



A Manual for the

Uniform Massachusetts Accounting System

for: Cities
Towns
Regional School Districts
Special Purpose Districts

Bureau of Accounts
July, 2014

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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 (G.L.) c. 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 G.L. c. 164 and is regulated by the Department of Public Utilities; accounting for retirement systems is prescribed in G.L. c. 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 (DLS) address such subjects.

UMAS Accounting and Reporting

Much of the information is presented in general journal form to acquaint Massachusetts local governmental accounting officials with the basic entries to be made. If the guidance in the Manual is followed, accounting officials will be able to prepare a UMAS Balance Sheet and a UMAS based Schedule A.

Massachusetts local governmental accounting officials are encouraged to account for transactions in a uniform manner consistent with this Manual. Accounting officials are not required to change their fund structure to be consistent with Governmental Accounting Standards Board (GASB) pronouncements for UMAS Balance Sheet and Schedule A completion purposes.

Audited Financial Statement Reporting

If the local governmental entity is required by federal Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations,” to prepare audited financial statements, the statements must report consistent with GASB pronouncements including GASB 34 and GASB 54. The entity’s UMAS Balance Sheet will serve as the basis for converting to this format.

Revisions

Future revisions will be announced on the DLS web-site subscription service for downloading. A list of revisions 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, 2011. This Manual supercedes all earlier publications, including exposure drafts.

Additional DLS Publications

- 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;
- Bulletins provide policies and procedures necessary to reflect changes due to governmental actions or economic conditions.

DLS Web-site

All of the publications may be found on our web site at <http://www.mass.gov/dls>

Gerard D. Perry
Director of Accounts

July 2011

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, educational collaboratives 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;
- 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 (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 Restricted
Revenues	001-	4000-	0000	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 Fund** - Accounts 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 Fund** - Accounts 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 Fund and Permanent Fund - Debt Service Fund accounts 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 Fund accounts 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 Fund – For UMAS accounting purposes, accounts for activities for which G.L. c. 44, §53F½ has been voted by the local legislative body or activities for which special legislation indicates that operations shall be pursuant to an Enterprise Fund.

For GAAP reporting purposes, accounts for activities for which a fee is charged to external users for goods or services. Accounts 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 Fund - Accounts 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 Fund - Accounts 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 Fund - Accounts for the external portion of investment pools (including individual investment accounts) reported by the sponsoring government.

- 850 - 899 Private-Purpose Trust Fund** - Accounts for trust arrangements, including those for escheat property, where principal and income benefit individuals, private organizations, or other governments.
- 900 - 999 Agency fund** - Accounts 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 general long-term debt of a government that has not matured. The General Long-Term Obligations Account Group is also used to report that portion of 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 includes accounts for assets, liabilities and fund equity, control accounts for revenue and expenditures, and certain budgetary and memorandum accounts. The word “budgetary” or “memorandum” has been inserted in parenthesis 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 governmental units that wish additional detail may use 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 is generally used only at year end.

DEBIT – at year end with the amount of cash on hand and waiting 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 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 that purchased the items. The total of petty cash plus disbursements not replenished 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 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 in a bank or similar depository 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: 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 Premium 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

DEBIT – 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

CREDIT – 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 any 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 must be established by year of levy.

DEBIT – when the taxes are committed by the Assessors

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

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

DEBIT – when the taxes are committed by the Assessors

DEBIT – when refunds are issued for overpayments

DEBIT – when tax liens are rescinded

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – 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, 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

DEBIT – when the Assessors declare surplus amounts

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

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

1240 Tax Liens Receivable – The uncollected amounts of real estate taxes, special assessments and utility liens added to taxes that are delinquent and, 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 liened by the Collector

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when accounts are foreclosed

CREDIT – when abatements or exemptions are granted

CREDIT – 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 Acts tax 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

DEBIT – when taxes are billed in advance

CREDIT – when payments are received

1253 Deferred Property Tax Receivable – Taxes receivable from owners of real property who have entered into tax deferral and recovery agreements with the Board of Assessors. (G.L. c.59, § 5, cl. 18A, 41A)

DEBIT – annually, with the amount of taxes for 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 amounts of real estate and personal property taxes that are the subject of court action.

DEBIT – when the suit is filed with the full amount of the taxes, interest and charged owed

CREDIT – when payments are received

CREDIT – 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 when a tax rate has not been 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
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – 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
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – 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 excise is committed by the Assessors
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – 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. The forest products tax was repealed in 2006.

DEBIT – when the tax is committed by the Assessors
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – when abatements are issued

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)

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – when delinquent amounts are transferred to Utility Liens Added to Taxes

1320 Other Service Receivable – The amounts of any other municipal service receivables due but not yet collected or abated that are not direct user charges or departmental receivables.

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

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when delinquent accounts are abated

CREDIT – when delinquent amounts are transferred to Utility Liens Added to Taxes

1330 Utility Liens Added to Taxes – The amounts of unpaid utility billings that are delinquent and have been added to taxes. Separate accounts should be established by year of levy.

DEBIT – when delinquent amounts are added to taxes

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – 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)

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when delinquent accounts are abated

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 assessed to the benefited taxpayers but have not yet been paid, abated, suspended, deferred or apportioned.

DEBIT – when committed by the Assessors

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when assessments are apportioned, suspended or deferred

CREDIT – when abatements are issued

1420 Apportioned Assessments Added to Taxes – The uncollected amounts of apportioned or suspended assessments due added to taxes. Separate accounts should be established by year of levy.

DEBIT – when committed by the Assessors

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – when delinquent accounts are transferred to Special Assessments Tax Liens

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

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – when delinquent accounts are transferred to Special Assessments Tax Lien

1440 Apportioned Assessments Not Yet Due – The amounts of unapportioned assessments apportioned or deferred over a series of future years in accordance with G.L. c. 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

CREDIT – when abatements are issued

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

1460 Suspended Assessments – The amounts of unapportioned assessments 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

CREDIT – when payments are received

CREDIT – 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

CREDIT – when liens are disclaimed

Notes Receivable

1510 Notes Receivable – An unconditional 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

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 Inter-fund 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.

DEBIT – 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 Fund. The inter-fund receivable may arise as the result of services rendered or operating transfers due. An equal liability must exist in the Special Revenue Fund.

DEBIT – when the underlying transaction is authorized or approved

CREDIT – when payments are received from the Special Revenue Fund

1630 Due from Capital Projects Funds – Amounts owed to the fund by any Capital Projects Fund. The inter-fund 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 Fund

1660 Due from Proprietary Funds – Amounts owed to the fund by any Proprietary Fund. The inter-fund receivable may arise as the result of services rendered or operating transfers due. An equal 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 Fund

- 1680 Due from Permanent, Private Purpose Trust, Pension and Agency Funds – Amounts owed to the fund by any Permanent, Private Purpose Trust, Pension and Agency Funds. The inter-fund 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 Trust, Pension and Agency fund.

DEBIT – when the underlying transaction is authorized or approved

CREDIT – when payments are received from the Permanent, Private Purpose Trust, Pension and Agency Fund

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

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

DEBIT – when increases in grant awards or other amounts due are recognized

CREDIT – when payments are received

CREDIT – 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. Use this account for Mass. School Building Authority payments (MSBA). Payments due during the current fiscal year should be segregated from payments due in future years.

DEBIT – when grants are awarded by the Commonwealth and/or MSBA

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

DEBIT – when increases in grant awards or other amounts due are recognized

CREDIT – when payments are received

CREDIT – 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

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

DEBIT – when increases in grant awards or other amounts due are recognized

CREDIT – when payments are received

CREDIT – when decreases in grant awards or other amounts due are recognized

1740 Due from Municipalities – This account is most frequently used by regional organizations (school districts) and 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

DEBIT – when increases in amounts due are recognized

CREDIT – when payments are received

CREDIT – when decreases in amounts due are recognized

1790 Due from Other Government Units – Amounts due from other government 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

DEBIT – when non-grant amounts due from the other government units are recognized

DEBIT – when increases in grant awards or other amounts due are recognized

CREDIT – when payments are received

CREDIT – when decreases in grant awards or other amounts due are recognized

Other Assets

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.

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

1870 Deposits – To record any deposits that must be made by the local governmental unit 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 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

CREDIT – 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. 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 for buildings

1930 Plant – The cost of all structures, either constructed or purchased, or if acquired by gift, the fair market value at the date of receipt, which is 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 plant sold or otherwise disposed of

1939 Accumulated Depreciation – Plant (Credit) – The depreciation accumulated to date on plant.

DEBIT – with the balance accumulated to date on plant

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

1960 Infrastructure – Long-lived capital assets that usually are stationary in nature and can be preserved for a significantly greater number of years than most capital assets, such as roads and bridges.

DEBIT – when the infrastructure is complete

CREDIT – when the asset is no longer in service

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 still useful).

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

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

DEBIT – 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 payment of accrued sick, vacation and other compensated absences.

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

DEBIT – 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 payment of retirement costs.

DEBIT – when the liability for accrued retirement cost is recorded

DEBIT – 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 finance.

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 payment of capitalized leases.

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

CREDIT – when installment payments are made

Uniform Massachusetts Accounting System – July, 2014

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

DEBIT – when the debt is issued with the principal amount

CREDIT – at the start of the year, with the amounts raised in the tax levy for payment of principal on long term debt

CREDIT – when any long term debt not yet due is retired

1997 Amounts to be Provided (MSBA) – This account represents the balance of amounts due from the MSBA 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 MSBA

CREDIT – when amounts are received from MSBA

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 use 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 by June 30 that have been reviewed, approved for payment and entered on a disbursement warrant by July 15, but that have not yet been disbursed.

DEBIT – when the approved disbursement warrants are paid

CREDIT – when the warrant is approved

Uniform Massachusetts Accounting System – July, 2014

2020 Accounts Payable – Approved amounts owed to outside vendors, or for employees (e.g. travel reimbursement), for goods and services received by the local unit of government by June 30 that have not yet been entered on an approved warrant by July 15. It is typically 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 not yet paid pending final inspection and approval of the project.

DEBIT – when the retainage is paid

DEBIT – 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 that have not been recorded on approved warrants for the 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

2111 Accrued Summer Teachers' Pay – Amounts owed to teachers who are paid over the summer months consistent with their employment contract.

DEBIT – when payments are made

CREDIT – when the account is established

2120 Federal Income Tax Withholdings Payable – The amounts withheld from employees' payrolls for federal income tax that 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 that 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 that 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 that 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 that 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 that 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 that have not as yet been remitted to the appropriate 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 that 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 – The amount of a court judgment to be paid over time consistent with the court decree. The amount must be recorded in the General Long Term Obligations Account Group.

DEBIT – when the item is actually presented for payment due in a subsequent fiscal year

CREDIT – when the amount of the judgment or claim to be paid in a subsequent fiscal year is determined.

2220 Accrued Sick, Vacation and Compensated Absences – The accumulated value of vacation, sick leave and other compensated absences 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

CREDIT – at year end with any increase in the liability

2230 Accrued Retirement Costs – The accumulated value of retirement costs earned and vested.

DEBIT – at year end with any decreased to the liability

CREDIT – when the amount of liability for accrued retirement costs is recorded

CREDIT – at year end with any increase in the liability

2290 Other Accrued Liabilities – Expenses incurred but not yet 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 are vouchered or warranted

CREDIT – at period end with the amount of expense incurred

Due to Other Funds

2301 Due to General Fund – Amounts owed to the General Fund. The inter-fund 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 inter-fund 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 inter-fund payable may arise as the result of services received or operating transfers due. An equal offsetting asset must exist in the appropriate Capital Projects Funds.

DEBIT – when the debt is repaid to the Capital Projects Funds

CREDIT – when the underlying transaction is authorized or approved

2350 Due to Permanent Funds – Amounts owed to any of the Permanent Funds. The inter-fund payable may arise as the result of services received or 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 inter-fund payable may arise as the result of services received or 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 or Agency Funds – Amounts owed to any of the Private Purpose Trust, Pension and Agency Funds. The inter-fund 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

CREDIT – 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

CREDIT – 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

CREDIT – 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 governmental units

CREDIT – when the service is rendered

CREDIT – when the tax is collected

Other Liabilities

2510 Undistributed Receipts – Cash 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

DEBIT – when unclaimed amounts are taken into the General Fund

DEBIT – when the abandoned property is taken into revenue

CREDIT – when it becomes reasonably certain that the item will not be claimed, usually 1 year under G. L. c. 200A, § 9.

2530 Excess on Sale of Land of Low Value – The amount owed delinquent taxpayers after foreclosed property has been sold for more than the total tax liability (tax, interest and charges).

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

DEBIT – when the excess amount is recognized as revenue in accordance with 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

DEBIT – when the deposit is forfeited

CREDIT – when the guarantee is reported on the Treasurer’s Report of Cash Receipts

2580 Other Liabilities – Miscellaneous other liabilities that 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 but has not been paid 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 unpaid

Deferred Revenue

Deferred revenues are 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

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when the estimated tax bill entry is reversed

DEBIT – when estimated uncollectible amounts are recorded at period end

DEBIT – when the allowance for abatements and exemption is insufficient and a deficit must be raised

CREDIT – when the taxes are committed

CREDIT – when estimated tax bills are issued

CREDIT – when omitted assessments are reported

CREDIT – when estimated uncollectible entries are reversed

CREDIT – when a surplus in the allowance for abatements and exemptions is declared by the Assessors

CREDIT – 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

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when tax liens are issued

CREDIT – when estimated uncollectible entries are reversed

CREDIT – 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

DEBIT – when the related receivables are reclassified or disclaimed

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when properties are foreclosed

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

2630 Deferred Revenue – Motor Vehicle Excise – Deferred revenue account for accounts 1260 through 1269, Motor Vehicle Excise Receivables.

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

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – 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

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – when estimated uncollectible entries are reversed

2652 Deferred Revenue – Other Services – Deferred revenue account for accounts 1320 through 1329, Other Services Receivable.

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – 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

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – 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

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – 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

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – 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

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when amounts are billed to the grantor

CREDIT – when overpayments are refunded

CREDIT – when estimated uncollectible entries are reversed

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

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when amounts are billed

CREDIT – when overpayments are refunded

CREDIT – when estimated uncollectible 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

2740 Federal Aid Anticipation Notes Payable – (FAANs) – Amounts owed to banks or other lenders for funds borrowed in anticipation of reimbursement from state grants.

DEBIT – when the note is repaid
CREDIT – when the note is issued

2750 State Aid Anticipation Notes Payable – (SAANs) – Amounts owed to banks or other lenders for funds borrowed in anticipation of reimbursement from 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 that do not qualify under any other notes payable accounts.

DEBIT – when the note is repaid
CREDIT – when the note is issued

Capitalized Lease Obligations

2810 Capitalized Lease Obligations – The amount of lease payments owed consistent with the lease contract. This amount is entered in the General Long Term Obligations Account Group.

DEBIT – when installment payments are made annually
CREDIT – when the amount is determined at the inception of the lease

Bonds Payable

2900 Bonds Payable – Inside Debt Limit – The unpaid portion of serial bond issues that when issued were classified as inside the 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 (G.L. c. 44, § 7, cl. 1, 1A)
2908 to 2911	Street and Sidewalk (G.L. c. 44, § 7, cl. 4, 5, 6, 7, 30)
2912 to 2915	Land Acquisition and Public Buildings (G.L. c. 44, § 7, cl. 3, 3A, 10, 21, 22)
2916 to 2919	Removal of Asbestos (G.L. c. 44, § 7, cl. 31)
2920 to 2923	Parks and Recreation (G.L. c. 44, § 7, cl. 2, 2A, 2B, 23, 25, 27)
2924 to 2927	Cemeteries (G.L. c. 44, § 7, cl. 8, 20)
2928 to 2931	Energy Conservation (G.L. c. 44, § 7, cl. 3B, 26)
2932 to 2935	Departmental Equipment (G.L. c. 44, § 7, cl. 9, 9A, 28, 29)
2936 to 2939	Other (G.L. c. 44, § 7, cl. 11, 13, 14, 15, 16, 17, 18, 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

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2940 Bonds Payable – Outside Debt Limit – The unpaid portion of serial bond issues that 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 (G.L. c. 70B) and bonds issued under the MSBA
2944 to 2947	Sewer Treatment Plants (G.L. c. 44, § 8, cl. 15)
2948 to 2951	Water (G.L. c. 44, § 8, cl. 3, 3A, 4, 4A, 5, 6, 7, 7A, 7B, 7C)
2960 to 2963	Sanitation (G.L. c. 44, § 8, cl. 18, 21, 23, 24)
2964 to 2967	Parks and Recreation (G.L. c. 44, § 8, cl. 16)
2980 to 2983	Utility Systems (G.L. c. 44, § 8, cl. 8, 8A)
2984 to 2987	Airports (G.L. c. 44, § 8, cl. 13)
2988 to 2991	Industrial and Economic Development (G.L. c. 44, § 8, cl. 19)
2992 to 2994	Public Disasters and Emergencies (G.L. c. 44, § 8, cl. 2, 9)
2995	Water Pollution Abatement Trust (G.L. c. 29C)
2996 – 2999	Other (G.L. c. 44, § 8, cl. 1, 10, 12, 14, 17, 20, 22)

DEBIT – when the outstanding principal comes due and is paid

DEBIT – when the state forgives principal if applicable and interest to the
Massachusetts Water Pollution Abatement Trust (MWPAT)

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 use 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.

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 that is not an “available spending resource.” Reservations of fund balance are made for the following reasons:

- when the local government legally authorizes expenditure of 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 Purpose” 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

DEBIT – 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 Surplus
– That unused portion of the Allowance for Abatements and Exemptions the Assessors have declared as excess under law.
- DEBIT – when amounts are voted by the Assessors to be released and are reclassified to account 3240
DEBIT – 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
CREDIT – 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 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 (e.g., “free cash”, stabilization) 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 fund are authorized
- 3241 Fund Balance Reserved for Open Space – The amount of Community Preservation Fund reserved for open space acquisition.
- DEBIT – when funds are expended
DEBIT – when authorization is rescinded
CREDIT – when funds are authorized
- 3242 Fund Balance Reserved for Historic Resources – The amount of Community Preservation Fund reserved for historic resources.

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

3243 Fund Balance Reserved for Community Housing – The amount of Community Preservation Fund reserved for community housing.

DEBIT – when funds are expended
DEBIT – 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
DEBIT – when a Petty Cash account is eliminated
CREDIT – when a Petty Cash account is established
CREDIT – 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 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 MSBA 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

3285 Fund Balance Reserved for Gifts and Donations – The amount of fund balance reserved for gifts and donations.

DEBIT – when the reserve is utilized

CREDIT – when amounts are reserved for gifts and donations

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 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

CREDIT – at the beginning of the subsequent fiscal year

3295 Fund Balance Reserved for Continued Appropriations – The amount of appropriations that 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 that 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

- 3297 Fund Balance Reserved for Amortized Premium – The amount of net premium that is amortized over the life of the excludable debt (debt excluded from the provisions of Prop 2½).

DEBIT – when the amount is amortized
CREDIT – when the amount is received

- 3300 Fund Balance – Receipts Reserved for Appropriation – These accounts are used to segregate receipts from specific sources that 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 Meter Receipts (G.L. c. 40, § 22A – 22C)
County Dog Fund (G.L. c. 140, § 172)
Insurance Recoveries and Restitution Over \$20,000 (G.L. c. 44, § 53)
Sale of Real Estate (G.L. c. 44, § 63)
Sale of Cemetery Lots (G.L. c. 114, § 25)
Waterways Improvement (G.L. c. 40, § 5G)
Ambulance Receipts (G.L. c. 40, § 5F)

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 G.L. c. 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

- 3330 Fund Balance Reserved for Offset Receipts – The amount of funds which must be transferred to the General Fund at fiscal year's end.

DEBIT – when expenditures for Offset Receipts are closed at year end
CREDIT – when revenue from Offset Receipts is closed at year end

- 3350 Fund Balance Reserved for Teachers' Pay Deferral – The amount remaining deferred by the community under c. 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 for 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
- CREDIT – when an amount is appropriated to reduce or eliminate the deferral

Unreserved Fund Balance – Designated

Designated fund balance accounts represent 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 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 that may be expended for specific purposes without appropriation. Revolving funds may be established by particular types of receipts only if expressly permitted by law. The following are examples of revolving funds and their statutory references.

