash, Unrestricted		40,000

To record the repayment of loan

Subsidiary ledger entries for this entry would be:

001-5910	Maturing Principal on Long-Term Debt	40,000	
001-5000	Subsidiary Appropriation Control		40,000
001-5000	Subsidiary Appropriation Control	60,000	
001-4000	Subsidiary Revenue Control		60,000
001-5910	Maturing Principal on Long-Term Debt	30,000	
001-5915	Interest on Long-Term Debt	30,000	
001-5000	Subsidiary Appropriation Control		60,000
001-4000	Subsidiary Revenue Control	30,000	
001-4680	Other State Revenue		30,000

7B The government records the repayment in the GLTOAG.

050-2992	Bonds Payable - Outside Debt Limit - Public Disasters and Emergencies	60,000	
050-1996	Amounts to be Provided for Payment of Bonds		60,000

To record the repayment of bonds to WPAT

APPENDIX I

LIST OF FUNDS

Special Revenue Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
201	Adult and Continuing Ed	Ch. 71, §71E
202	Ambulance Receipts Reserved	Ch. 40, §5F
203	Beach and Pool Receipts Reserved	Ch. 40, §5F
204	Anniversary Celebrations	Ch. 44, §53I
205	Community School Program	Ch. 71, §71C
206	Dog Refund	Ch. 140, §172
207	Elderly Lunch Program	Ch. 15, §1L
208	Golf Course Receipts Reserved	Ch. 40, §5F
209	Insurance Reimbursements (Over \$20,000)	
210	Insurance Reimbursements (Under \$20,000)	Ch. 44, §53
211	Lost Books and Industrial Art Supplies	Ch. 44, §53
212	Off-Street Parking Receipts	Ch. 40, §§22B, 22C
213	Racial Equality	Ch. 76, §12A
214	Recreation and Parks Revolving	Ch. 44, §53D
215	Off-Duty Police Detail	Ch. 44, §53C
216	Sale of Cemetery Lots	Ch. 114, §15, 25
217	Sale of Real Estate Fund	Ch. 44, §63
218	School Athletics and Other Receipts	Ch. 71, §47
219	School Choice	Ch. 76, §12B (O)
220	School Lunch	Ch. 548 of 1948
221	School Building Rental	Ch. 40, §3
222	Skating Rink Receipts Reserved	Ch. 40, §5F
223	Solid Waste Collection/Disposal	Ch. 44, §28C (f)
224	State Aid to Libraries	Ch. 78, §19A
225	Summer School Tuition	Ch. 71, §71E
226	Waterways Improvement Fund	Ch. 60B §§2(I), 4
227	Waterways Improvement Fund	Ch. 40 §5G
228	Wetlands Protection Fees	Ch. 131, §40
		Ch. 43, §218 Acts of 1997
		Ch. 194, §349 Acts of 1998
229	Regional School District Tuition	Ch. 71, §16D1/2
230	Extended School Services (DayCare Receipts)	Ch. 71, §26C
231	School Tuition Non-Resident or Foster Care	Ch. 71, §71F
232	Parking Meter Receipts	Ch. 40 §§22A - 22C
233	Arts Lottery Council (Cultural)	Ch. 10, §35C
234	Equal Education Opportunity	Ch. 70A, §4
235	Vocational Education Receipts	Ch. 74, §14B
236	Culinary Arts - Special Fund	Ch. 71, §17A
237	Disability Commission	Ch. 40, §22G
238	Planning/Zoning/Health	Ch. 44, §53G
239	Highway and Water Pollution Grants	Ch. 44, §53
240	Recycling Commission Fund	Ch. 40, §8H
241	Performance Bond Forfeitures	Ch. 41, §81U
242	METCO Reimbursements	Ch. 71B, §12
243	Sewer Receipts	Ch. 83, §16
	(surplus closes to General Fund at year-end)	
244	Water Surplus	Ch. 41, §69B
245	Trash Collection Charges	Ch. 44, §28C (f)

Uniform Massachusetts Accounting System – July, 2003

Special Revenue Funds (cont.)

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
246	Community Preservation Act	Ch. 44B
247	Law Enforcement Trust	Ch. 94C, §47
248	Weights and Measures Fines	Ch. 98, §29A
249	Spay and Neuter Deposits	Ch. 140, §139A
250	Stabilization	Ch. 40, §5B
251	Education Fund	Ch. 60, §3C
	(Supplementing School Appropriations)	
252	Use of School Property	Ch. 71, §71E
253-260	Grants and Gifts	Ch. 44, §53A
261-265	Offset Receipts	Ch. 44, §53E
266-270	Revolving Funds (Annual Authorization)	Ch. 44, §53E1/2
271	Unemployment Compensation	Ch. 40, §5E
272	Workers' Compensation	Ch. 40, §13A
273	Multi-Community Yard Waste	Ch. 179 of 1993
274	Millennium/Centennial Celebration	Ch. 59 of 1998
275	School Bus Advertising	Ch. 184, §197 of 2002
276	Title 5 Betterment Loan Program	Ch. 29C
277	Receipts Reserved WPAT Loans	Ch. 29C
278-299	Other Federal and State Grants	

Capital Projects Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
300	Highway Improvement Fund (reimbursable highway grants on recap)	Ch. 44, §53

Capital Projects Funds (cont.)