- Recoveries for Lost School Books (G.L. c. 44, § 53)
- Payments by Pupils for Industrial Arts Materials (G.L. c. 44, § 53)
- Athletic Programs and School Organizations (G.L. c. 71, § 47)
- Adult Education and Continuing Education Programs (G.L. c. 71, § 71E)
- Community School Programs (G.L. c. 71, § 71C)
- Racial Imbalance (G.L. c. 76, § 12A)
- Self-Supporting Recreation and Park Services (G.L. c. 44, § 53D)

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Insurance Recoveries and Restitution Not in Excess of \$20,000 (G.L. c. 44, § 53)
Departmental Revolving Fund (G.L. c. 44, § 53E½)

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

DEBIT – when amounts are reserved or designated

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

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

3592 Unreserved Fund Balance – Appropriation Deficits (Debit) – The amount that certain appropriation accounts were overspent during the fiscal year and this must be raised in the next tax levy. Overspending of appropriations is generally prohibited by law. There are, however, some exceptions such as snow and ice which are defined in G.L. c. 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 next
tax levy

3593 Unreserved Fund Balance – Revenue Deficits (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 (see Appendix K).

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

CREDIT – when the amount is raised in the next tax levy

3594 Unreserved Fund Balance – Overlay Deficits (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 year end adjustment and closing process. The account is closed when the amount is raised in the next tax levy.

DEBIT – at year end with the amount reclassified

CREDIT – when the amounts are raised in the next tax levy

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

DEBIT – at year end with the amount of final court judgment expenditures made during the fiscal year

CREDIT – when the amounts are raised in the next 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 receipts 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 next 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 actual revenue 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 footnotes 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 an 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 the grant is awarded

DEBIT – when increases in the award amounts are made

CREDIT – when decreases in the award amounts are made

CREDIT – 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

DEBIT – when decreases in the award amounts are made

CREDIT – when a grant is awarded

CREDIT – 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

DEBIT – when any increases are authorized

CREDIT – when expenditures are made on the capital project

CREDIT – when any decreases are authorized

CREDIT – 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

DEBIT – when any decreases are authorized

DEBIT – when the project is completed with any balance remaining in the account

CREDIT – when the capital project is authorized

CREDIT – when any increases are authorized

3760 BONDS AUTHORIZED (Memorandum) – The balance in this account represents the amount of bonds that have been authorized but not yet issued.

DEBIT – when bonds are authorized

CREDIT – when bonds are issued

CREDIT – when bond 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

DEBIT – when bond authorizations are rescinded

CREDIT – when bond issues are authorized

Fund Balance – 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

CREDIT – when the tax rate is approved with the allowance 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 Rate Recap or other source document

DEBIT – when budget increases are authorized

CREDIT – when budget decreases are authorized

CREDIT – 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

DEBIT – when budget increases are authorized

CREDIT – when budget decreases are authorized

CREDIT – 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

DEBIT – 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

CREDIT – 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

CREDIT – 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

DEBIT – 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

CREDIT – when increases in estimated other financing uses are authorized

3880 BUDGETARY FUND BALANCE (Budgetary) – This balance in this account represents the amount of available funds budgeted for use in the fiscal year less any period year items raised.

DEBIT – at the beginning of the year with amounts appropriated from available funds (“free cash”)

DEBIT – 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

CREDIT – at year end with the balance in the account if a debit 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 Tax Rate Recap 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 current fiscal year appropriations

DEBIT – with current fiscal year estimated other financing uses

DEBIT – with current fiscal year estimated overlay

DEBIT – with current fiscal year other amounts to be raised

CREDIT – with current fiscal year estimated local receipts

CREDIT – with current fiscal year estimated other financing sources

CREDIT – with current fiscal year estimated other amounts appropriated to revenue or transfers from available funds

CREDIT – with current fiscal year estimated tax levy

CREDIT – with current fiscal year estimated “Cherry Sheet” distributions

Fund Balance – 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

DEBIT – when refunds are made

CREDIT – when real and personal property taxes are collected

CREDIT – when motor vehicle excise, other excise, departmental receipts and other revenues are received

CREDIT – when revenue is recognized upon the sale of fixed assets, inventory, or foreclosed properties

CREDIT – when tax liens, including interest and charges are collected

CREDIT – when pro forma taxes are collected

CREDIT – when licenses, fines, fees and permits are collected

CREDIT – when entitlements or distributions are received

CREDIT – 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

CREDIT – when proceeds from certain bond anticipation notes meet the revenue recognition criteria

CREDIT – when premiums are received on bond issues

CREDIT – when interest is received on bond issues

CREDIT – when operating transfers-in from other funds are made

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

DEBIT – when expenditures are reported on approved warrants

DEBIT – when depreciation is recorded in the Enterprise Funds

DEBIT – when other accrued expenses are recognized

CREDIT – when refunds are received for expenditures

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CREDIT – when expenditures are reclassified to fixed assets

CREDIT – 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 are recognized

CREDIT – when the purchase commitments are relieved at year end with the amount of outstanding encumbrances reclassified to 3960

3950 Prior Year Expenditures (Debit) – The balance in the account reflects the amount of expenditures (expenses) made or recognized 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

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

DEBIT – when purchase commitments are reclassified from 3940

CREDIT – when the amount of purchase commitments 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 transfer 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. This control encompasses Other Financing Sources (transfers-in and bond proceeds) in non-General Fund entries.

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 G.L. c. 59, § 5, cl. 18A or 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. Assign additional codes to the detail for:

Hotel/Motel

Jet fuel

Vessel (boat) (50% to General Fund and 50% to Waterways Improvement Fund)

Farm animal

Classified forestlands

Urban redevelopment

4170 Penalties and Interest on Taxes and Excises – Revenue recognized from penalty charges and interest collected on delinquent taxes and excises. Assign additional codes to the detail for:

Property taxes

Excise tax

Tax lien redemptions

Special assessments

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.

Charges for Services

4210 Utility Usage Charges – Revenue recognized from utility usage charges. Assign additional codes to the detail for:

Water usage
Gas usage
Electric usage
Other utility usage

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. Assign additional codes to the detail for:

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

4240 Other Non-Utility Usage Charges – Revenue recognized from non-utility usage. Assign additional codes to the detail for:

Hospital usage
Parking usage
Parks and Recreation usage
Airport usage
Sewerage usage
Garbage/trash collection usage
Transit usage

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

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4320 Fees – Revenues recognized from fees set by statute, charter or ordinance. Assign additional codes to the detail for:

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 as appropriate.

4360 Rentals – Revenue recognized from the rental of real and 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 that must be licensed to serve or sell alcoholic beverages.

4420 Other Licenses – Revenue recognized from all other licenses levied according to benefits conferred by the license (such as marriage, animal licenses).

4450 Permits – Revenue recognized from businesses and individuals that require a permit before doing business (such as building, street and curb permits).

Federal Revenue

4515 Community Development Block Grants (CDBG) – Revenue recognized from certain federal government distributions under the CDBG program.

4540 Other Federal Revenue – Direct – Revenue recognized from non-CDBG federal government distributions that must be used for a categorical or specific purpose and are received directly from the federal government. Assign additional codes to the detail for:

Many education programs

4580 Other Federal Revenue – Through the State – Revenue recognized from federal government distributions that must be used for categorical or specific purpose and are received indirectly through the state. Assign additional codes to the detail for:

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 reimbursement 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 (G.L. c. 58, §§ 13 – 17)
Abatements to Veterans, Blind and Surviving Spouses – G.L. c. 58, § 8A, c. 59, §5 cl. 17, 17C, 17C½, 17D, 22, 22A, 22B, 22C, 22D, 22E, 37, 37A
Elderly Persons – G.L. c. 59, § 5, cl. 41, 41B, 41C, 41C½

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 – G.L. c. 70
Retired Teachers Pensions – G.L. c. 32, § 20(2)(c)
School Transportation Programs – G.L. c. 71, 71A, 71B, 74
School Construction Projects- G.L. c. 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 Public Libraries which appears in section B) and includes:

Public Libraries – G.L. c. 78, § 19A
School Lunch Programs – c. 871, Acts of 1970

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 – G.L. c. 41, § 108L

Urban Renewal Projects – G.L. c. 121B, §§ 53 – 57

Veterans Benefits – G.L. c. 115, § 6

Local Share of Racing Taxes – c. 558 Acts of 1981, as amended

Regional Public Libraries – G.L. c. 78, § 19C

4680 Other State Revenue – Revenue recognized from state distribution other than those covered above. Assign additional codes to the detail for:

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 – Revenues 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. Assign additional codes to the detail for:

Insurance dividends

4890 Gain or Loss in Investment Portfolio - Revenue recognized or lost on 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 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 Premium 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 Inter-Fund 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 use unassigned numbers. Use of available numbers should remain logically consistent with the structure 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 sub-functions and are marked with an asterisk.

General Government

110 Legislative – Expenditures related to the legislative operations of the community.
Reporting units:

- 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:

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

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130 Financial Administration – Expenditures related to the financial administration of the community. Reporting units:

- 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:

- 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:

- 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:

- 171 Conservation Commission
- 172 Community Preservation Committee – Open Space
- 175 Planning Board/Department
- 176 Zoning/Appeals Board
- 179 Other Land Use

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

- 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. Recording units:

- 191 Worker's Compensation Agent – 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 provisions of emergency services to the community's residents and workers. Reporting units:

- 231 Ambulance Service
- 232 Emergency Medical Technicians

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240 Protective Inspection – Expenditures related to the protective inspection operations of the community. Reporting units:

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

290 Other – Expenditures related to public safety that do not fall readily into one of the previous categories. Reporting units:

- 291 Civil Defense
- 292 Animal Control Office
- 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 Elementary and Secondary Education End of Year Report can be reviewed to provide ease of preparation.

300 Education – expenditures related to the education function of the local government.

Public Works and Facilities

410 Engineering – Expenditures related to the design and location of public works and facilities. Reporting units:

- 411 Engineer

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- 420 Highways and Streets – Expenditures related to the construction, maintenance and repair of highways and streets in the community. Reporting units:
 - 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 or garbage and other refuse and delivering it to the place of disposal. Reporting units:
 - 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:
 - 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:
 - 481 Parking Garage
 - 482 Airport

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490 Other – Expenditures for public works and facilities that do not readily fall into one of the previous categories. Reporting units:

491 Cemetery

Human Services

510 Health Inspection Services – Expenditures related to inspection and regulatory activities that contribute to the conservation and improvement of public health. Reporting units:

511 Health Officer

512 Board of Health

519 Other *

520 Clinical Services – Expenditure related to the provision of clinical services to maintain or improve public health. Reporting units:

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:

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 for their essential needs.

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590 Other – Expenditures for human services that 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 relate to the maintenance of public parks, squares and similar ornamental areas.

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

690 Other – Expenditures for other cultural and recreational activities that do not readily fall into one of the previous categories. Reporting units:

691 Historical Commission

692 Celebrations (Memorial Day, etc.) *

699 Other Cultural 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. The 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 Massachusetts Water Resources Authority (MWRA), regional district assessments (excluding regional school district assessments), etc.

Unclassified

- 910 Employee Benefits – Expenditures related to employee benefits that are not allocated to specific functions or organizations (note: if employee benefits other than retirement and pension are significant, it may be more effective to segregate these amounts in 920 through 929 to facilitate financial reporting). Reporting units:
 - 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:
 - 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 additional detail may use 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. This control also encompasses Other Financing Uses (transfers-out) in non-General Fund entries.

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 52.0, 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 compensation in recognition of special circumstances such as

Merit	Shift
Holiday	Educational
Weekend	Longevity

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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 and 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
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 Removal Contracts

5300 Professional and Technical – Expenditures for services that 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	

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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 Contractor	Public Carrier Parents
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5340 Communication – Expenditures for transmitting and receiving messages or information such as:

Telephone, Telegraph Data Processing Lines Postage	Wireless Phones Printing and Mailing Delivery Services
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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 Mini-Bus Service (contracted) Laundry and Cleaning	Animal and Pest Control Photography Non-School Field Trips
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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 if 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 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:

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

5430 Building and Equipment Repairs and Maintenance Supplies – The cost of building supplies that 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

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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	

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 feed 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 (used for medical purposes)	Oxygen
	X-Ray Film

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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	

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 such as:

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 to 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 G.L. c. 34B, § 8.

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

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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 G.L. c. 71B, §§ 10 and 12

5636 Health Insurance, Government Retirees G.L. c. 32A, § 10B

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

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

5640 Air Pollution Control Districts G.L. c. 111, §§ 142B and 142C

5642 Old Colony Planning Council c. 332 Acts of 1967

5646 RMV Non-Renewal Surcharge G.L. c.90, § 60A and §2A

5650 Other State Assessments – Amounts paid to entities other than federal, state or county for municipal services provided. Separate accounts should be established for each item on the Cherry Sheet.

5661 MBTA G.L. c. 161A, §§ 8 and 9, c. 825, §§ 6 and 7 Acts of 1974

5662 Boston Metropolitan District - c. 383, § 12 Acts of 1929, c. 535 Acts of 1954

5663 Regional Transit Authorities G.L. c. 161B, §§ 10 and 11; c. 1141 Acts of 1973

5664 Multi-Year Repayments Program

5667 Small Town Road Assistance Program (STRAP) repayments - c. 637, § 32 Acts of 1983

5690 Other Intergovernmental – Expenses for intergovernmental functions not classified elsewhere.

5694 MWRA Intercepts

Other Charges and Expenses

5710 In-State travel – Expenditures for transportation, meals, hotels 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, hotels 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 by-law requiring separate approval of this expenditure.

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- 5730 Dues and Memberships – Expenditures for memberships in professional and technical organizations. The full costs 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.
- 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 Classified Items – Expenditures for items not classified elsewhere.

Depreciation
Payments in Lieu of Taxes
Revenue funds

Survivor Benefits
Reserve fund appropriations
Agency fund disbursements

Capital Outlay

These codes should be used when ever 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 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 here. 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.

5840 Site Improvements – Expenditures for major capital improvements on 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 out object codes is not necessary. Depreciation of site improvements would be charged to account 5849.

5849 Site Improvements – Depreciation – Depreciation of site improvements accounted for in 5840.

5850 Additional Equipment – Expenditures for equipment that 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 that replaces existing assets. For example, purchase of a new or used ambulance to replace one that has or will be sold would be recorded here.

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

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

Fire Stations	School Buildings
Wastewater 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 Inter-Fund 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 local government budgetary process in Massachusetts, and to present illustrative journal entries for recording a municipality's or a district's budget as reported on the Tax Rate Recap.

The Massachusetts Local Government Budgetary Process

The fiscal year end of Massachusetts municipalities and districts is June 30. The budget process, however, 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, several significant steps help one to understand the budget sequence 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	November
3. Real property and personal property valuation determined	January
4. Budgets submitted to authorizing bodies for approval	
• Finance Committee	December
• Town Meeting (G.L. c. 39, § 9)	Feb. - May
• City Council (G.L. c. 44, § 32)	June
5. Budgets approved	June
6. Cherry Sheet notification	June
7. Other amounts required to be raised identified	July
8. Other available funds identified and use determined	Apr. – Dec.
9. Overlay for abatements and exemptions determined	Sept. – Dec.
10. Tax rate set and tax levy committed for collection	Sept. – Dec.

Elements of a general operating budget in Massachusetts include expected expenditures and transfers-out (uses) for the budget year offset by an equal amount of revenues and transfers-in (sources). Generally, expenditures are provided for by appropriation from a particular revenue source by the entity's legislative body (city council, town meeting). Other amounts, such as the annual Cherry Sheet assessment, Overlay and revolving funds per G. L. c. 44, § 53E½ do not require appropriation. Also, certain end-of-fiscal year line item transfers are approved by a town's executive body (e.g. board of selectmen) rather than by the legislative body.

<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, may include deficit bond proceeds

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

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.

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

To simplify and facilitate the reporting of comparisons of budget and actual revenue 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 appropriated by town meeting or city/town council
3860	OTHER AUTHORIZED EXPENDITURES	Other local expenditures not requiring appropriation
3870	ESTIMATED OTHER FINANCING USES	Operating transfers-out
3880	BUDGETARY FUND BALANCE	Available source of funds for current year or subsequent expenditures. A use of funds for expenditures paid in one year and provided for by taxation in the next.
3890	BUDGETARY CONTROL	The offsetting debit or credit for other budget entries

Recording the Budget

Recording the budget involves entering:

- appropriations on or about July 1 in both the general and subsidiary ledgers for proper budgetary control. The level of control in the subsidiary ledgers is at the discretion of the accountant, but at a minimum, should reflect the vote of the entity's legislative body. Appropriations should include those that will be expended from the General Fund as well as transfers (estimated other financing uses) that will be expended from another fund and should only include those for the

upcoming fiscal year beginning July 1.

- other amounts which must be raised by taxation on the Recap or Pro Forma, page 2, parts IIB, IIC and IID, if not otherwise provided for. They include state and county assessments, the overlay and certain amounts allowed by the General Laws to be overspent.
- certain revenue estimates on or about July 1. Revenues should include local estimated receipts, transfers from other funds (estimated other financing sources), an estimate of real and personal property tax levy net of overlay, and state Cherry Sheet distributions and reimbursements.

Some funds that may be considered part of the entity's "budget" for the upcoming fiscal year are not appropriated by the entity's legislative body. Therefore, the amounts are not reported on the Tax Rate or Pro Forma Recap. These include certain federal and state grants and appropriation transfers allowed by G. L. c. 44, § 33B.

The information for recording the entity's budget is found on the Tax Rate and/or Pro Forma Recap and supporting Schedules. A Tax Rate Recap, approved by the Bureau of Accounts, is completed when the actual tax bills are to be issued by the entity. A Pro Forma Recap, approved by the Bureau of Accounts, is completed when estimated tax bills are to be issued by the entity. The Pro Forma Recap must be followed by a Tax Rate Recap for actual tax bills to be issued..

Illustrative Journal Entries and Supporting Schedules

The following is a list of source and supplementary documents for the budgetary entries. The yellow-highlighted documents show those for which action is required by the entity's accounting official.

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Form	Completed by	Description
Schedule of Amts. Certified for Tax Title Purposes	Collector/Treasurer	Documentation of amounts raised for tax title purposes
A-1	Accounting Officer, Assessors	Offset Receipts use and appropriation
A-2	Clerk, Accounting Officer, Assessors, Commissioners	Enterprise Fund receipts/appropriations
A-3	Accounting Officer, Assessors	Revolving Fund use under Ch44, §53E1/2
A-4 and * Worksheet See IGRs 00-209 and 01-207	Accounting Officer, Clerk, Assessors, CPA Committee	Community Preservation Fund
B-1	Accounting Officer	Free Cash certification and appropriation
B-2	Accounting Officer	Available funds sources/uses
OL-1	Accounting Officer, Assessor	Overlay analysis
DE-1	Accountant, Clerk, Treasurer	Debt exclusion report
* DE-2 (see IGR 02-101)	Mayor, Manager, Selectmen	Determination of Borrowing Covered by Debt Exclusion
* DE-3 (see IGR 02-101)	Assessors, Treasurer, Acct., Mayor, Manager, Selectmen	Adjusted Debt Exclusion Schedule
LA-4	Assessors	Values by class/parcel count
LA-15 Interim Year Adjust.	Assessors	Non-Certification year report
LA-7	Assessors, BLA	Minimum Residential Factor computation
Chapter 200, Acts of 1988	Assessors, BLA	Calculation of Lowest Possible Residential Factor per this chapter
Cherry Sheet		Notification of estimated State and County Assessments and Receipts
* LA-10	Assessors	Assessment adjustment list
LA-13	Assessors	Tax base levy growth
LA-13A	Assessors	Amended tax base levy growth for omitted/revised assessments
Levy Limit	Assessors, BOA	FY14 Maximum Allowable Levy
Options	Assessors	Shift Scenarios
LA-5 Input	Assessors	LA-5 detailed calculations
LA-5 Form	Assessors, Clerk, Council/Selectmen	Classification hearing and excess capacity report
Tax Rate Recap	Accounting Officer, Assessors, Clerk	Four-page form required to certify a tax rate
Pro Forma Recap	Accounting Officer, Assessors, Clerk	Four-page form required for authorization of preliminary tax bills
* Omitted and Revised Assessments Report	Assessors	Assessments in accordance with Chapter 59 sections 75 and 76
* Quarterly Bills Acceptance Notification	Clerk	Notice of acceptance of quarterly tax billing law
* Authorization to Issue Preliminary Tax Bills	Assessors	Notice of request to issue preliminary tax bills
* Letter in Lieu of Balance Sheet	Accounting Officer	Prior year accounts deficit notification
* Pro Forma Unused Levy Capacity Letter	Mayor, CFO, Chairman – Board of Selectmen	Pro Forma excess capacity loss
* MSBA Worksheet	Accountant and/or Treasurer	To estimate MSBA estimated receipt

Tax Rate Recap

The following is an example from page 4 of the Tax Rate or Pro Forma Recap, electronically signed and certified by the city, town or district clerk, and reviewed for accuracy by the entity’s accounting official. The amounts reported in each column represent appropriations and authorizations by the legislative body to be recorded in the accounting official’s records for budgetary control.

APPROPRIATIONS							AUTHORIZATIONS	
							MEMO ONLY	
City/Town Council or Town Meeting Dates	FY*	(a) Total Appropriations Of Each Meeting	(b) ** From Raise and Appropriate	(c) From Free Cash See B-1	(d) From Other Available Funds See B-2	(e) From Offset Receipts, See A-1 or Enterprise Funds, See A-2 Community Preservation	(f) *** Revolving, Funds See A-3	(g) Borrowing Authorization (Other)
4/12/2014	2015	12,203,657.00	11,414,657.00	60,000.00	0.00	729,000.00	10,000.00	500,000.00
7/10/2014	2015	22,500.00	0.00	0.00	22,500.00	0.00	0.00	0.00
			0	0	0	0	0	0
TOTAL		12,226,157.00	11,414,657.00	60,000.00	22,500.00	729,000.00		

Appropriations (use this page for budget entries #1 - #9 below)

The following general ledger budgetary entries record the Tax Rate Recap. Only entry #1 will show the subsidiary ledger entry as an example, although subsidiary entries must be made when appropriations, other authorized expenditures, or estimated other financing sources or uses are recorded. Entry must be made into the subsidiary ledger to maintain budgetary control at the department or other legally required level. Total subsidiary ledger entries must reconcile to the total general ledger entries as reported from the Recap. Entries are presented in the General Fund or other funds when noted. A section of the Recap from which the entries will be taken will appear prior to the entry. Supporting Schedule information will appear after the entry.

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1. General Fund appropriations from raise and appropriate, which cannot be expended until July 1, are reported on the Recap, page 4, column (b).

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

To record the annual budget

Subsidiary Ledger

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

- 2A. A General Fund subsidy to the Water enterprise fund was appropriated as part of the next fiscal year's budget reported in column (b). Had the subsidy not been appropriated, it would have been included as an Other Amount to be Raised on the Tax Rate Recap, page 2, line 10, if not otherwise provided for.

001-3890	BUDGETARY CONTROL	13,000	
001-3870	ESTIMATED OTHER FINANCING USES		13,000

To transfer-out the General Fund subsidy to the enterprise fund.

- 2B. The General Fund subsidy is also recorded in the Water enterprise fund.

650-3820	ESTIMATED OTHER FINANCING SOURCES	13,000	
650-3890	BUDGETARY CONTROL		13,000

To transfer-in of General Fund subsidy to the enterprise fund

3. Appropriations from free cash for purposes other than specifically to reduce the tax rate are reported in column (c) and on Schedule B-1. (An appropriation from free cash specifically to reduce the tax rate is not reported on page 4; recording this action will be shown later in these entries.)

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The appropriation from free cash must be controlled depending upon which fiscal year the expenditure is expected to take place. If prior to June 30, record the control immediately, otherwise record on July 1.

001-3890	BUDGETARY CONTROL	60,000	
001-3830	APPROPRIATIONS		60,000

To record appropriation from free cash

B1
Free Cash

<u>PART I</u>	
1. 7/1/2013 FREE CASH CERTIFICATION	150,000.00
ADD:	
2. FREE CASH UPDATE	0.00
TOTAL	\$ 150,000.00
SUBTRACT FREE CASH APPROPRIATED FROM THIS CERTIFICATION	
3. FY2014 RECAP	0.00
4. FY2015 RECAP	60,000.00
BALANCE OF UNAPPROPRIATED FREE CASH	\$ 90,000.00
<u>PART II</u>	
1. 7/1/2014 FREE CASH CERTIFICATION	125,000.00
ADD:	
2. FREE CASH UPDATE	0.00
TOTAL	\$ 125,000.00
SUBTRACT FREE CASH APPROPRIATED FROM THIS CERTIFICATION	
3. FY2015 RECAP	20,000.00
BALANCE OF UNAPPROPRIATED FREE CASH	\$ 105,000.00

Schedule B-1, Part I, line #4 reflects \$60,000 from entries #3A and #3B above; Part II, line 3 reflects \$20,000 from entry #22 below.

4A. Appropriations from other funds (e.g., Parking Meter Fund) to be expended in the General Fund are estimated other financing uses, or transfers out of the sending fund. The amount is reported in column (d) and on Schedule B-2.

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232-3890	BUDGETARY CONTROL	19,500	
232-3870	ESTIMATED OTHER FINANCING USES		19,500

To record the budget transfer to the General Fund

4B. Because this vote was taken after July 1, a transfer to the General Fund can occur immediately. Appropriations from other funds to be expended in the General Fund are estimated other financing sources, or transfers into the receiving fund.

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

To record budgeted operating transfers-in

4C. Appropriations from other funds to be expended directly from them are recorded only in those funds. An appropriation from the Stabilization fund, for example, is also reported in column (d) and on Schedule B-2. Unless otherwise allowed by legislation, the amount in column (a) of Schedule B-2 must be greater than or equal to the amount in column (b).

250-3890	BUDGETARY CONTROL	3,000	
250-3830	APPROPRIATIONS		3,000

To record appropriation from stabilization fund

B2
Other Funds

Date of Appropriation	Source of Fund	Use of Fund	Col. A Amount in Fund When Approp. Was Made	Col. B Amount of Appropriation
7/10/2014	Parking Meters	Parking Department	22,503.00	19,500.00
7/10/2014	Stabilization Fund	Departmental Equipment	15,000.00	3,000.00
Total:			22,500.00	

5. Recreation receipts appropriated as Offset Receipts per G.L. c. 44, § 53, are reported in column (e) and on Schedule A-1. See Offset Receipts entries in chapter 10, Special Revenue Funds, Other.

261-3890 BUDGETARY CONTROL 50,000
 261-3830 APPROPRIATIONS 50,000

To record appropriation from offset receipts in that fund

A1
Offset Receipts

	Description	(a) Actual Revenues Fiscal 2014	(b) Estimated Receipts Fiscal 2015*
1	Water	0.00	0.00
2	Sewer	0.00	0.00
3	Hospital	0.00	0.00
4	Nursing home	0.00	0.00
5	Recreation department	50,000.00	50,000.00
6	Airport	0.00	0.00
7		0.00	0.00

6. Direct cost appropriations for the Water Department enterprise fund reported in column (e) and on Schedule A-2, part 2a are recorded in the enterprise fund. Do not include a prior fiscal year appropriation from retained earnings, if applicable, reported in part 2a (highlighted on form below). For more information on enterprise funds, see IGR 08-101.

650-3890 BUDGETARY CONTROL 442,000
 650-3830 APPROPRIATIONS 442,000

To record appropriations in the enterprise fund.

A2
Enterprise Funds

Type of enterprise fund/statutory reference: Water

2. Total costs appropriated	
a. Costs appropriated in the enterprise fund	
SAL & WAGES	400,000.00
EXPENSES	42,000.00
CAPITAL OUTLAY	0.00
RESERVE FUND	0.00
OTHER APPROP IN ENT. FUND	0.00
PY costs approp from retained earnings or other enterp available funds	0.00 (Must equal total part 1b)
Total costs appropriated in the enterprise fund	\$ 442,000.00 2a

7. Appropriations from Community Preservation revenues reported in column (e) and on Schedule A-4 are recorded only in the Community Preservation Fund.

246-3890	BUDGETARY CONTROL	250,000	
246-3830	APPROPRIATIONS		250,000

To record appropriations in the Community Preservation Fund

A4
CPF

2. Appropriations and Reservations	
Projects, Acquisitions, Debt service and Other	150,000.00
Administrative Expenses (5% or less of 1A - Total annual revenues)	0.00
Reservations (10% min of 1A - for each Reserve, if not voted within Appropriations)	100,000.00
Budgeted reserve to be appropriated	0.00
Prior Year Deficits	0.00
Total Appropriations and Reservations (To Recap Page 4, Col e)	250,000.00
3. Other (unappropriated, unreserved) (To Recap, Part IIB, Line 10)	0.00
TOTAL Appropriations and Reservations and Other	250,000.00

8. Amounts reported in column (e) and on Schedule A-3 reflect revolving fund revenues per G.L. c. 44, § 53E½ that are authorized, not appropriated, by the entity’s legislative body. Because these amounts are not appropriated, OTHER AUTHORIZED EXPENDITURES is used instead of APPROPRIATIONS.

266-3890	BUDGETARY CONTROL	10,000	
266-3860	OTHER AUTHORIZED EXPENDITURES		10,000

To record revolving fund authorizations

A3
Revolving Funds

(A) Date of Vote	(B) Department Authorized to spend	(C) Type of Receipts Credited	(D) Fiscal 2014 Actual Revenues	(E) Fiscal 2015 Receipts Authorized
4/12/2014	Recreation	Special Events	10,000.00	10,000.00
			0.00	0.00

9. Bonds are authorized by the legislative body and are recorded only in the General Long Term Obligations Account Group.

050-3760	BONDS AUTHORIZED	500,000	
050-3770	BONDS AUTHORIZED – OFFSET		500,000

To record the authorization to issue bonds

Other Amounts to be Raised

The General Laws or special acts may require other amounts to be raised by taxation, if not otherwise provided for. These amounts include prior fiscal year Overlay or revenue deficits, current fiscal year amounts which due to timing or error were not included in the budget such as for tax taking or debt service purposes, or other amounts allowed by law that must be provided for such as Cherry Sheet charges and the Overlay. All these amounts are reported on the Tax Rate or Pro Forma Recap, page 2, parts IIb through II d.

Tax Rate Recap - (use this page for budget entries #10 - #14 below)

II. Amounts to be raised		
IIa. Appropriations (col.(b) through col.(e) from page 4)		12,226,157.00
IIb. Other amounts to be raised		
1. Amounts certified for tax title purposes	5,000.00	
2. Debt and interest charges not included on page 4	0.00	
3. Final court judgements	9,650.00	
4. Total overlay deficits of prior years	2,250.00	
5. Total cherry sheet offsets (see cherry sheet 1-ER)	11,657.00	
6. Revenue deficits	0.00	
7. Offset receipts deficits Ch. 44, Sec. 53E	0.00	
8. Authorized Deferral of Teachers' Pay	0.00	
9. Snow and ice deficit Ch. 44, Sec. 31D	0.00	
10. Other (specify on separate letter)	0.00	
TOTAL IIb (Total lines 1 through 10)		28,557.00
IIc. State and county cherry sheet charges (C.S. 1-EC)		122,608.00
IId. Allowance for abatements and exemptions (overlay)		176,339.00
IIe. Total amount to be raised (Total IIa through IId)		12,553,661.00

10. G. L. c. 60, § 37B authorizes the collector of taxes and G. L. c. 60, § 50B authorizes the treasurer to notify the assessors if an amount needs to be provided for tax title taking and foreclosure purposes. The amount provided for on line 1 is also supported by the Schedule of Amounts Certified for Tax Title Purposes.

001-3890	BUDGETARY CONTROL	5,000	
001-3860	OTHER AUTHORIZED EXPENDITURES		5,000

To record amount raised for tax title purposes

Tax Title

SCHEDULE OF AMOUNTS CERTIFIED FOR TAX TITLE PURPOSES (Recap/Pro Forma page 2, item IIB, line 1)	
Filing and recording fees including examiner's costs required by the Land Court	5,000.00
Advertising and publishing costs	0.00
Certified Mailing	0.00
Other-(specify)	0.00
Total: 5,000.00	

11. Prior fiscal year final court judgment and Overlay deficits not otherwise provided for are raised by taxation on lines 3 and 4. Supporting documentation includes the entity's prior fiscal year balance sheet and actual court judgment (an agreement or settlement for judgment signed by the court may be raised without appropriation; a settlement not signed by the court must be appropriated). See Chapter 9, Final Court Judgments, for more details.

001-3890	BUDGETARY CONTROL	11,900	
001-3880	BUDGETARY FUND BALANCE		11,900

To raise \$9,650 for Final Court Judgments and \$2,250 for Overlay deficits from the prior fiscal year

12. A Cherry Sheet offset is a required reservation of Cherry Sheet revenue to be received. Supporting documentation for this entry is the annual Cherry Sheet, C.S. - 1ER. See Chapter 10, School Lunch.

001-3890	BUDGETARY CONTROL	11,657	
001-3815	ESTIMATED REVENUE		11,657

To record the Cherry Sheet Offset

**C.S. 1-ER Commonwealth of Massachusetts Department of Revenue
NOTICE TO ASSESSORS OF ESTIMATED RECEIPTS
General Laws, Chapter 58, Section 25A**

A. EDUCATION:	
Distributions and Reimbursements:	
1. Chapter 70	3,364
2. School Transportation <i>Chs. 71, 71A, 71B and 74</i>	0
3. Charter Tuition Reimbursements <i>Ch. 71, s. 89</i>	0
4. Smart Growth School Reimbursements <i>Ch. 40S</i>	0
Offset Items – Reserve for Direct Expenditure:	
5. School Lunch <i>1970, Ch. 871</i>	0
6. School Choice Receiving Tuition <i>Ch. 76, s. 12B, 1993, Ch. 71</i>	0
Sub-Total, All Education Items	3,364
B. GENERAL GOVERNMENT:	
Distributions and Reimbursements:	
1. Unrestricted General Government Aid	827,617
2. Local Share of Racing Taxes <i>1981, Ch. 558</i>	0
3. Regional Public Libraries <i>Ch. 78, s. 19C</i>	0
4. Urban Renewal Projects <i>Ch. 121, ss. 53-57</i>	0
5. Veterans' Benefits <i>Ch. 115, s. 6</i>	35,218
6. Exemptions: Vets, Blind, Surviving Spouses & Elderly <i>Ch. 58, s. 8A; Ch. 59 s. 5</i>	30,845
7. State Owned Land <i>Ch. 58, ss. 13-17</i>	132,110
Offset Item - Reserve for Direct Expenditure:	
8. Public Libraries <i>Ch. 78, s. 19A</i>	11,657
Sub-Total, All General Government	1,037,447
C. TOTAL ESTIMATED RECEIPTS, FISCAL 2014	1,040,811

13. The current fiscal year's Cherry Sheet assessment is raised by taxation.
Supporting documentation for this entry is the annual Cherry Sheet, C.S. - 1EC.

001-3890	BUDGETARY CONTROL	122,608
001-3860	OTHER AUTHORIZED EXPENDITURES	122,608

To record state and county assessments for the fiscal year

**C.S. 1-EC Commonwealth of Massachusetts Department of Revenue
NOTICE TO ASSESSORS OF ESTIMATED CHARGES
General Laws, Chapter 59, Section 21**

A. County Assessments:	
1. County Tax: <i>Ch. 35, ss. 30, 31</i>	0
2. Suffolk County Retirement <i>Ch. 61, Acts of 2009, s. 10</i>	0
Sub-Total, County Assessments	0
B. STATE ASSESSMENTS AND CHARGES:	
1. Retired Employees Health Insurance <i>Ch. 32A, s. 10B</i>	0
2. Retired Teachers Health Insurance <i>Ch. 32A, s. 12</i>	0
3. Mosquito Control Projects <i>Ch. 252, s. 5A</i>	61,758
4. Air Pollution Districts <i>Ch. 111, ss. 142B, 142C</i>	2,179
5. Metropolitan Area Planning Council <i>Ch. 40B, ss. 26, 29</i>	0
6. Old Colony Planning Council <i>1967, Ch. 332</i>	0
7. RMV Non-Renewal Surcharge <i>Ch. 90; Ch. 60A</i>	5,860
Sub-Total, State Assessments	69,797
C. TRANSPORTATION AUTHORITIES:	
1. MBTA <i>Ch. 161A, ss. 8-9; 1974, Ch. 825, ss. 6-7</i>	29,616
2. Boston Metro. Transit District <i>1929, Ch. 383; 1954, Ch. 535</i>	0
3. Regional Transit <i>Ch. 161B, ss. 9, 10, 23; 1973, Ch. 1141</i>	23,195
Sub-Total, Transportation Assessments	52,811
D. ANNUAL CHARGES AGAINST RECEIPTS:	
1. Special Education <i>Ch. 71B, ss. 10, 12</i>	0
2. STRAP Repayments <i>1983, Ch. 637, s. 32</i>	0
Sub-Total, Annual Charges Against Receipts	0
E. TUITION ASSESSMENTS:	
1. School Choice Sending Tuition <i>Ch. 76, s. 12B, 1993, Ch. 71</i>	0
2. Charter School Sending Tuition <i>Ch. 71, s. 89</i>	0
3. Essex County Technical Institute Sending Tuition <i>1998, Ch. 300, s. 21</i>	0
Sub-Total, Tuition Assessments	0
F. TOTAL ESTIMATED CHARGES, FISCAL 2014	122,608

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14. The current fiscal year’s Allowance for Abatements and Exemptions (Overlay) is recorded as a reduction of estimated tax levy. Supporting documentation for this entry includes the entity’s prior fiscal year’s balance sheet and Schedule OL-1. Schedule OL-1 is used to determine the amount’s reasonableness.

001-3890	BUDGETARY CONTROL	176,339	
001-3810	ESTIMATED TAX LEVY		176,339

To record the Overlay for the fiscal year

OL1
Overlay

	A. 2014 (Certified)	B. 2013	C. 2012	Prior Years	Total
1. Overlay Raised Per Recap	168,000.00	148,000.00	155,000.00		
2. Overlay Deficits Raised	3,800.00	13,000.00	0.00		
3. Less-Total Abatements and Exemptions charged through 06/30/2014	171,800.00	161,000.00	132,000.00		
4. Less-Amount transferred to Overlay Surplus if any	0.00	0.00	0.00		
5. Totals - should equal FY 2014 balance sheet	0.00	0.00	23,000.00	0.00	23,000.00
6. Potential Additional Liability (ATB Cases)	0.00	15,000.00	0.00	0.00	15,000.00
7. Total Potential Liability (add 3+6)	171,800.00	176,000.00	132,000.00		

Tax Rate Recap

The following is from the bottom half of the Tax Rate or Pro Forma Recap, page 2. The amounts reported represent revenues and other financing sources from sources other than from the current fiscal year’s tax levy. Revenues and other financing sources as indicated are supported by detail found on other pages of the Recap or other Schedules.

(Recap, page 2, use this page for budget entries #15 to #22 below)

III. Estimated receipts and other revenue sources		
IIIa. Estimated receipts - State		
1. Cherry sheet estimated receipts (C.S. 1-ER Total)	<input type="text" value="1,040,811.00"/>	
2. Massachusetts school building authority payments	<input type="text" value="0.00"/>	
TOTAL IIIa		1,040,811.00
IIIb. Estimated receipts - Local		
1. Local receipts not allocated (page 3, col(b), Line 24)	<input type="text" value="1,049,750.00"/>	
2. Offset Receipts (Schedule A-1)	<input type="text" value="50,000.00"/>	
3. Enterprise Funds (Schedule A-2)	<input type="text" value="429,000.00"/>	
4. Community Preservation Funds (See Schedule A-4)	<input type="text" value="250,000.00"/>	
TOTAL IIIb		1,778,750.00
IIIc. Revenue sources appropriated for particular purposes		
1. Free cash (page 4, col.(c))	<input type="text" value="60,000.00"/>	
2. Other available funds (page 4, col.(d))	<input type="text" value="22,500.00"/>	
TOTAL IIIc		82,500.00
IIId. Other revenue sources appropriated specifically to reduce the tax rate		
1a. Free cash..appropriated on or before June 30, 2015	<input type="text" value="0.00"/>	
b. Free cash..appropriated on or after July 1, 2015	<input type="text" value="20,000.00"/>	
2. Municipal light source	<input type="text" value="0.00"/>	
3. Teachers' pay deferral	<input type="text" value="0.00"/>	
4. Other source : <input type="text"/>	<input type="text" value="0.00"/>	
TOTAL IIId		20,000.00
IIIe. Total estimated receipts and other revenue sources		
(Total IIIa through IIId)		2,922,061.00

ESTIMATED REVENUES

The following are General Ledger budgetary entries for recording the Tax Rate Recap. Only entry #1 will show the subsidiary ledger entry as an example, although subsidiary entries must be made when revenues, estimated other financing sources or uses and the tax levy are recorded. Entry must be made into the subsidiary ledger to maintain budgetary control at the department or other legally required level. Total subsidiary ledger entries must reconcile to the total general ledger entries as reported from the Recap.