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
301-399	Other Capital Projects	
400-449	Water Projects	Ch. 41, §69B
450-499	Sewer Projects	Ch. 83, §16

Permanent Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
530	Cemetery Perpetual Care	Ch. 114, §§15, 25
540-599	Bequests	Ch. 44, §53A

Uniform Massachusetts Accounting System – July, 2003

Enterprise Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
650	Water Enterprise	Ch. 44, §53F1/2
651	Sewer Enterprise	Ch. 44, §53F1/2
652-659	Other Enterprise	Ch. 44, §53F1/2
660	Water Enterprise - Special Legislation	Special Legislation
661	Sewer Enterprise - Special Legislation	Special Legislation
661-669	Other Enterprise - Special Legislation	Special Legislation
670	Electric Light Department (Note)	Ch. 164, §57

Internal Service Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
691	Health Claims Insurance	Ch. 32B, §3A
692	Workers' Compensation Insurance	
693	Municipal Liability Insurance	
694	Municipal Building Insurance	Ch. 40, §13
695	Motor Vehicle Pools	

Pension (Other Employee Benefit) Trust Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
700	Pension Reserve	Ch. 40, §5D

Private Purpose Trust Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
850	Conservation	Ch. 40, §8C
851	Scholarship Trust Fund	Ch. 60, §3C
852	Regional School District Stabilization	Ch. 71, §16G1/2
853	Educational/Instructional Materials	Ch. 71, §20A
854	Low Income Seniors and Disabled Tax Relief Fund	Ch. 60, §3D
855	Education Fund (Adult Literacy)	Ch. 60, §3C

Agency Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
900	Deferred Compensation	Ch. 4, §67
901	Performance Deposits	
902	Funds Held for Electric Light Department	
903	Payroll Withholdings	

APPENDIX J

ACCOUNTING ENTRIES FOR INTERFUND BORROWING

EXAMPLE 1

This example assumes that reimbursement of a grant will be made by the Commonwealth during the current fiscal year.

1. The Accountant received from the Treasurer a Report of Advance of Funds in lieu of Borrowing which stated that on September 1, the general fund advanced \$100,000 to the capital projects fund to fund expenditures on a capital project which will be reimbursed by a state grant.

General Fund

001-1630	Due from Capital Projects Funds	100,000	
001-1040	Cash - Unrestricted		100,000

To record an advance in lieu of borrowing to the Capital Projects Fund.

Capital Projects Fund

300-1040	Cash - Unrestricted	100,000	
300-2301	Due to General Fund		100,000

To record an advance in lieu of borrowing from the general fund.

2. On December 1, the Town billed the granting agency \$100,000 for reimbursement for moneys expended.

Capital Projects Fund

300-1720	Due from Commonwealth of Massachusetts	100,000	
300-2670	Deferred Revenue - Intergovernmental		100,000

To record grant funds applied for.

Uniform Massachusetts Accounting System – July, 2003

3. The Town received \$100,000 from the granting agency on February 15.

Capital Projects Fund

300-1040	Cash - Unrestricted	100,000	
300-1720	Due from Commonwealth of Massachusetts		100,000

To record grant funds received.

300-2670	Deferred Revenue - Intergovernmental	100,000	
300-3910	Revenue		100,000

To recognize funds received as Revenue

Subsidiary ledger entries for this entry would be:

300-4000	Subsidiary Revenue Control	100,000	
300-4660	General Government Reimbursements and Distributions		100,000
300-2301	Due to General Fund	100,000	
300-1040	Cash - Unrestricted		100,000

To record repayment of advance from General Fund.

General Fund

001-1040	Cash - Unrestricted	100,000	
001-1630	Due from Capital Projects Funds		100,000

To record repayment of advance to General Fund.

EXAMPLE 2

This example assumes that the reimbursement from the Commonwealth of Massachusetts will not be received by June 30.

1. The Accountant received from the Treasurer a Report of Advance of Funds in lieu of Borrowing which stated that on September 1, the general fund advanced 100,000 to the capital projects fund to fund expenditures on a capital project which will be reimbursed by a state grant.

Uniform Massachusetts Accounting System – July, 2003

General Fund

001-1630	Due from Capital Projects Funds	100,000	
001-1040	Cash - Unrestricted		100,000

To record an advance in lieu of borrowing to the capital projects fund.

Capital Projects Fund

300-1040	Cash - Unrestricted	100,000	
300-2301	Due to General Fund		100,000

To record an advance in lieu of borrowing from the General Fund.

2. On December 1, the Town billed the granting agency \$100,000 for reimbursement for moneys expended.

Capital Projects Fund

300-1720	Due from Commonwealth of Massachusetts	100,000	
300-2760	Deferred Revenue - Intergovernmental		100,000

To record grant funds applied for.

3. The Treasurer and Accountant met on June 1, to review the outstanding advances. It was determined that reimbursement from the state was not expected to be received by June 30. On June 10 the Treasurer issued a state grant anticipation note (GAN) in the amount of \$100,000 and notified the Accountant of such.

Capital Projects Fund

300-1040	Cash - Unrestricted	100,000	
300-2730	Grant Anticipation Notes Payable		100,000

To record proceeds of GAN issued June 10.

300-2301	Due to General Fund	100,000	
300-1040	Cash - Unrestricted		100,000

To record repayment of advance from General Fund.

Uniform Massachusetts Accounting System – July, 2003

General Fund

001-1040	Cash - Unrestricted	100,000	
001-1630	Due from Capital Projects Funds		100,000

To record repayment of advance to General Fund.

4. The Town received \$100,000 from the granting agency on September 10. The GAN was paid off on the same day.

Capital Projects Fund

300-1040	Cash - Unrestricted	100,000	
300-1720	Due from Commonwealth of Massachusetts		100,000

To record grant funds received.

300-2670	Deferred Revenue - Intergovernmental	100,000	
300-3910	Revenue		100,000

To recognize funds received as revenue

Subsidiary ledger entries for this entry would be:

300-4000	Subsidiary Revenue Control	100,000	
300-4660	General Government Reimbursements and Distributions		100,000

300-2730	Grant Anticipation Notes Payable	100,000	
300-1040	Cash - Unrestricted		100,000

To record repayment of GAN.