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15. Expected Cherry Sheet distributions are reported. Supporting documentation for this entry is the annual Cherry Sheet, C.S. 1-ER (see entry #12 above). Similar debit and credit entries apply to Massachusetts School Building Authority payments reported on line 2.

001-3815	ESTIMATED REVENUE	1,040,811	
001-3890	BUDGETARY CONTROL		1,040,811

To record State Cherry Sheet

Subsidiary Ledger

001-4610	Reimbursement for Loss of Taxes on State Owned Land	132,110	
001-4610	Abatements to Veterans, Blind, Surviving Spouses and Elderly	30,845	
001-4660	Veterans' Benefits	35,218	
001-4661	Unrestricted General Government	827,617	
001-4620	Chapter 70	3,364	
001-4000	Subsidiary Revenue Control		1,029,154

16. Budgeted local estimated receipts are recorded. Supporting documentation for this entry is the Tax Rate Recap, page 3, column (b).

001-3815	ESTIMATED REVENUE	1,049,750	
001-3890	BUDGETARY CONTROL		1,049,750

To record estimated receipts budget

Tax Rate Recap

Motor vehicle excise	860,750.00	825,000.00
Other Excise		
a. Meals	20,000.00	20,000.00
b. Room	10,000.00	10,000.00
c. Other	0.00	7,000.00
Penalties and interest on taxes and excises	70,000.00	22,500.00
Payments in lieu of taxes	5,000.00	31,250.00
Licenses and permits	31,500.00	31,500.00
Special assessments	0.00	0.00
Fines and forfeits	17,500.00	17,500.00
Investment income	3,000.00	3,000.00
Medicaid Reimbursement	20,000.00	20,000.00
Miscellaneous recurring (please specify)	62,000.00	62,000.00
Miscellaneous non-recurring (please specify)	0.00	0.00
Totals	1,099,750.00	1,049,750.00

17. Estimated receipts from Offset Receipts, G. L. c. 44, § 53E are recorded. Supporting documentation for this entry is the Tax Rate Recap, page 4, column (e) and Schedule A-1. See corresponding appropriation entry #5 above.

261-3815	ESTIMATED REVENUE	50,000	
261-3890	BUDGETARY CONTROL		50,000

18. The estimated revenues and use of enterprise available funds are recorded in the enterprise fund. Supporting documentation for this entry is the Tax Rate Recap, page 4, column (e) and Schedule A-2. See corresponding appropriation entry #6 Do not include retained earnings and/or other enterprise available funds used for prior fiscal year costs reported in part 1b(b) (highlighted on form below).

650-3815	ESTIMATED REVENUE	379,000	
650-3880	BUDGETARY FUND BALANCE	50,000	
650-3890	BUDGETARY CONTROL		429,000

To record the estimated revenue and use of enterprise available funds

A2
Enterprise Funds

	(a) FY 2014 Actual Revenues	(b) FY 2015 Estimated Revenues
I. Enterprise revenues and available funds		
a. User charges	0.00	377,000.00
Connection Fees	0.00	0.00
Other departmental revenue	0.00	0.00
Investment income	0.00	2,000.00
Total revenues :	0.00	379,000.00
Retained earnings appropriated **	0.00	50,000.00
Other enterprise available funds	0.00	0.00
Specify	0.00	0.00
Total current year revenues and available funds	\$ 0.00	\$ 429,000.00
b. Retained earnings appropriated for PY costs **		0.00
Other enterprise available funds for PY costs		0.00
Total revenues and available funds for PY costs		0.00
Total revenues and available funds	\$ 0.00	\$ 429,000.00

19. Community Preservation Fund revenues as reported on Schedule A-4 are recorded only in the Community Preservation Fund. See corresponding appropriations entry #7 above.

246-3815	ESTIMATED REVENUE	250,000	
246-3890	BUDGETARY CONTROL		250,000

To record revenues in the Community Preservation Fund



1. Annual Revenues and other available Funds		
Surcharge	0.00	200,000.00
State trust fund distribution	0.00	48,000.00
Other (i.e. Interest, OFS appropriated to the fund-CH44B 3-b1/2)	0.00	2,000.00
1A. Total Annual Revenues	0.00	250,000.00
Fund reserves and or balances voted at City/Town meeting(s)		0.00
Other		0.00
Total Revenues and Available Funds (To Recap, Part IIIB, Line 4)		250,000.00

20. Revenue based upon appropriation from free cash for purposes other than specifically to reduce the tax rate was recorded in entry #3A above.

001-3880	BUDGETARY FUND BALANCE	60,000	
001-3890	BUDGETARY CONTROL		60,000

To record use of free cash

21A. Revenue based upon appropriation from the Parking Meter Fund to be transferred into the General Fund was reported in entry #4B above.

232-3880	BUDGETARY FUND BALANCE	19,500	
232-3890	BUDGETARY CONTROL		19,500

To record revenue from Parking Meter fund

21B. Appropriation from the Stabilization Fund to be expended from that fund was reported in entry #4C above.

250-3880	BUDGETARY FUND BALANCE	3,000	
250-3890	BUDGETARY CONTROL		3,000

To record appropriation use of stabilization fund

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22. An appropriation of free cash or other amounts voted specifically to reduce the tax rate represents a planned use of surplus funds to either balance the budget or reduce the amount of taxes that must be levied. In this example, Recap page 2 and Schedule B-1 indicate that the appropriation was made from free cash certified after the beginning of the new fiscal year.

001-3880	BUDGETARY FUND BALANCE	20,000	
001-3890	BUDGTARY CONTROL		20,000
001-3890	BUDGETARY CONTROL	20,000	
001-3830	APPROPRIATIONS		20,000

To record free cash to reduce the tax rate

(Recap, page 2, use this for budget entry #23 below)

I. TAX RATE SUMMARY	
Ia. Total amount to be raised (from IIe)	12,553,661.00
Ib. Total estimated receipts and other revenue sources (from IIIe)	2,922,061.00
Ic. Tax Levy (Ia minus Ib)	9,631,600.00

23. The estimated tax levy is recorded.

001-3810	ESTIMATED TAX LEVY	9,631,600	
001-3890	BUDGETARY CONTROL		9,631,600

To record the estimated tax levy

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. The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Generally, all funds received by a governmental entity belong to the General Fund under G.L. c. 44, § 53, unless otherwise directed by Massachusetts General Laws or by Special Acts of the Massachusetts Legislature. The General Fund is considered an unrestricted operating fund.

Grants must be separated 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 in any other fund 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 (assessments for districts), 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 and certain Special Revenue Funds, substantially all of the annual budget and recurring departmental expenditures are accounted for in the General Fund.

The General Fund will also have transactions with other funds. Examples of these transactions, or transfers, are shown in this chapter.

Budget

A governmental entity's annual budget will be formally recorded in budgetary accounts and integrated into the General Fund general ledger.

General Fund Accounting

The principal source of revenue for the General Fund is the property tax. The journal entries illustrate the types of entries that may be made during a fiscal year from the Opening to the Closing Trial Balance. 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. The entries have been grouped under the following general categories:

- Budget Entries (see chapter 8 for budgetary journal entries);
- Opening Trial Balance;
- Prior Fiscal Year Matters;
- Expenditures and Other Cash Disbursements;
- Appropriation from Free Cash;
- Inter-Fund Transfers;
- Intra-Fund Transfers;
- Emergency Spending;
- State/County Notice of Estimated Receipts and Charges – The Cherry Sheet;
- Commitment of Property and Excise Taxes;
- Collection of Property and Excise Taxes;
- Abatement and Exemption of Property and Excise Taxes;
- Refund of Property and Excise Taxes;
- Deferral and Subsequent Collection of Real Property Tax;
- Tax Liens;
- Tax Foreclosures;
- Taxes in Litigation;
- Departmental Receivables and Direct Receipts;
- Investment of Cash;
- Borrowing;
- Petty Cash;
- Overlay;
- Tailings;
- Year-End Transactions;
- Closing Entries
- Closing Trial Balance

UMAS Modified Accrual

For UMAS accounting purposes, the General Fund is reported using a “UMAS modified accrual” basis meaning that revenues are recorded on a cash basis during the fiscal year and year-end adjusting entries for certain late payments may be recorded in accordance with the Director’s annual year-end guidance to Accountants and Auditors.

The Director’s guidance allows:

- state aid payments received by September 30;

- Federal/state reimbursements received by September 30 for FY2014 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit;
- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2014 expenditures that resulted in a deficit fund balance as of June 30 provided:
 - (a) a documented reimbursement request was filed with the appropriate authority by September 30 and;
 - (b) the Bureau must be satisfied that payment will be made;
- Funds borrowed in anticipation of reimbursement and to offset a deficit fund balance are borrowed by June 30, or with a 44:31 approval, borrowing through the setting of the tax rate;
- UMAS does not recognize the GAAP “60 day rule” for receipts collected after June 30. For tax bills issued after May 1, 60 days of property tax receipts beginning on the date of mailing is allowed.

Opening Trial Balance

- 1.) The prior fiscal year’s General Fund Closing Trial Balance is brought forward and recorded as the current fiscal year’s General Fund Opening Trial Balance.

001-1040 Cash – Unrestricted	589,250	
001-1110 Short Term Investments	316,750	
001-1210 Personal Property Taxes Receivable FY20xx	50,000	
001-1220 Real Estate Taxes Receivable FY20xx	295,000	
001-1230 Allowance for Abatements and Exemptions FY20xx		40,000
001-1240 Tax Liens Receivable	32,250	
001-1260 Motor Vehicle Excise Receivable FY20xx	215,500	
001-2010 Warrants Payable		250,000
001-2610 Deferred Revenue – Real and Personal Property Taxes		305,000
001-2622 Deferred Revenue – Tax Liens		32,250
001-2630 Deferred Revenue – Motor Vehicle Excise FY20xx		215,500
001-3240 Fund Balance Reserved for Expenditures		100,000
001-3590 Undesignated Fund Balance		567,900
001-3594 Unreserved Fund Balance – Overlay Deficit	2,250	
001-3595 Unreserved Fund Balance – Final Court Judgments	<u>9,650</u>	<u> </u>
	<u>1,510,650</u>	<u>1,510,650</u>

To record the opening trial balance

Prior Fiscal Year Matters

Pay Prior Fiscal Year Warrants Payable

2.) Warrants Payable are paid.

001-2010	Warrants Payable	250,000	
001-1040	Cash - Unrestricted		250,000

To record payment of Warrants Payable

No Subsidiary Ledger Entry

Prior Fiscal Year Unpaid Bills (Not Encumbered)

Prior fiscal year unpaid bills may be appropriated for in the new fiscal year and paid from the new fiscal year’s budget in a town at an annual meeting by a four-fifths vote, or at a special meeting by a nine-tenths vote, of the voters present and voting, and in a city which accepts G.L. c. 44, § 64, by a two-thirds vote of the city council.

Prior fiscal year unpaid bills due to any other town or to a district, a city, a county or the commonwealth, or for legally incurred debt and interest the payment of which is provided for by any general or special law require a majority vote of the entity’s legislative body.

3.) The entity approves and pays prior fiscal year bills.

001-3930	Expenditures	12,000	
001-1040	Cash – Unrestricted		12,000

To record payment of a prior fiscal year’s unpaid bill - warrant # _____

Subsidiary Ledger

001-5210	Energy	12,000	
001-5000	Subsidiary Appropriation Control		12,000

Expenditures and Other Cash Disbursements

The following journal entries assume that the governmental entity does not utilize an encumbrance system (a system of recording purchase orders). All expenditures or cash disbursements must be authorized by an approved treasury warrant (G.L. c. 41, § 56).

Payroll

Payroll is computed for the period from various supporting documentation submitted by each department. A payroll warrant is generally prepared for the gross amount approved by the department head and individual checks are prepared for the net pay of each employee. Various withholding amounts are deposited with the Treasurer who reports them on the Treasurer's Report of Cash Received. After review and approval by the Accountant, payroll is entered on a Treasurer's payroll disbursement warrant.

- 4.) Salaries are paid from the General Fund and withholdings from an Agency Fund. Withholdings may be expended directly from the General Fund, but there is no subsidiary ledger for them.

001-3930	Expenditures	350,000	
001-1040	Cash - Unrestricted		250,000
001-2120	Federal Income Tax Withholdings Payable		25,000
001-2130	State Income Tax Withholdings Payable		25,000
001-2140	Retirement Withholdings Payable		25,000
001-2150	Insurance Withholdings Payable		25,000

To record the payroll expenditures – warrant # _____

Subsidiary Ledger

001-5110	Salaries and Wages, Permanent Positions	325,000	
001-5120	Salaries and Wages, Temporary Positions	25,000	
001-5000	Subsidiary Appropriation Control		350,000

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- 5.) The employees' withholdings are transferred to an Agency Fund. No further vote by the entity's legislative body is required for the transfer.

001-2120	Federal Income Tax Withholdings Payable	25,000	
001-2130	State Income Tax Withholdings Payable	25,000	
001-2140	Retirement Withholdings Payable	25,000	
001-2150	Insurance Withholdings Payable	25,000	
001-1040	Cash – Unrestricted		100,000

To record transfer of employees' withholdings to an Agency Fund

Subsidiary Ledger

001-5966	Transfers to Special Purpose Trust and Agency Funds	100,000	
001-5000	Subsidiary Appropriation Control		100,000

- 6.) The remittance of employee amounts withheld is reported through the Treasurer's disbursement warrant and is expended from the Agency Fund. The employer's share of the expenditure is paid from the General Fund. The following example reflects payment of the employer's share to the insurance provider.

001-3930	Expenditures	100,000	
001-1040	Cash – Unrestricted		100,000

To record the remittance of the employer's share of payroll withholdings – warrant # _____

Subsidiary Ledger

001-5170	Unemployment Insurance	50,000	
001-5170	Health Insurance (employer's portion)	50,000	
001-5000	Subsidiary Appropriation Control		100,000

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Vendor Bills

- 7.) Payment requests for expenditures reported on the Treasurer's warrant are forwarded by the departments and compiled. The warrant for goods and services and other departmental expenditures is prepared.

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

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

Subsidiary Ledger

001-5210	Energy	100,000	
001-5240	Repairs and Maintenance	15,000	
001-5300	Professional and Technical	35,000	
001-5000	Subsidiary Appropriation Control		150,000

Vendor Refund

- 8.) A refund from a vendor for a bill overpayment is received and reported through the Treasurer's Report of Cash Received.

001-1040	Cash – Unrestricted	2,000	
001-3930	Expenditures		2,000

To record the receipt of a vendor refund for expenditures paid

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	2,000	
001-5420	Office Supplies		1,000
001-5430	Building and Equipment Repairs and Maintenance Supplies		1,000

Appropriation from Free Cash

9.) Free Cash is appropriated after certification of the tax rate.

001-3880	BUDGETARY FUND BALANCE	10,000	
001-3890	BUDGETARY CONTROL		10,000
001-3890	BUDGETARY CONTROL	10,000	
001-3830	APPROPRIATIONS		10,000

To record the transfer of free cash to appropriations

10.) Undesignated Fund Balance is adjusted to reserve free cash.

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

To adjust Undesignated Fund Balance for free cash appropriation

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	10,000	
001-5270	Rentals and Leases		10,000

11.) A bill for Rentals and Leases is paid from free cash. Adjusting entry #117 reinstates the fund balance.

001-3930	Expenditures	10,000	
001-1040	Cash – Unrestricted		10,000

To record payment of bill funded by free cash

Subsidiary Ledger

001-5270	Rentals and Leases	10,000	
001-5000	Subsidiary Appropriations Control		10,000

Inter-fund Transfers

When the General Fund “purchases” a good or service already paid for by another fund, the transaction is recorded as Expenditures and reduction of Cash in the General Fund and as a reduction of Expenditures and Cash receipt in the other fund.

- 12.) Two Recreation Department (General Fund) vehicles are filled with gasoline from the Water Department’s (Enterprise Fund) gasoline pump.

001-3930	Expenditures	100	
001-1040	Cash – Unrestricted		100

To record the purchase of gasoline from the Water Enterprise Fund.

Subsidiary Ledger

001-5480	Vehicular Supplies	100	
001-5000	Subsidiary Appropriation Control		100

When a fund, other than the General Fund, “purchases” a good or service already paid for by the General Fund, the transaction is recorded as a receipt of Cash and reduction of Expenditures in the General Fund and as Expenditures and reduction of Cash in the other fund.

- 13.) The Water Department (Enterprise Fund) “purchases” office supplies from the Central Purchasing Department (General Fund).

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

To record the sale of office supplies to the Enterprise Fund

Subsidiary Ledger

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

An inter-fund transfer from the General Fund to another fund is reported as an Other Financing Use and reduction of Cash in the General Fund. It is an Other Financing Source in the receiving fund.

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14.) A transfer from the Reserve Fund is voted to repair a water break. The Water Department is accounted for in an Enterprise Fund.

001-3830	APPROPRIATIONS	1,000	
001-3890	BUDGETARY CONTROL		1,000
001-3890	BUDGETARY CONTROL	1,000	
001-3870	ESTIMATED OTHER FINANCING USES		1,000

To record transfer from the Reserve Fund

15.) The actual entry for the Reserve Fund transfer is recorded.

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

To record the actual entry of the Reserve Fund transfer

Subsidiary Ledger

001-5965	Transfers to Proprietary Funds	1,000	
001-5000	Subsidiary Appropriation Control		1,000

16.) Funds are transferred to the Capital Projects Fund for the sewer project. The expenditure will be paid from the Capital Projects Fund.

001-3970	Other Financing Uses	20,000	
001-1040	Cash – Unrestricted		20,000

To record the transfer to the capital projects fund

Subsidiary Ledger

001-5963	Transfers to Capital Projects Fund	20,000	
001-5000	Subsidiary Appropriation Control		20,000

An inter-fund transfer from Parking Meter Receipts Reserved to supplement the General Fund Parking Department's operating budget is reported as a receipt of Cash and an Other Financing Source in the General Fund and as an Other Financing Use and reduction of Cash in the sending fund.

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17.) A transfer is voted from Parking Meter Receipts Reserved for General Fund use.

001-1040	Cash – Unrestricted	19,500	
001-3920	Other Financing Sources		19,500

To record the transfer from the Special Revenue Fund

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	19,500	
001-4972	Transfers From Special Revenue Funds		19,500

18.) Funds are expended for special education from the State Special Education Reimbursement Fund, or “circuit breaker.” The expenditure is first incurred from a suitable General Fund line item.

001-3930	Expenditures	200,000	
001-1040	Cash – Unrestricted		200,000

To record expenditure of funds for special education

Subsidiary Ledger

001-5320	Special Education Tuition	200,000	
001-5000	Subsidiary Appropriation Control		200,000

19.) The “circuit breaker” reimbursement is recorded into a Special Revenue Fund and the General Fund expenditures are transferred into that fund. No further vote of the legislative body is required for the transfer.

Per Department of Elementary and Secondary Education regulations, the balance in this fund at the close of any fiscal year can be no greater than the Department’s reimbursement for that fiscal year, not including extraordinary assistance. Any excess fund balance must close to the General Fund. Any deficit fund balance must be charged to the next fiscal year’s school budget.

001-1040	Cash – Unrestricted	200,000	
001-3930	Expenditures		200,000

To reimburse General Fund for special education expenditures

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	200,000	
001-5320	Special Education Tuition		200,000

Intra-fund Transfers

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

20.) A vote transfers from salaries and wages to repairs and maintenance after the tax rate has been certified.

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

To record transfer of fund from salaries and wages to repairs and maintenance

Subsidiary Ledger

001-5110	Salaries and Wages - Permanent	2,000	
001-5000	Subsidiary Appropriation Control		2,000
001-5000	Subsidiary Appropriation Control	2,000	
001-5240	Repairs and Maintenance		2,000

21.) The Reserve Fund is voted by the Finance Committee for an unanticipated equipment repair.

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

To record transfer from Reserve Fund

Subsidiary Ledger

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

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22.) The Fund Balance Reserved for Overlay Surplus is appropriated prior to June 30 but after the tax rate is certified for use in the current fiscal year to fund building repairs.

001-3880	BUDGETARY FUND BALANCE	3,000	
001-3890	BUDGETARY CONTROL		3,000
001-3890	BUDGETARY CONTROL	3,000	
001-3830	APPROPRIATIONS		3,000

To record transfer from overlay surplus

23.) When appropriated, the fund balance is adjusted. Note: Use Fund Balance Reserved for Expenditures if voted for next fiscal year's budget.

001-3220	Fund Balance Reserved for Overlay Surplus	3,000	
001-3590	Undesignated Fund Balance		3,000

To adjusted fund balance for this appropriation

Subsidiary Ledger

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

24.) Expenditures for Repairs and Maintenance are paid from Overlay Surplus.

001-3930	Expenditures	3,000	
001-1040	Cash – Unrestricted		3,000

To record payment for repairs and maintenance from Overlay Surplus

Subsidiary Ledger

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

Emergency Spending (G.L. c. 44, § 31)

Cities, towns or districts may incur a liability in excess of appropriation in only certain circumstances. G.L. c. 44, § 31 allows for such spending in cases of major disaster, including, but not limited to, flood, drought, fire, hurricane, earthquake, storm or other catastrophe, whether natural or otherwise, which poses an immediate threat to the health or safety of persons or property, and then only by a vote in a city of two-thirds of the members of the city council, and in a town by a majority vote of all the selectmen.

The entity must vote that an emergency exists (except if the Governor declares such an emergency for the state as a whole) and payment of such liabilities may only occur after approval by the Director of Accounts. Separate accounts should be created for multiple c. 44, § 31 approvals to prepare for any final reporting requirement or necessary borrowing authorization. Such amounts expended after the tax rate for the fiscal year has been certified by the Director of Accounts, less any reimbursements received for the emergency, must be provided for on the next fiscal year’s tax rate. Such amounts expended after July 1 of the next fiscal year, less any reimbursements received for the emergency, may be provided for on that fiscal year’s tax rate, otherwise must be provided for in the following fiscal year’s tax rate.

- 25.) The governmental entity expends emergency funds in accordance with G.L. c. 44, § 31 after certification of the current fiscal year’s tax rate. No reimbursement from any source (e.g. FEMA/MEMA, insurance) is anticipated. Expenditures are authorized as per the law and must be provided for as indicated above unless otherwise indicated by the Director. Adjusting entry #115 reserves a portion of fund balance which must be raised in the next fiscal year’s tax rate unless otherwise provided for.

001-3930	Expenditures	100,000	
001-1040	Cash - Unrestricted		100,000

To record the emergency expenditures per c. 44, § 31

Subsidiary Ledger

001-5240	Repairs and Maintenance	100,000	
001-5000	Subsidiary Appropriation Control		100,000

Alternative treatment for G.L. c. 44, § 31 expenditures and receipt of reimbursement funds (exclusive of insurance proceeds)

The above entry records the expenditure of emergency funds and receipt of FEMA/MEMA reimbursements in the General Fund. An alternative treatment:

- records the expenditures in the General Fund;
- establishes a Special Revenue Fund for an anticipated FEMA/MEMA reimbursement;
- records the reimbursement in the Special Revenue Fund;
- transfers the expenditures from the General Fund to the Special Revenue Fund without further legislative body action.

Any deficit in the Special Revenue Fund must be raised on the next fiscal year's tax rate unless otherwise provided for as required by the Director of Accounts.

Any surplus in the Special Revenue Fund after all final expenditures on the emergency are transferred to the General Fund and closed to undesignated fund balance on June 30.

Final Court Judgments, Industrial Accident Board Awards or Orders of Payment, Each in Excess of \$10,000, G.L. c. 44, § 31

A court judgment or an Industrial Accident Board award or order of payment prior to the end of the fiscal year but after the tax rate for that fiscal year has been certified by the Director of Accounts, is paid for then raised without appropriation in the next fiscal year's tax rate unless otherwise provided for.

The law allows for payment of the judgment greater than \$10,000 after the tax rate has been certified but prior to June 30 with the approval of the Director of Accounts. A judgment of \$10,000 or less may be paid without the Director's approval, but with the same requirement to be provided. A judgment for any amount rendered after July 1 and prior to the setting of that fiscal year's tax rate may be added as an amount to be provided without appropriation on the Tax Rate Recap and without the Director's approval.

- 26.) The local governmental unit is ordered to pay a final judgment by the court after the tax rate has been certified by the Director of Accounts and pays it through an approved warrant pursuant to G.L. c. 44, § 31. Adjusting entry #112 reserves a portion of fund balance which must be raised in the next fiscal year's tax rate unless otherwise provided for.

001-3930	Expenditures	15,000	
001-1040	Cash – Unrestricted		15,000

To record the expenditures on warrant # _____

Subsidiary Ledger

001-5760	Judgments	15,000	
001-5000	Subsidiary Appropriation Control		15,000

Snow and Ice (G.L. c. 44, § 31D)

Under certain conditions per G. L. c. 44, § 31D, cities and towns may expend funds for snow and ice removal in excess of appropriation and include the excess amount without appropriation in the next fiscal year's tax rate if not otherwise provided for as required by the Director of Accounts. The entity's current fiscal year's snow and ice budget, for example, must equal or exceed last fiscal year's snow and ice budget.

Any reimbursement from FEMA or MEMA for storm related expenditures may be recorded to the General Fund and may, depending upon the timing of receipt, be used (1) as an estimated receipt on the next Tax Rate Recap, (2) may without appropriation net the snow and ice deficit that must be provided for on the next Tax Rate Recap or (3) may close to the General Fund Balance.

Entities may reserve a snow and ice deficit on its balance sheet to be provided for on the next tax rate without appropriation assuming procedures are followed under G.L. c. 44, § 31D. Deficit spending from this account is authorized for only those expenditures directly related to the removal of snow and ice that are variable and unpredictable from year to year depending on the severity of the winter. Typically, these expenditures include overtime costs for DPW plowing crews, the cost of extra sand and chemicals to be spread on the roads, and the cost of hiring plows and drivers during storms. Deficit spending is not authorized for expenditures for regular, recurring DPW activities or salaries that are predictable and do not vary with the weather in any given winter. Entities must budget for these regular activities separately.

Adjusting entry #103 reserves a portion of fund balance which represents the over-draft and which must be raised on the next fiscal year's tax rate unless otherwise provided.

27.) The entity records snow and ice expenditures for a particular storm.

001-3930	Expenditures	75,000	
001-1040	Cash – Unrestricted		75,000

To record expenditures for snow and ice

Subsidiary Ledger

001-5530	Public Works Supplies	75,000	
001-5000	Subsidiary Appropriation Control		75,000

Alternative treatment for G.L. c. 44, § 31D expenditures and receipt of reimbursement funds

See “Alternative treatment for G.L. c. 44, § 31 expenditures and receipt of reimbursement funds (exclusive of insurance proceeds)” after entry #25 above. This alternative treatment can also apply to snow and ice.

State/County Notice of Estimated Receipts and Charges – The Cherry Sheet

The Cherry Sheet is the official notification by the Commissioner of Revenue to communities and regional school districts of estimated state receipts as well as state and county charges to be assessed over the next fiscal year. Cherry Sheets are issued once the state budget is enacted by the Legislature and approved by the Governor. Cherry Sheet Offsets (school lunch, school choice receiving tuition, public libraries) are recorded in the Special Revenue Fund if received by that Fund directly, or if received by the General Fund, are transferred to the Special Revenue Fund.

- 28.) The county tax assessment for the period is paid. Although the county tax assessment appears on the Cherry Sheet, it is assessed directly by the county upon the community, rather than by the state. G.L. c. 35, §31 requires the county assessment to be paid one-half each on November 1 and May 1.

001-3930	Expenditures	40,000	
001-1040	Cash – Unrestricted		40,000

To record the expenditures for the county tax assessment - warrant

Subsidiary Ledger

001-5621	County Tax	40,000	
001-5000	Subsidiary Appropriation Control		40,000

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State distributions are received and reported through the Treasurer’s Report of Cash Received. The entity receives state distributions and reimbursements net of state assessments and charges on a scheduled basis. The general ledger entry must reflect the actual transaction.

29.) The entity receives a gross distribution of \$450,000, a gross assessment of \$50,000 and a net check (or wire) of \$400,000. The general ledger entry records the actual transaction. Note that there are two separate subsidiary entries.

001-1040	Cash – Unrestricted	400,000	
001-3970	Other Financing Uses	50,000	
001-3910	Revenue		450,000

To record the receipt of various state distributions

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	450,000	
001-4610	Chapter 70		250,000
001-4620	Unrestricted General Government Aid		100,000
001-46xx	Veterans Benefits		45,000
001-46xx	Exemptions: Vets, Blind, Surviving Spouses & Elderly		50,000
001-4640	School Lunch Offset		5,000
001-5650	School Choice Sending Tuition	30,000	
001-5650	Charter School Sending Tuition	20,000	
001-5000	Subsidiary Appropriation Control		50,000

29a.) The School Lunch Offset is transferred to the School Lunch Fund (Special Revenue).

001-3970	Other Financing Uses	5,000	
001-1040	Cash – Unrestricted		5,000

Subsidiary Ledger

001-5962	Transfers to Special Revenue Fund	5,000	
001-5000	Subsidiary Appropriation Control		5,000

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- 30.) The State deducts from the entity's aid for debt service on a qualified bond per G.L. c. 44A, § 7. Qualified bond debt service, however, must still be appropriated by the entity and the transaction is recorded as an Expenditure from a Debt Service appropriation. Note that there are two separate subsidiary ledger entries.

001-1040	Cash – Unrestricted	30,000	
001-3930	Expenditures	10,000	
001-3910	Revenue		40,000

To record the payment of debt service on qualified bond and receipt of cash

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	40,000	
001-4620	Chapter 70		40,000
001-5910	Maturing Principal on Long Term Debt	8,000	
001-5915	Interest on Long Term Debt	2,000	
001-5000	Subsidiary Appropriation Control		10,000

- 31.) The State deducts its loss of interest on funds spent to pay qualified bond debt service. The entity receives a gross distribution of \$20,000, a gross assessment of \$5,000 and a net check (or wire) of \$15,000. The transaction is recorded as an Expenditure from an interest appropriation and receipt of cash. Note that there are two separate subsidiary ledger entries.

001-1040	Cash – Unrestricted	15,000	
001-3930	Expenditures	5,000	
001-3910	Revenue		20,000

To record the payment of debt service on qualified bond

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	20,000	
001-4610	State Owned Land		20,000
001-5925	Interest on Notes	5,000	
001-5000	Subsidiary Appropriation Control		5,000

Revenues

The following journal entries describe the various other types of General Fund revenues.

Commitment of Property and Excise Taxes

Commitment of Real and Personal Property Tax

The taxation of real and personal property is the principal source of revenue for entities that assess a property tax. Revenue from these sources is recognized when collections are received. An allowance for possible abatements and exemptions is provided in the accounting records from the Tax Rate Recap. The receivables and allowance for abatements and exemptions are maintained in the general ledger by year of levy.

There are four forms of annual property tax billing:

- Actual Semi-Annual;
- Preliminary Semi-Annual;
- Optional Semi-Annual; and
- Quarterly.

32.) The commitment of preliminary semi-annual, optional semi-annual or quarterly property taxes is recorded when presented with a warrant to the Collector by the Assessors and a copy to the Accountant.

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

To record commitment of estimated real and personal property taxes

No Subsidiary Ledger Entry

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- 33.) The commitment of actual real estate and personal property taxes is recorded when presented with a warrant to the Collector by the Assessors and a copy to the Accountant. This commitment follows certification of the tax rate by the Director of Accounts.

001-1210	Personal Property Taxes Receivable FYxx	500,000	
001-1220	Real Estate Taxes Receivable FYxx	4,000,000	
001-2610	Deferred Revenue – Real and Personal Property Taxes		4,500,000

To record commitment of actual real and personal property taxes

No Subsidiary Ledger Entry

- 34.) The Allowance for Abatements and Exemptions (Overlay) is recorded as reported on the Tax Rate Recap from which the fiscal year's tax rate was certified.

001-2610	Deferred Revenue – Real and Personal Property Taxes	250,000	
001-1230	Allowance for Abatements and Exemptions FYxx		250,000

To record the Overlay for the fiscal year

No Subsidiary Ledger Entry

- 35.) After the actual real and personal property tax for the fiscal year has been committed, the preliminary real and personal property tax commitment is reversed.

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

To reverse the commitment of preliminary real and personal property taxes

No Subsidiary Ledger Entry

Commitment of Motor Vehicle Excise Tax

The commitment of Motor Vehicle Excise is recorded when committed to the Collector similar to property taxes, except there is no Overlay. Revenue is recognized when collections are received.

- 36.) The commitment for Motor Vehicle Excise with the warrant is forwarded to the Collector by the Assessors and a copy to the Accountant periodically during the fiscal year.

001-1260	Motor Vehicle Excise Receivable FYxx	790,000	
001-2630	Deferred Revenue – Motor Vehicle Excise		790,000

To record commitment #11 of FY20xx Motor Vehicle Excise

No Subsidiary Ledger Entry

Commitment of Boat Excise

The commitment of Boat Excise is recorded when committed to the Collector similar to property taxes, except there is no Overlay. Revenue is recognized when collections are received.

- 37.) The commitment for Boat Excise with the warrant is forwarded to the Collector by the Assessors and a copy to the Accountant periodically during the fiscal year.

001-1270	Boat Excise Receivable FYxx	20,000	
001-2641	Deferred Revenue – Boat Excise		20,000

To record commitment #1 of FY20xx Boat Excise

No Subsidiary Ledger Entry

Collection of Property and Excise Taxes

Collection of Real and Personal Property Tax

38.) The Collector remits to the Treasurer Real Estate and Personal Property Tax collections throughout the fiscal year.

001-1040	Cash – Unrestricted	4,200,000	
001-1210	Personal Property Taxes Receivable FYxx		400,000
001-1220	Real Estate Taxes Receivable FYxx		3,800,000

To record cash receipt of Real Estate and Personal Property taxes

39.) Deferred Revenue is adjusted for property taxes collected so that the property tax receivable remains equal to the Allowance plus Deferred Revenue.

001-2610	Deferred Revenue – Real and Personal Property Taxes	4,200,000	
001-3910	Revenue		4,200,000

To adjust Deferred Revenue – Real and Personal Property Taxes

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	4,200,000	
001-4110	Personal Property Taxes		400,000
001-4120	Real Estate Taxes		3,800,000

40.) The Collector remits to the Treasurer the collection on Penalties and Interest on Taxes collected throughout the fiscal year.

001-1040	Cash – Unrestricted	50,000	
001-3910	Revenue		50,000

To record penalties and interest into Revenue

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	50,000	
001-4170	Penalties and Interest on Taxes and Excises		50,000

Collection of Motor Vehicle Excise

- 41.) The Collector remits to the Treasurer the collections on Motor Vehicle Excise and Penalties and Interest on Taxes and Excises collected throughout the fiscal year. Penalties and Interest are not committed.

001-1040	Cash – Unrestricted	768,000	
001-1260	Motor Vehicle Excise Receivable FYxx		760,000
001-3910	Revenue		8,000

To record cash collected on motor vehicle excise

- 42.) Motor Vehicle Excise taxes collected are transferred to Revenue throughout the fiscal year.

001-2630	Deferred Revenue – Motor Vehicle Excise	760,000	
001-3910	Revenue		760,000

To record the collections into Revenue and adjust Deferred Revenue

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	768,000	
001-4150	Motor Vehicle Excise		760,000
001-4170	Penalties and Interest on Taxes and Excises		8,000

Collection of Boat Excise

- 43.) One-half of Boat Excise Receivable collected plus the full amount of interest collected for late payments remains in the General Fund. The remaining one-half of Boat Excise Receivable collected plus the full amount of any penalty imposed and collected for late payment (not including interest) is transferred to the Municipal Waterways Improvement and Maintenance Fund (G.L. c. 60B, §§2(i) and 4).

001-1040	Cash – Unrestricted	18,000	
001-3910	Revenue		1,000
001-1270	Boat Excise Receivable FYxx		17,000

To record cash collected on boat excise

- 44.) The General Fund owes the Municipal Waterways Improvement and Maintenance Fund one-half of the Boat Excise collections and cash will be transferred later in the fiscal year. This transaction recognizes the liability in the General Fund that is liquidated by June 30. Because cash will be transferred at a later time, a “Due To” is established in the General Fund and a “Due From” is established in the Municipal Waterways Improvement and Maintenance Fund.

001-2641	Deferred Revenue – Boat Excise	17,000	
001-3910	Revenue		8,500
001-2310	Due to Special Revenue Funds		8,500

To record the collections into Revenue, adjustment of Deferred Revenue and transfer of one-half to the Special Revenue Fund

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	9,500	
001-4160	Other Excise		8,500
001-4170	Penalties and Interest on Taxes and Excises		1,000

- 45.) The cash is transferred to the Municipal Waterways Improvement and Maintenance Fund.

001-2310	Due To Special Revenue Funds	8,500	
001-1040	Cash - Unrestricted		8,500

To transfer cash to Waterways Improvement Fund

Subsidiary Ledger

001-5962	Transfers to Special Revenue Funds	8,500	
001-5000	Subsidiary Appropriations Control		8,500

Abatement and Exemption of Property and Excise Taxes

Abatement and Exemption of Real and Personal Property Tax

46.) Monthly abatements and exemptions are forwarded to the Accountant.

001-1230	Allowance for Abatements and Exemptions	250,000	
001-1211	Personal Property Taxes Receivable FYxx		25,000
001-1220	Real Estate Taxes Receivable FYxx		225,000

To record abatements and exemptions for the period

No Subsidiary Ledger Entry

Abatement of Motor Vehicle Excise

47.) The summary of Motor Vehicle Excise abatements is forwarded to the Accountant. No interest is paid on the abatement unless ordered by the Appellate Tax Board or the County Commissioners.

001-2630	Deferred Revenue – Motor Vehicle Excise	23,000	
001-1260	Motor Vehicle Excise Receivable FYxx		23,000

To record abatements on Motor Vehicle Excise for the period

No Subsidiary Ledger Entry

Abatement of Boat Excise

48.) The summary of Boat Excise abatements is forwarded to the Accountant. No interest is paid unless ordered by the Appellate Tax Board or the County Commissioners.

001-2641	Deferred Revenue – Boat Excise	2,000	
001-1270	Boat Excise Receivable FYxx		2,000

To record abatements on Boat Excise for the period

No Subsidiary Ledger Entry

Refund of Property and Excise Taxes

Refund of Real and Personal Property Tax

49.) A real estate tax payment was received in excess of the total amount due. A refund is reported on the Treasurer's expenditure warrant. No interest is due the taxpayer.

001-1220	Real Estate Taxes Receivable FYxx	1,000	
001-1040	Cash – Unrestricted		1,000

To record refund of Real Estate Tax due for the period

50.) The Revenue and Deferred Revenue accounts are adjusted for the refund.

001-3910	Revenue	1,000	
001-2610	Deferred Revenue – Real and Personal Property Taxes		1,000

To adjust Revenue and Deferred Revenue accounts for refund

Subsidiary Ledger

001-4120	Real Estate Taxes	1,000	
001-4000	Subsidiary Revenue Control		1,000

Refund of Motor Vehicle Excise

51.) A motor vehicle excise tax payment was received in excess of the total amount due. A refund is reported on the Treasurer's expenditure warrant. No interest is due the taxpayer.

001-1260	Motor Vehicle Excise Receivable FYxx	500	
001-1040	Cash – Unrestricted		500

To record refund of overpayment collected on Motor Vehicle Excise

52.) The Revenue and Deferred Revenue accounts are adjusted for the refund

001-3910	Revenue	500	
001-2630	Deferred Revenue – Motor Vehicle Excise		500

To adjust Revenue and Deferred Revenue for the Motor Vehicle Excise refund

Subsidiary Ledger

001-4150	Motor Vehicle Excise	500	
001-4000	Subsidiary Revenue Control		500

Refund of Boat Excise

53.) A boat excise tax payment was received in excess of the total amount due. A refund is reported on the Treasurer's expenditure warrant. No interest is due the taxpayer.

001-1270	Boat Excise Receivable FYxx	500	
001-1040	Cash – Unrestricted		500

To record refund of overpayment collected on Boat Excise

54.) The Revenue and Deferred Revenue accounts are adjusted for the refund.

001-3910	Revenue	500	
001-2641	Deferred Revenue – Boat Excise		500

To adjust Revenue and Deferred Revenue for the Boat Excise refund

Subsidiary Ledger

001-4160	Boat Excise	500	
001-4000	Subsidiary Revenue Control		500

Deferral and Subsequent Collection of Real Property Tax (G.L. c. 59, § 5(18A and 41A)

Deferral of Property Tax

Certain seniors and taxpayers with temporary financial hardships may be granted a deferral on their real property tax for a period of time. See Division of Local Services Guidance for details on these matters.

55.) A deferral of property tax is granted by the Board of Assessors.

001-1253	Deferred Property Tax Receivable FYxx	3,000	
001-2620	Deferred Revenue – Deferred Property Tax		3,000

To establish the Deferred Property Tax Receivable account

No Subsidiary Ledger Entry

56.) The original Real Estate Tax commitment is adjusted by the deferred amount.

001-2620	Deferred Revenue – Real and Personal Property Taxes	3,000	
001-1220	Real Estate Taxes Receivable FYxx		3,000

To adjust Real Estate Taxes by the deferred tax amount

No Subsidiary Ledger Entry

Collection of Deferred Property Tax

57.) The deferral amount is paid.

001-1040	Cash – Unrestricted	3,000	
001-1253	Deferred Property Tax Receivable FYxx		3,000

58.) The Deferred tax is adjusted and the Cash received is taken into Revenue.

001-2620	Deferred Revenue – Deferred Property Tax	3,000	
001-3910	Revenue		3,000

To adjust Deferred Revenue – Deferred Property Tax

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	3,000	
001-4120	Real Estate Taxes		3,000

Tax Liens (Tax Titles)

The lien for unpaid real estate taxes is perfected after a demand notice of delinquency has been issued (G.L. c. 60, § 16), a notice of intent to take is advertised and posted (G.L. c. 60, §§17, 40, 53) and an instrument of taking recorded (G.L. c. 60, §54). The lien is perfected by the 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 when it is collected. Unperfected liens for delinquent real estate taxes expire three years and six months from the end of the fiscal year the taxes were assessed or a recorded change of ownership, whichever occurs later (G.L. c. 60, §37).

The following 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).

Transfer of Real Property Tax Receivable to Tax Lien (Tax Title)

59.) The Collector records delinquent real estate taxes and forwards a copy of the taking document to the Treasurer and Accountant. Tax liens are not recorded by levy year in the general ledger.

001-1240	Tax Liens Receivable	46,850	
001-2622	Deferred Revenue – Tax Liens		46,850

To record the tax liens on delinquent real estate taxes

60.) The Receivable and its Deferred accounts are adjusted for the tax taking.

001-2610	Deferred Revenue – Real and Personal Property Taxes	44,600	
001-1220	Real Estate Taxes Receivable FYxx		44,600

To record the adjustment to Deferred Revenue

Payment of Tax Lien (Tax Title)

61.) 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

62.) The Deferred Revenue – Tax Lien account is adjusted to reflect the cash received on the Tax Lien only.

001-2622	Deferred Revenue – Tax Liens	5,250	
001-3910	Revenue		5,250

To record the revenue from collection on tax liens

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	5,350	
001-4142	Tax Liens Redeemed		5,250
001-4170	Penalties and Interest on Taxes and Excises		100

Sale of Land of Low Value in Tax Lien in Excess of Tax Lien (Tax Title)

63.) The Treasurer or other custodian of tax liens may sell land of low value that has a recorded tax lien (G.L. c. 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 land is sold for \$8,500 (including \$200 penalties and interest), which is \$2,000 in excess of the tax lien.

001-1040	Cash – Unrestricted	6,500	
001-1240	Tax Liens Receivable		6,300
001-3910	Revenue		200

To record the sale of land of low value in excess of the receivable plus interest to date of sale

64.) The Deferred Revenue – Tax Liens and Revenue accounts are adjusted for 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 the sale of land of low value

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	6,500	
001-4142	Tax Liens Redeemed		6,300
001-4170	Penalties and Interest on Tax Liens		200

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65.) Because the sale was in excess of the tax lien, interest and other charges due, G.L. 60, § 79 requires that this excess be retained for 5 years and be paid to the person entitled. If unclaimed after 5 years, it enures to the General Fund.

001-1060	Cash – Restricted	2,000	
001-2530	Excess on Sale of Land of Low Value		2,000

To record excess on sale of land of low value

No Subsidiary Ledger Entry

(If the property was sold at an amount equal to the receivable balance plus interest charged to date of sale, there is neither restricted Cash nor Excess on Sale of Land of Low Value).

Sale of Land of Low Value Below Tax Lien (Tax Title)

66.) The Treasurer or other custodian of tax liens may sell land of low value that has a recorded tax lien (G.L. c. 60, § 79). After two offerings, the Treasurer or custodian rejects all bids as inadequate and purchases the land in the name of the entity. The liability becomes a tax foreclosure.

The entries are the same as for Tax Foreclosures beginning with entry #69.

Reversal of Tax Lien Recorded in Error

67.) The lien was recorded in error. Since tax liens are formally recorded with the Registry of Deeds, a disclaimer document must be filed before the following entries are recorded.

001-1220	Real Estate Tax Receivable FYxx	1,150	
001-2622	Deferred Revenue – Tax Liens	600	
001-1240	Tax Liens Receivable		1,750

To record tax lien disclaimer

68.) The Deferred Revenue accounts are adjusted for the lien recorded in error.

001-2622	Deferred Revenue – Tax Liens	1,150	
001-2610	Deferred Revenue – Real and Personal Property Taxes		1,150

To adjust accounts 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 law (G.L. c. 60, §§ 62, 62A). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian. Foreclosed properties are sold through advertised public auction as soon as practicable.

69.) The Treasurer or other foreclosure custodian forecloses on a tax lien receivable account.

001-1880	Tax Foreclosures	5,200	
001-2623	Deferred Revenue – Tax Foreclosures		5,200

To record the foreclosure of tax liens receivable

70.) The Liens Receivable and its Deferred Revenue accounts are adjusted.

001-2622	Deferred Revenue – Tax Liens	5,200	
001-1240	Tax Liens Receivable		5,200

To adjust accounts for foreclosure

71.) The Treasurer or other foreclosure custodian sells a foreclosure property for \$4,000 which had a carrying basis of \$5,200. 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	
001-3910	Revenue		4,000

To record the sale of tax foreclosure property

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	4,000	
001-4145	Tax Foreclosures		4,000

72.) The tax foreclosure account is reversed after the sale.

001-2623	Deferred Revenue – Tax Foreclosures	5,200	
001-1880	Tax Foreclosures		5,200

To record the sale of tax foreclosure property

73.) Often when a foreclosure property is sold, due to the timing of the sale, a real estate tax or “pro forma tax” (G.L. c. 44, § 63A) is due from the buyer. This tax does not require a commitment from the Assessors, but does require the Collector to indicate to the Accountant that an amount of tax is due. This entry illustrates the collection of pro forma tax upon the sale of foreclosure property.

001-1040	Cash – Unrestricted	1,000	
001-3910	Revenue		1,000

To record the pro forma tax collected on foreclosure sale

Subsidiary Ledger:

001-4000	Subsidiary Revenue Control	1,000	
001-4120	Real Estate Taxes		1,000

74.) Had the entity decided to keep the property for its own use rather than sell it, the amount of taxes plus penalties and interest on the land at the time of the entity’s decision is reversed. (The amount would have been \$5,200 in this example).

001-2623	Deferred Revenue – Tax Foreclosures	xxx	
001-1880	Tax Foreclosures		xxx

To record the decision to keep foreclosed property

(In the General Fixed Assets Account Group, Land would be DEBITED and Investment in General Fixed Assets would be CREDITED for 5,200 to record the acquisition).

Taxes in Litigation

Real estate tax receivables should be transferred to a taxes in litigation account for bankruptcy or receivership cases, as provided by G.L. c. 60, § 95.

75.) Real Estate Taxes Receivable are transferred to Taxes in Litigation.

001-1254	Taxes Receivable in Litigation FYxx	5,000	
001-2624	Deferred Revenue – Taxes in Litigation		5,000

To transfer outstanding real estate taxes to taxes in litigation

76.) The Real Estate Tax Receivable and Deferred Revenue accounts are adjusted for the transfer.

001-2610	Deferred Revenue – Real and Personal Property Taxes	5,000	
001-1220	Real Estate Taxes Receivable FYxx		5,000

To adjust Deferred Revenue for the transfer to Taxes in Litigation

77.) Taxes in Litigation are paid.

001-1040	Cash – Unrestricted	5,000	
001-3910	Revenue		5,000

To record payment of taxes in litigation

78.) The Deferred Revenue and Taxes in Litigation accounts are adjusted.

001-2623	Deferred Revenue – Taxes in Litigation	5,000	
001-1254	Taxes Receivable in Litigation FYxx		5,000

To adjust Deferred Revenue

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	5,000	
001-4143	Litigated Taxes Collected		5,000

Departmental Receivables and Direct Receipts

Department Receivables – Amounts billed to taxpayers and other service recipients by various departments are receivables of the General Fund and are 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 are used to record the revenue from collections. The accounting for receivables in other funds is the same as in the General Fund.

Direct receipts – Direct receipts are generally not billed out and are thus recorded when received in cash.

79.) 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

001-4000	Subsidiary Revenue Control	1,800	
001-4420	Other Licenses		1,200
001-4320	Fees		500
001-4450	Permits		100

Off-duty work detail amounts are collected from outside sources and recorded in an Agency account (G.L. c. 44, § 53C). Such amounts are subsequently remitted to the entity’s employees through special payrolls and charged to the Agency account. Some entities, 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.

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80.) The entity receives the service fees charged for processing off-duty work details.

001-1040	Cash – Unrestricted	1,000	
001-3910	Revenue		1,000

To record receipt of administrative fees for off-duty work details

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	1,000	
001-4320	Fees		1,000

81.) The entity receives funds from the Massachusetts School Building Authority as its prior grant and waitlist payment.

001-1040	Cash – Unrestricted	30,000	
001-3910	Revenue		30,000

To record payment by Massachusetts School Building Authority
Subsidiary Ledger

001-4000	Subsidiary Revenue Control	30,000	
001-4680	Other State Revenue		30,000

Investment of Cash

Excess General Fund cash may be invested in accordance with G.L. c. 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. Investments as of June 30 are reported on a cash basis.

82.) The Treasurer purchases a certificate of deposit.

001-1110	Short-Term Investments	100,000	
001-1040	Cash – Unrestricted		100,000

To record the purchase of certificate of deposit

83.) The certificate of deposit matures during the fiscal year.

001-1040	Cash – Unrestricted	326,250	
001-1110	Short-Term Investments		316,750
001-3910	Revenue		9,500

To record the maturity of an investment in certificates of deposit

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	9,500	
001-4820	Earnings on Investments		9,500

Borrowing

Temporary borrowing – The Treasurer is authorized to borrow in anticipation of revenue (RAN) without approval by the entity’s legislative body. The proceeds from temporary borrowing are reported through the Treasurer’s Report of Cash Received and the payment reported through an approved Treasurer’s warrant.

84.) 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 or tax anticipation notes

No Subsidiary Ledger Entry

85.) 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 payment of revenue or tax anticipation note

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Subsidiary Ledger

001-5925	Interest on Notes	21,000	
001-5000	Subsidiary Appropriation Control		21,000

Permanent Borrowing

86.) The entity issues \$20,000,000 in bonds at a premium of \$500,000 for a project which has been debt excluded from the property tax levy limit. The bond proceeds are recorded in the Capital Projects Fund (DEBIT Cash - Unrestricted and CREDIT Other Financing Sources) and in the General Long Term Obligations Account Group as indicated below). The Premium is reserved in the General Fund.

001-1040	Cash – Unrestricted	500,000	
001-3296	Fund Balance Reserved for Reduction of Future Excluded Debt		500,000

To reserve the premium on debt excluded debt

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	500,000	
001-4930	Premium from Sale of Bonds		500,000

(In the General Long-Term Obligations Account Group, DEBIT Amounts for the Payment of Bonds and CREDIT Bonds Payable – Outside the Debt Limit for 20,000,000.)

Inter-Fund Borrowing (Internal Borrowing)

87.) The General Fund advances cash to the Capital Projects Fund.

001-3970	Other Financing Uses	50,000	
001-1040	Cash – Unrestricted		50,000

Subsidiary Ledger

001-5963	Transfers to Capital Projects Fund	50,000	
001-5000	Subsidiary Appropriations Control		50,000

If the governmental entity is not reimbursed for project expenditures near the end of the fiscal year, it may have to borrow the funds necessary to reimburse the General Fund and transfer the cash back by June 30. When the reimbursement is received by the Capital Projects Fund, it may pay-off any bond anticipation note. The interest is paid by the General Fund.

88.) If the funds are sufficient in the Capital Projects Fund, the Capital Projects Fund reimburses the General Fund on or prior to June 30.

001-1040	Cash – Unrestricted	50,000	
001-3970	Other Financing Uses		50,000

Funds are returned to the General Fund by the Capital Projects Fund

Subsidiary Ledger

001-5000	Subsidiary Appropriations Control	50,000	
001-5963	Transfers to Capital Projects Fund		50,000

Deficit Borrowing

89.) Had the entity received special legislation to borrow for General Fund ordinary operating costs, the notes would be recorded in the General Fund.

001-1040	Cash – Unrestricted	xxx	
001-3920	Other Financing Sources		xxx

To record the proceeds from deficit notes

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	xxx	
001-4920	Proceeds from Issue of Temporary Loans		xxx

(In the General Long-Term Obligations Account Group, DEBIT Amounts to be provided for the Payment of Temporary Loans and CREDIT Other Notes Payable.)

Petty Cash

Petty cash may be needed by various departments or 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. At fiscal year's end, any balance in the fund is either closed out or reserved within fund balance.

90.) A Petty Cash Fund is established.

001-1020	Petty Cash	300	
001-1040	Cash – Unrestricted		300

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

91.) A Petty Cash Fund is expended.

001-3930	Expenditures	100	
001-1020	Petty Cash		100

To record expenditure from petty cash

Subsidiary Ledger

001-5420	Office Supplies	100	
001-5000	Subsidiary Appropriation Control		100

92.) The remainder of the Petty Cash Fund is closed out.

001-1040	Cash – Unrestricted	200	
001-1020	Petty Cash		200

To close out unnecessary Petty Cash Fund

Overlay

Excess Overlay

93.) The Allowance for Abatements and Exemptions account is adjusted to record the release of surplus funds by the Assessors.

001-1230	Allowance for Abatements and Exemptions FYxx	8,000	
001-3220	Fund Balance Reserved for Overlay Surplus		8,000

To adjust Allowance for Abatements and Exemptions

94.) The Deferred Revenue – Real and Personal Property Taxes account is adjusted for the release.

001-3590	Undesignated Fund Balance	8,000	
001-2610	Deferred Revenue – Real and Personal Property Taxes		8,000

To adjust Deferred Revenue – Real and Personal Property Taxes for release

95.) Fund Balance Reserved for Overlay Surplus is voted by the entity after release by the Assessors and prior to June 30 for next fiscal year's budget.

001-3220	Fund Balance Reserved for Overlay Surplus	3,000	
001-3240	Fund Balance Reserved for Expenditures		3,000

To record an appropriation of Overlay Surplus by the entity

96.) Any amount remaining in the Fund Balance Reserved for Overlay Surplus must be closed to Undesignated Fund Balance at year end.

001-3220	Fund Balance Reserved for Overlay Surplus	2,000	
001-3590	Undesignated Fund Balance		2,000

Tailings (Abandoned Funds)

97.) A check has been returned or not cashed by vendor or employee. The entity reclassifies the check into abandoned property per advice of Treasurer.

001-1060	Cash – Restricted	25,000	
001-2520	Abandoned Property, Tailings and Unclaimed Items		25,000

98.) Because the entity has accepted G.L. c. 200A, § 9A, unclaimed checks one year or older can be taken into the General Fund as Revenue after proper procedures have been followed.

001-2520	Abandoned Property, Tailings and Unclaimed Items	25,000	
001-3910	Revenue		25,000

To record the revenue from unclaimed checks

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	25,000	
001-4840	Miscellaneous		25,000

Year End Transactions

The following represents typical entries to adjust revenue and expenditure accounts prior to year end closing entries.

Adjusting Entries, Current Year Revenues and Expenditures

99.) The budgeted General Fund subsidy to the Water Enterprise Fund is recorded.

001-3970	Other Financing Uses	75,670	
001-1040	Cash - Unrestricted		75,670

To record the General Fund subsidy to the Enterprise Fund

Subsidiary Ledger

001-5965	Transfers to Proprietary Funds	75,670	
01-5000	Subsidiary Appropriations Control		75,670

100.) The budgeted reimbursement from the Sewer Enterprise Fund to the General Fund for indirect costs is recorded based on the amount shown on Schedule A-2 submitted with the Tax Rate Recap. This entry may occur periodically during the fiscal year.

001-1040	Cash - Unrestricted	80,000	
001-3920	Other Financing Sources		80,000

To record the Sewer Enterprise Fund's reimbursement to the General Fund for indirect costs

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	80,000	
001-4970	Transfers from Proprietary Funds		80,000

101.) A surplus of offset receipts per G.L. c. 44, §53 is transferred to the General Fund.

001-1040	Cash – Unrestricted	10,000	
001-3920	Other Financing Sources		10,000

To recognize the transfer of offset receipts surplus to the General Fund

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	10,000	
001-4970	Transfers from Special Revenue Funds		10,000

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102.) The Accountant determined that the snow and ice account was legally overspent. The overdraft must be reserved in fund balance and raised in the next fiscal year's tax rate if not otherwise provided for.

001-3592	Unreserved Fund Balance – Appropriation Deficits	175,000	
001-3590	Undesignated Fund Balance		175,000

No Subsidiary Ledger Entry

103.) The Massachusetts Department of Secondary and Elementary Education required the entity to encumber the balance of its education budget to be spent in the following fiscal year per G.L. c. 70, §11.

001-3590	Undesignated Fund Balance	100,000	
001-3211	Fund Balance Reserved for Encumbrances		100,000

To reserve a portion of Undesignated Fund Balance per DESE requirement

No Subsidiary Ledger Entry

104.) Expenditures were placed on a warrant for payment, but as of June 30, the Warrant has not been approved. The warrant must be approved by July 15.

001-3930	Expenditures	80,000	
001-2010	Warrants Payable		80,000

To record Warrants Payable as of June 30

Subsidiary Ledger

001-5580	Other Supplies	80,000	
001-5000	Subsidiary Appropriation Control		80,000

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105.) Teachers' summer pay, earned this fiscal year but to be paid throughout the summer vacation, is accrued.

001-3930	Expenditures	1,200,000	
001-2221	Accrued Teachers' Summer Pay		1,200,000

To record payments to teachers over the summer months

Subsidiary Ledger

001-5110	Salaries and Wages, Permanent Positions	1,200,000	
001-5000	Subsidiary Appropriation Control		1,200,000

106.) A certain State Cherry Sheet payment will be delayed until after June 30. The Director of Accounts indicated in the Bureau's annual end-of-year letter that this receipt may be accrued.

001-1720	Due from Commonwealth	25,000	
001-3910	Revenue		25,000

To accrue a late State aid payment as allowed by Director of Accounts

Subsidiary Ledger:

001-4000	Subsidiary Revenue Control	25,000	
001-4610	Reimbursement for Loss of Taxes		25,000

107.) The Cherry Sheet aid is received prior to September 30.

001-1040	Cash – Unrestricted	25,000	
001-1720	Due from Commonwealth		25,000

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	25,000	
001-4660	Veterans Benefits		25,000

Prior Fiscal Year Reversals

108.) The entry to reserve free cash voted prior to June 30 of the prior fiscal year to reduce the following fiscal year's tax rate must be reversed.

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

To reverse entry reserving free cash to reduce following fiscal year's tax rate

109.) The prior fiscal year's closing trial balance and balance sheet indicated a fund balance reserved for overlay deficits. Unless otherwise provided for, this amount must be raised on the next fiscal year's Tax Rate Recap without appropriation as an "Other Amount to be Raised" unless otherwise provided for. When the amount has been so included and the tax rate has been certified by the Director of Accounts, the following entry is made.

001-3590	Undesignated Fund Balance	2,250	
001-3594	Unreserved Fund Balance – Overlay Deficit		2,250

To reverse entry on last fiscal year's balance sheet for overlay deficit

110.) The prior fiscal year's closing trial balance and balance sheet indicated a fund balance reserved for final court judgments. Unless otherwise provided for, this amount must be included on the next fiscal year's tax rate recap as an "other amount to be raised" without appropriation. When the amount is included on the recap and the recap is certified by the Bureau of Accounts, the following entry is made.

001-3590	Undesignated Fund Balance	9,650	
001-3595	Unreserved Fund Balance – Final Court Judgments		9,650

To reverse entry on last fiscal year's balance sheet for final court judgment

Current fiscal year fund balance reservations

111.) Court judgments were paid after the tax rate was certified by the Director of Accounts and must be raised in the following fiscal year's tax rate, if not otherwise provided for.

001-3595	Unreserved Fund Balance – Final Court Judgments	15,000	
001-3590	Undesignated Fund Balance		15,000

To reserve fund balance for current fiscal year final court judgment deficit

112.) Amounts required for abatements and exemptions in excess of amounts initially provided ("overlay deficits") are reserved in fund balance. The amount is added to the Overlay.

001-3594	Unreserved Fund Balance – Overlay Deficits	20,000	
001-1230	Allowance for Abatements and Exemptions FYxx		20,000

To reserve fund balance for current fiscal year overlay deficit

113.) The Deferred Revenue – Real and Personal Property Taxes account are adjusted for the addition to that fiscal year's Overlay 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

114.) G.L. c. 44, § 31 overdrafts were approved by the Director of Accounts after the tax rate was certified. The deficit must be raised in the following fiscal year's tax rate, unless otherwise provided for. This entry should indicate proper identification of the deficit.

001-3592	Unreserved Fund Balance – Appropriation Deficits	100,000	
001-3590	Undesignated Fund Balance		100,000

To reserve fund balance for current fiscal year overdraft per G.L. c. 44, § 31

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115.) The Accountant determined that there was a current fiscal year revenue deficit (see this Manual, Appendix K).

001-3593	Unreserved Fund Balance – Revenue Deficit	50,000	
001-3590	Undesignated Fund Balance		50,000

To reserve fund balance for current fiscal year revenue deficit

116.) To reinstate the fund balance for the portion Reserved for Expenditures during the fiscal year which has been funded. See entries #9 - #11.

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

To reinstate fund balance

Closing Entries

In the Closing entries, budgetary accounts are reversed, Revenue, Expenditures, Other Financing Sources and Uses accounts are closed to Undesignated Fund Balance.

117.) The budget entry for the fiscal year is reversed.

001-3830	APPROPRIATIONS	xxx	
001-3870	ESTIMATED OTHER FINANCING USES	xxx	
001-3815	ESTIMATED REVENUE		xxx
001-3820	ESTIMATED OTHER FINANCING SOURCES		xxx
001-3880	BUDGETARY FUND BALANCE		xxx

To close the budget accounts for the fiscal year

118.) The Revenue and Other Financing Sources are closed to Undesignated Fund Balance.

001-3910	Revenue	5,652,650	
001-3920	Other Financing Sources	109,500	
001-3590	Undesignated Fund Balance		5,762,150

To close the revenues to fund balance

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119.) The Expenditures and Other Financing Uses are closed to Undesignated Fund Balance.

001-3590	Undesignated Fund Balance	2,320,620	
001-3930	Expenditures		2,168,950
001-3970	Other Financing Uses		151,670

To close Expenditures and Other Financing Uses to Undesignated Fund Balance

Closing Trial Balance

120.) The closing trial balance for the fiscal year.

001-1040	Cash – Unrestricted	5,752,530	
001-1060	Cash – Restricted	27,000	
001-1110	Short Term Investments	100,000	
001-1210	Personal Property Taxes Receivable FY20xx	125,000	
001-1220	Real Estate Taxes Receivable FY20xx	219,550	
001-1230	Allowance for Abatements and Exemptions FYxx		52,000
001-1240	Tax Liens Receivable	60,600	
001-1260	Motor Vehicle Excise Receivable	223,000	
001-1270	Boat Excise Receivable	1,500	
001-2010	Warrants Payable		80,000
001-2221	Accrued Teachers' Summer Pay		1,200,000
001-2530	Excess on Sale of Land of Low Value		2,000
001-2610	Deferred Revenue – Real and Personal Property Taxes		292,550
001-2622	Deferred Revenue – Tax Liens		60,600
001-2630	Deferred Revenue – Motor Vehicle Excise		223,000
001-2641	Deferred Revenue – Boat Excise		1,500
001-3211	Fund Balance Reserved for Encumbrances		100,000
001-3240	Fund Balance Reserved for Expenditures		3,000
001-3296	Fund Balance Reserved for Reduction of Future Excluded Debt		500,000
001-3590	Undesignated Fund Balance		4,354,530
001-3592	Unreserved Fund Balance – Approp. Deficit	275,000	
001-3593	Unreserved Fund Balance – Rev. Deficit	50,000	
001-3594	Unreserved Fund Balance – Overlay Deficit	20,000	
001-3595	Unreserved Fund Balance – Final Judgments	15,000	
		<u>6,869,180</u>	<u>6,869,180</u>

CHAPTER 10 – SPECIAL REVENUE FUNDS

Special Revenue Funds account for and report proceeds of specific revenue sources that are legally restricted to expenditure for specified operating purposes. Special Revenue Funds must be established by statute. Accounting and financial reporting is identical to that of the General Fund. Specific instruction with regard to year-end adjustments and accruals in accordance with the Director’s annual guidance to Accountants and Auditors will be noted in this chapter.

The resources accounted for in Special Revenue Funds include:

- Federal and State Grants;
- Revolving Funds (including “Cherry Sheet Offsets”);
- Receipts Reserved for Appropriation;
- Gifts and Donations;
- Other (Community Preservation, Offset Receipts)

This chapter presents an example including journal entries for each of the five Special Revenue Fund resources listed above. Generally, accounting is the same for all, but exceptions may be noted in the examples.

A listing of Special Revenue Funds is found in Appendix I to this Manual.

Pension Costs

G.L. c. 35, § 32A and c. 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. This does not include members of the Massachusetts Teachers’ Retirement System.

UMAS Modified Accrual

For UMAS accounting purposes, Special Revenue Funds are reported using a “UMAS modified accrual” basis meaning that revenues are recorded on a cash basis during the fiscal year and year-end adjusting entries for certain transactions may be recorded in accordance with the Director’s annual year-end guidance to Accountants and Auditors.

The Director’s guidance allows:

- state aid payments received by September 30;
- Federal/state reimbursements received by September 30 for expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit;

- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2014 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided:
 - (a) a documented reimbursement request was filed with the appropriate authority by September 30;
 - (b) the Bureau must be satisfied that payment will be made;
- Funds borrowed in anticipation of reimbursement and to offset a deficit fund balance are borrowed by June 30, or with a 44:31 approval, borrowing through the setting of the tax rate;
- UMAS does not recognize the GAAP “60 day rule” for receipts collected after June 30. For tax bills issued after May 1, 60 days of property tax receipts beginning on the date of mailing is allowed.

Federal and State Grants

Grant revenues constitute a portion of annual revenue in many Massachusetts governments. Larger governments could receive a substantial number of grants in a fiscal year, especially for school related programs. The legal and contractual obligations as well as the accounting and reporting responsibilities which a grant may impose can be burdensome. Although certain grants may be accounted for in the General Fund, they are normally accounted for in the Special Revenue, Capital Projects or Enterprise Funds. Care must be taken when substantiating expenditure requirements to the granting agency.

Grants, including entitlements, are contributions from another government or authority to be used or expended for a specified purpose, activity or facility. Grants may be upfront or in reimbursement for expenditures made. Grants are further classified as:

- Capital – restricted by the grantor for the acquisition and/or construction or reconstruction of fixed assets. They are normally accounted for in the Special Revenue Fund or Capital Projects Fund;
- Operating – for all purposes other than capital. They are normally accounted for in the Special Revenue Fund;
- Restricted – for specific purposes only. They are normally accounted for in the Special Revenue Fund or Enterprise Fund;
- Unrestricted – for any legal purposes without restriction. They are normally accounted for in the General Fund or Special Revenue Fund.

The following example illustrates expenditure of a State grant.

- A grant agreement has been approved;
- Inter-fund borrowing is allowed;
- The grant has been accepted per G.L. c. 44, § 53a;

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- No further appropriation is required for expenditure;
- The grant is recorded and expended in the Special Revenue Fund and all action will occur within the fiscal year;
- There is no opening entry.

Grant Award

1. A memorandum entry is recorded when the grant is awarded.

201-3710	STATE AND FEDERAL GRANTS AWARDED (MEMORANDUM)	200,000	
201-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMO)		200,000

To record the grant award

Inter-Fund Borrowing

2. The Special Revenue Fund is advanced cash from the General Fund. (Federal grants may be advanced cash if allowed per G.L. c. 44, § 53a.)

201-1040	Cash - Unrestricted	200,000	
201-2301	Due to General Fund		200,000

To record an advance in lieu of borrowing from the General Fund

Expenditures

3. Expenditures are placed on a warrant for payment.

201-3930	Expenditures	200,000	
201-2010	Warrants Payable		200,000

To record expenditures placed on warrant # _____

Subsidiary Ledger

201-5210	Energy	200,000	
201-5000	Subsidiary Appropriation Control		200,000

Uniform Massachusetts Accounting System – July 2013

4. Funds are expended for purposes of the grant.

201-2010	Warrants Payable	200,000	
201-1040	Cash – Unrestricted		200,000

To record grant expenditures

Grantor Billed

5. The grantor is billed for expenditures per the grant agreement.

201-1720	Due from Commonwealth of Mass	200,000	
201-2670	Deferred Revenue – Intergovernmental		200,000

To record application for reimbursement from grantor

6. The memorandum entry is adjusted for the award amount billed to the grantor.

201-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMO)	200,000	
201-3710	STATE AND FEDERAL GRANTS AWARDED (MEMORANDUM)		200,000

To adjust memorandum entry for amount billed to grantor

Receipt of Grant Funds

7. The grant funds, less retainage, are received from the grantor.

201-1040	Cash – Unrestricted	190,000	
201-1720	Due from Commonwealth of Mass		190,000

To record receipt of grant funds, less retainage

Subsidiary Ledger

201-4000	Subsidiary Revenue Control	190,000	
201-4680	Other State Revenue		190,000

Uniform Massachusetts Accounting System – July 2013

8. Revenue from grant receipts is recorded.

201-2670	Deferred Revenue – Intergovernmental	190,000	
201-3910	Revenue		190,000

To record revenue from the grant receipt

Subsidiary Ledger

201-4000	Subsidiary Revenue Control	190,000	
201-4680	Other State Revenue		190,000

Borrowing in Anticipation of State Aid

9. A State Aid Anticipation Note (SAAN) is issued to repay the General Fund.

201-1040	Cash – Unrestricted	10,000	
201-2750	State Aid Anticipation Notes Payable		10,000

To record the issuance of a temporary loan in anticipation of a State grant

Repayment of Inter-Fund Borrowing

10. No later than June 30, the Special Revenue Fund repays the General Fund.

201-2301	Due to General Fund	200,000	
201-1040	Cash - Unrestricted		200,000

Funds are returned to the General Fund

Adjusting Entries

11. The retainage, received after June 30 but prior to September 30, is a Director-allowed accrual to offset a deficit in the fund balance.

201-1040	Cash – Unrestricted	10,000	
201-3910	Revenue		10,000

To record receipt of retainage from the grantor prior to September 30

Uniform Massachusetts Accounting System – July 2013

Subsidiary Ledger

201-4000	Subsidiary Revenue Control	10,000	
201-4680	Other State Revenue		10,000

12. The receivable is adjusted.

201-2670	Deferred Revenue - Intergovernmental	10,000	
201-1720	Due from Commonwealth of Mass		10,000

To reverse amount Due from the Commonwealth

Closing Entries

13. Revenue is closed to Fund Balance.

201-3910	Revenue	200,000	
201-3590	Undesignated Fund Balance		200,000

To close Revenue

14. Expenditures are closed to Fund Balance.

201-3590	Undesignated Fund Balance	200,000	
201-3930	Expenditures		200,000

To close Expenditures

15. The temporary loan is extinguished within the fiscal year.

201-2740	State Aid Anticipation Notes Payable	10,000	
201-1040	Cash – Unrestricted		10,000

To extinguish State Aid Anticipation Note

Closing Trial Balance

Since the funds were fully received, expended and repaid, there is no Closing Trial Balance.

Revolving Funds

Revolving Fund revenues are from specific sources, authorized by specific statutes and segregated from the General Fund. They may be spent without appropriation to support the activity, program or service that generated the revenue.

Cherry Sheet Offsets

When received as part of a cherry sheet distribution, these offsets are normally first received by the General Fund and subsequently transferred into the Special Revenue Fund type. They may be recorded directly into the Special Revenue Fund type. There are currently three offsets:

- School Lunch;
- School Choice Receiving Tuition; and
- Public Libraries.

Of these three, School Lunch and School Choice each have permanent legislation authorizing a reservation apart from the General Fund. Public Libraries, however, requires annual legislation for reservation. Each is expended without further appropriation. Accounting for each is the same; an example of the School Lunch offset is illustrated in the example below.

School Lunch Fund

Funds for the operation and maintenance of school lunch programs are derived from three principal sources: meal charges (lunch receipts), State Cherry Sheet Offset, and federal grants. General tax revenues may also be appropriated into the fund. State and federal funds paid to governments for school lunch operations are restricted.

A structural fund balance deficit as of June 30 (not due to timing of receipts) must be provided for in the next tax rate.

In this example:

- A encumbrance system is not shown, but is optional;
- Subsidiary ledgers are required;
- Budgetary accounts are not required for revolving funds and are not shown;
- Expenditures are treated in the same manner as in the General Fund;
- Expenditures must be placed on a warrant;
- Adjusting entries follow the Director's annual guidance;

- A late Cherry Sheet Offset payment is received at the beginning of the fiscal year through the General Fund and at the end of the fiscal year directly into the Special Revenue Fund.

Opening Trial Balance

1. The prior fiscal year's Closing Trial Balance is brought forward and recorded as the current fiscal year's Opening Trial Balance. The "Due from" represents a late (post-September 30) Cherry Sheet Offset receivable at June 30.

220-1040	Cash – Unrestricted	6,265	
220-1601	Due from the General Fund	2,350	
220-2010	Warrants Payable		1,000
220-2670	Deferred Revenue – Intergovernmental		2,350
220-3560	Fund Balance – Revolving Funds		5,265
		<u>8,615</u>	<u>8,615</u>

To record the opening trial balance

Late Cherry Sheet Payment Received, No Accrual Allowed

2. A late (after September 30) Cherry Sheet Offset payment is transferred from the General Fund into the Special Revenue Fund.

220-1040	Cash - Unrestricted	2,350	
220-3920	Other Financing Sources		2,350

To record transfer from the General Fund

Subsidiary Ledger

220-4000	Subsidiary Revenue Control	2,350	
220-4640	Education Offset Items – Reserve for Direct Expenditures		2,350

3. The receivable from the General Fund is adjusted.

220-2670	Deferred Revenue – Intergovernmental	2,350	
220-1601	Due from General Fund		2,350

To reverse the receivable

Uniform Massachusetts Accounting System – July 2013

Prior Fiscal Year Warrants Payable

4. Warrants Payable as of the end of last fiscal year are paid.

220-2010	Warrants Payable	1,000	
220-1040	Cash – Unrestricted		1,000

To record warrants payable

Current Fiscal Year Expenditures Placed on Warrant

5. Current fiscal year expenditures are placed on a warrant.

220-3930	Expenditures	22,682	
220-2010	Warrants Payable		22,682

To record expenditures on a warrant

Subsidiary Ledger

220-5490	Food and Food Service Supplies	22,682	
220-5000	Subsidiary Appropriation Control		22,682

Current Fiscal Year Warrants Payable are Paid

6. Payment is made for current fiscal year expenditures on an approved warrant.

220-2010	Warrants Payable	22,682	
220-1040	Cash – Unrestricted		22,682

To record expenditures from warrant # _____

Commonwealth Billed

7. The Commonwealth is billed for its portion of the expenditures.

220-1601	Due from General Fund	20,000	
220-2670	Deferred Revenue – Intergovernmental		20,000

The Commonwealth is billed for expenditures

Uniform Massachusetts Accounting System – July 2013

Revenues

8. Lunch receipts are turned over to the Treasurer.

220-1040	Cash – Unrestricted	12,672	
220-3910	Revenue		12,672

To record receipt and deposit of lunch receipts

Subsidiary Ledger

220-4000	Subsidiary Revenue Control	12,672	
220-4370	Other Departmental Revenue		12,672

9. The current fiscal year School Lunch Cherry Sheet Offset is transferred from the General Fund.

220-1040	Cash - Unrestricted	5,000	
220-3920	Other Financing Sources		5,000

To record cherry sheet offset received for current fiscal year

Subsidiary Ledger

220-4000	Subsidiary Revenue Control	5,000	
220-4971	Transfers from General Fund		5,000

10. The receivable is adjusted.

220-2670	Deferred Revenue – Intergovernmental	5,000	
220-1601	Due from General Fund		5,000

To reverse the receivable

Uniform Massachusetts Accounting System – July 2013

Adjusting Entries

11. Warrants payable are recorded at fiscal year's end.

220-3930	Expenditures	4,000	
220-2010	Warrants Payable		4,000

To record warrants payable

Subsidiary Ledger

220-5490	Food Service and Food Service Supplies	4,000	
220-5000	Subsidiary Appropriation Control		4,000

12. Interest is transferred to the General Fund for those funds where interest is not retained. (Not an entry of the School Lunch Fund).

220-3970	Other Financing Uses	xxx	
220-1040	Cash - Unrestricted		xxx

To transfer interest to General Fund

Subsidiary Ledger

220-5961	Transfer to General Fund	xxx	
220-5000	Subsidiary Appropriation Control		xxx

Director's Guidance – Accrual Allowed

13. A separate Cherry Sheet Offset payment is received by September 30 to eliminate or reduce a fund balance deficit and is recorded directly into the Special Revenue Fund for the prior fiscal year. (If there is no deficit as of June 30 of the prior fiscal year, this entry is made for the current fiscal year.)

220-1040	Cash – Unrestricted	15,000	
220-3910	Revenue		15,000

To record receipt of the Commonwealth's payment prior to September 30

Uniform Massachusetts Accounting System – July 2013

Subsidiary Ledger

220-4000	Subsidiary Revenue Control	15,000	
220-4640	Education Offset Items – Reserve For Direct Expenditures		15,000

14. The receivable is adjusted.

220-2670	Deferred Revenue - Intergovernmental	15,000	
220-1601	Due from General Fund		15,000

To reverse the receivable

Closing Entries

15. Revenue and Other Financing Sources are closed to fund balance.

220-3910	Revenue	27,672	
220-3920	Other Financing Sources	7,350	
220-3560	Fund Balance – Revolving Funds		35,022

To close Revenue and Other Financing Sources to fund balance

16. Expenditures are closed to fund balance.

220-3560	Fund Balance – Revolving Funds	26,682	
220-3930	Expenditures		26,682

To close Expenditures to fund balance

Closing Trial Balance

220-1040	Cash – Unrestricted	17,605	
220-2010	Warrants Payable		4,000
220-3560	Fund Balance – Revolving Funds		13,605
		<u>17,605</u>	<u>17,605</u>

Receipts Reserved for Appropriation

Receipts Reserved for Appropriation are from specific revenue sources, authorized by specific statute, and segregated from the General Fund. They may be spent only by appropriation. If appropriated as part of the annual omnibus budget, cash is transferred to the General Fund and expended from there. Otherwise, these receipts are expended directly from the Special Revenue Fund subject to appropriation.

The following example is for Parking Meters – (G.L. Chapter 40, §§ 22A – 22C).

- Subsidiary ledger entries are required;
- An encumbrance system is optional;
- Budget entries are required for Receipts Reserved for Appropriation funds

Opening Trial Balance

1. The prior fiscal year’s Closing Trial Balance is brought forward and recorded as the current fiscal year’s Opening Trial Balance. In the prior fiscal year, the legislative body appropriated \$19,500 for the next fiscal year’s budget.

232-1040	Cash – Unrestricted	23,000	
232-3240	Fund Balance Reserved for Expenditures		19,500
232-3300	Fund Balance – Receipts Reserved for Appropriation		3,500
		<u>23,000</u>	<u>23,000</u>

2. The prior fiscal year’s appropriation from Parking Meter receipts reserved as of June 30 is recorded back into fund balance as of July 1.

232-3240	Fund Balance Reserved for Expenditures	19,500	
232-3300	Fund Balance – Receipts Reserved for Appropriation		19,500

To reverse entry reserving appropriated parking meter receipts

Uniform Massachusetts Accounting System – July 2013

Budget

3. The budget is recorded and reflects use in the General Fund.

232-3880	BUDGETARY FUND BALANCE	19,500	
232-3890	BUDGETARY CONTROL		19,500
232-3890	BUDGETARY CONTROL	19,500	
232-3870	ESTIMATED OTHER FINANCING USES		19,500

To record the annual budget for the current year

(If expenditures are directly from the fund, debit BUDGETARY FUND BALANCE and Credit APPROPRIATIONS)

Transfer to General Fund

4. Last fiscal year's appropriation from Parking Meter receipts is transferred to the General Fund for expenditure.

232-3970	Other Financing Uses	19,500	
232-1040	Cash – Unrestricted		19,500

To record transfer of appropriated Parking Meter receipts to the General Fund
Subsidiary Ledger

232-5961	Transfer to General Fund	19,500	
232-5000	Subsidiary Appropriations Control		19,500

Revenue

5. Current fiscal year parking meter receipts are deposited.

232-1040	Cash – Unrestricted	18,328	
232-3910	Revenue		18,328

To record parking meter receipts

Subsidiary Ledger

232-4000	Subsidiary Revenue Control	18,328	
232-4240	Other Non-Utility Usage Charges		18,328

Uniform Massachusetts Accounting System – July 2013

6. Revenue may be reclassified immediately into Fund Balance to document available funds for B-2 (recap) purposes. Otherwise, the Accounting Officer must be certain that the amount appropriated is equal to or less than the fund balance at the time of appropriation.

232-3910	Revenue	18,328	
232-3300	Fund Balance – Receipts Reserved for Appropriation		18,328

To recognize Revenue into Fund Balance

Annual Appropriation

Any appropriation from the Parking Meter Receipts Fund Balance for the next fiscal year is reserved immediately and transferred to the General Fund on July 1. (Any appropriation from an available fund balance may be expended immediately).

7. Parking meter receipts are voted for the next fiscal year. The Accounting Officer must be certain that the amount appropriated is equal to or less than the fund balance at the time of appropriation.

232-3300	Fund Balance – Receipts Reserved for Appropriation	17,500	
232-3240	Fund Balance Reserved for Expenditures		17,500

To record appropriation from parking meter receipts.

8. Additional funds are received after the legislative body's vote.

232-1040	Cash - Unrestricted	2,500	
232-3910	Revenue		2,500

To record additional revenue received

Subsidiary Ledger

232-4000	Subsidiary Revenue Control	2,500	
232-4240	Other Non-Utility User Charges		2,500

Adjusting Entries

There are no adjusting entries.

Closing Entries

9. The budgetary entry for the current fiscal year is closed.

232-3870	ESTIMATED OTHER FINANCING USES	19,500	
232-3890	BUDGETARY CONTROL		19,500
232-3890	BUDGETARY CONTROL	19,500	
232-3880	BUDGETARY FUND BALANCE		19,500

To close the budgetary accounts for the fiscal year

10. Additional funds received are closed to fund balance.

232-3910	Revenue	2,500	
232-3300	Fund Balance – Receipts Reserved for Appropriation		2,500

To close Revenue to Fund Balance

11. Other Financing Uses are closed to Fund Balance.

232-3300	Fund Balance – Receipts Reserved for Appropriation	19,500	
232-3970	Other Financing Uses		19,500

To close Other Financing Uses to Fund Balance

Closing Trial Balance

232-1040	Cash – Unrestricted	24,328	
232-3240	Fund Balance Reserved for Expenditures		17,500
232-3300	Fund Balance – Receipts Reserved for Appropriation		6,828
		<u>24,328</u>	<u>24,328</u>

Gifts and Donations

Gifts and Donations are restricted to expenditure in accordance with the gift or donation's provisions. If accepted pursuant to G.L. c. 44, § 53A, they are expended without further appropriation. They may be given by private individuals or organizations to the entity or to a specific department of the entity. Otherwise, if not pursuant to G.L. c. 44, § 53A and Selectmen/City Council accept the gift, Town Meeting/City Council action is required for expenditure. If the gift is to the School Department and the School Committee accepts the gift, it may be spent without further appropriation. The accounting is the same, but specific authorizations differ. Unless the gifts or donations are for general purposes, it is recommended that each gift or donation have a separate fund balance.

In the following example, a gift is received by the Recreation Department to replace equipment at the playground.

1. The Recreation department receives a gift of \$10,000 to replace equipment at the playground.

251-1040	Cash – Unrestricted	10,000	
251-3910	Revenue		10,000

To record citizen's gift

Subsidiary Ledger

251-4000	Subsidiary Revenue Control	10,000	
251-4830	Contributions and Donations		10,000

2. Replacement equipment is purchased for the playground.

251-3930	Expenditures	10,000	
251-1040	Cash - Unrestricted		10,000

To record payment to the contractor

Subsidiary Ledger

251-5870	Replacement Equipment	10,000	
251-5000	Subsidiary Appropriation Control		10,000

Uniform Massachusetts Accounting System – July 2013

3. Revenue is closed to fund balance.

251-3910	Revenue	10,000	
251-3285	Fund Balance Reserved for Gifts and Donations		10,000

To close Revenue to Fund Balance

4. Expenditures are closed to fund balance.

251-3285	Fund Balance Reserved for Gifts and Donations	10,000	
251-3930	Expenditures		10,000

To close Expenditures to Fund Balance

5. Since the funds were fully expended, there is no Closing Trial Balance.

Other

This category includes resources that cannot be placed within one of the other specified categories. This illustration is for Offset Receipts per G.L. c. 44, § 53E. Unlike the previous Special Revenue Fund resources illustrated, Offset Receipts are not available at the time of appropriation, any surplus remaining as of June 30 must be closed to the General Fund and any deficit as of June 30 must be provided for on the next tax rate.

Per the law, departmental receipts collected during the fiscal year are used to defray the cost of a program. Estimated receipts, appropriated by Town Meeting, Town/City Council, are limited to either the actual receipts of the prior fiscal year or, if requested and substantiated, to a higher amount approved by the Director of Accounts.

In this example, beach stickers are used to defray the cost of the town beach. The town estimates \$50,000 for the fiscal year. However, \$55,000 is actually received.

Budgetary Entries

1. The budget is recorded.

261-3815	ESTIMATED REVENUE	50,000	
261-3830	APPROPRIATIONS		50,000

To record appropriation from offset receipts

Uniform Massachusetts Accounting System – July 2013

Revenues

2. 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 Ledger

261-4000	Subsidiary Revenue Control	55,000	
261-4240	Other Non-Utility Usage Charges		55,000

Expenditures

3. Expenditures are recorded in the same manner as in the General Fund.

261-3930	Expenditures	45,000	
261-1040	Cash – Unrestricted		45,000

To record the expenditure for lifeguard stipends

Subsidiary Ledger

261-5350	Recreational Expenditures	45,000	
261-5000	Subsidiary Appropriation Control		45,000

Adjusting Entries

There are no adjusting entries.

Closing Entries

4. The budgetary entries are closed.

261-3830	APPROPRIATIONS	50,000	
261-3815	ESTIMATED REVENUE		50,000

To close the budget for beach offset receipts

Uniform Massachusetts Accounting System – July 2013

5. Revenue is closed to Fund Balance.

261-3910	Revenue	55,000	
261-3330	Fund Balance Reserved for Offset Receipts		55,000
	To close revenues to Fund Balance		

6. Expenditures are closed to Fund Balance.

261-3330	Fund Balance Reserved for Offset Receipts	45,000	
261-3930	Expenditures		45,000
	To close expenditures to Fund Balance		

7. Remaining surplus is transferred to the General Fund.

261-3970	Other Financing Uses	10,000	
261-1040	Cash – Unrestricted		10,000
	Offset Receipts surplus is transferred to the General Fund		

CHAPTER 11 – CAPITAL PROJECTS FUND

The Capital Projects Fund type accounts for and reports financial resources for capital projects, including the acquisition, construction or reconstruction of capital facilities, and other major capital assets used by the government. A Capital Projects Fund is used for all projects and purchases which involve the use of borrowed funds. The Capital Projects Fund or Special Revenue Fund may be used for the Highway Improvement Program, or Chapter 90 funds. Chapter 90 apportionments, however, must be appropriated to be properly expended.

A clear distinction should be made between capital projects (the construction of major facilities such as a new town or city hall) and capital outlay expenditures (relatively short-lived assets). 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 is provided in whole or in part by the issuance of long-term debt;
- Expenditures are made during more than one fiscal year;
- Expenditures are “project-oriented,” (not a regular part of the ongoing operations of the local government).

A capital asset is generally defined as having a useful life of greater than 1 year and a value of greater than \$5,000.

The acquisition of major capital assets as well as the acquisition, construction or reconstruction of capital facilities for Enterprise Fund projects are accounted for in a Capital Projects Fund.

Generally, a separate fund is required for each project within the fund type. This is particularly important when projects are funded in full or in part by long-term debt or intergovernmental revenues in order to demonstrate that proceeds have been used for their intended purposes.

Budget

The budget for capital projects is integrated into the accounting records. Project authorization is generally for the entire project rather than on the portion of the project to be completed in a particular fiscal year. When the project has been completed, the project entries are reversed.

UMAS Modified Accrual

For UMAS accounting purposes, Capital Projects Funds are reported using a “UMAS modified accrual” basis meaning that revenues are recorded on a cash basis during the fiscal year and year-end adjusting entries for certain late payments may be recorded in accordance with the Director’s annual year-end guidance to Accountants and Auditors.

The Director’s guidance allows:

- state aid payments received by September 30;
- Federal/state reimbursements received by September 30 for FY2014 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit;
- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2014 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided:
 - (a) a documented reimbursement request was filed with the appropriate authority by September 30;
 - (b) the Bureau must be satisfied that payment will be made.
- Funds borrowed in anticipation of reimbursement and to offset a deficit fund balance are borrowed by June 30, or with a 44:31 approval, borrowing through the setting of the tax rate;
- UMAS does not recognize the GAAP “60 day rule” for receipts collected after June 30. For tax bills issued after May 1, 60 days of property tax receipts beginning on the date of mailing is allowed.

Capital Project Accounting

Many capital projects are partially financed by state or federal grants. For control purposes, the grant award should be recorded in a memorandum entry when official notification of the grant is received from the grantor and/or after voted by the Municipal Finance Oversight Board, if approval of the Board is sought for qualified bond status. The receivable is recorded when the grantor has been billed per the grant agreement.

The accounting for temporary loans in anticipation of either grant reimbursement or long-term debt proceeds requires special comment. Since expenditures in capital projects may be made prior to receipt of grant revenues or bond proceeds, the approved project must apply the provisions of internal (inter-fund) borrowing. If external borrowing (either long-term or short-term) has not occurred by June 30 as per the Director’s guidance, a deficit fund balance or “artificial deficit” in the project will be deducted from “free cash.” If the deficit is related to a grant, the grant amount may be accrued as per the Director’s guidance or free cash may be updated if allowed by the Director. Borrowing, however, must be completed by June 30.

At the completion of the project, unused bond proceeds may be reallocated pursuant to G.L. c. 44, § 20. In brief, this allows the unused funds to be appropriated for any purpose for which the entity could normally borrow for an equal or longer period of time. An amount less than \$1,000 may be appropriated by the legislative body to reduce the principal of the capital project borrowing. Special provisions are written in the Bureau's annual levy limit instructions regarding debt service for bond proceeds excluded from the provisions of Prop 2½ so-called transferred to non-debt excluded purposes.

A permanent record should be retained setting forth the details of each capital project completed including 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.

Short and Long-Term Debt Related Transactions

Debt related transactions pertaining to General, Special and Capital Projects Fund types including bond issuance costs, interest on short term borrowings (BANs, FAANs and SAANs), accrued interest, bond premiums from non-excluded debt or payments on principal and interest on maturing debt are normally recorded in the General Fund. Note the Bureau's Informational Guideline Release regarding special treatment of bond premiums on debt excluded debt. Debt related transactions pertaining to the Enterprise Fund type are recorded in the Enterprise Fund.

Long term liabilities for bonds payable for General, Special, Capital Projects and Enterprise Fund types are recorded in the General Long Term Obligations Account Group.

Fixed Asset Related Transactions

Costs incurred related to the acquisition of a General, Special, Capital Projects and Enterprise Fund type fixed assets (e.g. vehicles, trucks, computers etc.) are recorded in the fund where the expenditure is charged. The asset is recorded in the General Fixed Assets Account Group.

Costs incurred related to the acquisition, construction or reconstruction of any capital project is recorded in the Capital Projects Fund type. The asset is recorded in the General Fixed Asset Account Group as a construction in progress or fixed asset when the expenditure is recorded.

Illustrative Journal Entries

First Year of the Project

Memoranda Entries;

Project Authorization;
Estimated Project Revenues;
Grant Award;
Temporary Borrowing;
Project Encumbrance;
Expenditures;
Grants;
Serial Bond Issues;
Closing Entries;
Closing Trial Balance

Second Year of the Project

Opening Entries;
Budgetary Entry;
Project Encumbrance;
Encumbrances;
Expenditures;
Temporary Borrowing;
Closing Entries;
Closing Trial Balance

The Project

The journal entries illustrate construction of a new fire station to be completed over two fiscal years. Other project facts include:

- Total project cost is \$10,000,000;
- Financing to be provided from:
 - temporary borrowing;
 - \$6,000,000 from bonds, to be issued in the first year;
 - \$4,000,000 from federal grant reimbursements;
- The project is awarded to a single contractor;
- The contract awarded will include a 10% holdback on each vendor payment pending satisfactory completion of the project;
- A warrant process is required, but will not be shown in this example;
- Subsidiary entries and BUDGETARY CONTROL are not shown, but are similar to those shown in other chapters.
- MEMORANDA entries are shown for greater overall project control, but are not required.

First Year of the Project

Memoranda Entries

The following memoranda accounts are recommended for greater overall project control, but are not required. Memoranda entries are in CAPITAL LETTERS. At the completion of the project, they are reversed or closed, but the capital project fund is not closed until unspent bond proceeds are reallocated per chapter 44, § 20.

- 301-3730 PROJECT AUTHORIZED;
- 301-3740 PROJECT AUTHORIZED – OFFSET (or not completed);
- 301-3710 STATE AND FEDERAL GRANTS AWARDED;
- 301-3720 STATE AND FEDERAL GRANTS AWARDED – OFFSET (or not awarded)

BONDS AUTHORIZED (901-3750) and BONDS AUTHORIZED – OFFSET (901-3760) are recorded in the GLTOAG.

Project Authorization

1. Total project authorization is recorded for projects expected to take more than one fiscal year to complete.

301-3730	PROJECT AUTHORIZED (MEMO)	10,000,000	
301-3740	PROJECT AUTHORIZED – OFFSET (MEMORANDUM)		10,000,000

To record the total estimated cost of the project

Estimated Project Revenues

Financing for the project will be provided initially through short-term borrowing. Grant reimbursement requests will be submitted to the grantor as expenditures are incurred. Reimbursements are recorded as Revenue when collected. The receipt of the grant is recorded directly into the Capital Projects Fund.

2. The budget for the capital project is recorded.

301-3815	ESTIMATED REVENUE	4,000,000	
301-3820	ESTIMATED OTHER FINANCING SOURCES	6,000,000	
301-3830	APPROPRIATIONS		10,000,000

To record the budget for the year

Grant Award

3. The grant is awarded.

301-3710	STATE AND FEDERAL GRANTS AWARDED (MEMORANDUM)	4,000,000
301-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMO)	4,000,000

To record the award of grants for the project

When bonds are authorized, BONDS AUTHORIZED and BONDS AUTHORIZED – OFFSET are recorded in the General Long-Term Obligations Account Group. They are used to control legislative body bond authorizations. See Chapter 15 for further details.

Temporary Borrowing

Short-term notes are sold to finance the project pending bond issuance or grant reimbursement. Bonds for the project are authorized pursuant to G.L. Chapter 44, § 3 and federal aid anticipation notes are authorized pursuant to Chapter 74 of the Acts of 1945.

4. Short-term notes are sold.

301-1040	Cash – Unrestricted	10,000,000
301-2720	Bond Anticipation Notes Payable	6,000,000
301-2740	Federal Aid Anticipation Notes Payable	4,000,000

To record short-term borrowing to finance capital projects

Project Encumbrance

When a signed contract is entered into, the full amount of the contract is encumbered, which must be equal to or less than the amount appropriated.

5. The project is encumbered.

301-3940	Encumbrances	10,000,000
301-3211	Fund Balance Reserved for Encumbrances	10,000,000

To total contract is encumbered

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6. Encumbrances are liquidated when the contractor's invoices are received for the portion of work completed.

301-3211	Fund Balance Reserved for Encumbrances	8,000,000	
301-3940	Encumbrances		8,000,000

To liquidate encumbrances for portion of work completed

Expenditures

The entity retains 10% on each vendor payment pending satisfactory project completion.

7. Expenditures, less retainage, are paid. The first payment dollars should be from grant anticipation note proceeds to minimize liability and return of unspent grant funds.

301-3930	Expenditures	8,000,000	
301-1040	Cash – Unrestricted		7,200,000
301-2050	Contracts Payable – Retained Percentage		800,000

To record the expenditures per warrant # _____

Grants

To minimize the interest expenditure on short-term borrowing, reimbursable grants should be applied for as soon after incurring the expenditure as the grant terms allow.

8. The granting agency is billed.

301-1710	Due from the Federal Government	4,000,000	
301-2670	Deferred Revenue – Intergovernmental		4,000,000

To record the application to granting agency for reimbursement

9. The memoranda accounts are adjusted for the amount of the grant billed.

301-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMORANDUM)	4,000,000	
301-3710	STATE AND FEDERAL GRANTS AWARDED – (MEMORANDUM)		4,000,000

To adjust for grant billed

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10. Cash is collected from the granting agency.

301-1040	Cash – Unrestricted	4,000,000	
301-1710	Due from Federal Government		4,000,000

To record collections on grant

11. Revenue from the grant is recorded.

301-2670	Deferred Revenue – Intergovernmental	4,000,000	
301-3910	Revenue		4,000,000

To record Revenue from grant receipts

Serial Bond Issues

When serial bonds are issued, the liability is recorded in the General Long Term Obligations Account Group and the bonds authorized entry is reversed. The bond proceeds are recorded in the Capital Projects Fund as an Other Financing Source and are used initially to extinguish the bond anticipation notes. Related bond issuance costs are recorded in the General fund (or enterprise fund, if applicable).

12. The long-term bond is issued and the proceeds are recorded.

301-1040	Cash – Unrestricted	6,000,000	
301-3920	Other Financing Sources		6,000,000

To record the proceeds from the issuance of bonds

13. The temporary bond anticipation notes are repaid.

301-2720	Bond Anticipation Notes Payable	6,000,000	
301-1040	Cash – Unrestricted		6,000,000

To record the repayment of temporary loans per warrant # _____

Adjusting Entries

14. The remaining project encumbrance at fiscal year-end is reversed.

301-3211	Fund Balance Reserved for Encumbrances	2,000,000	
301-3940	Encumbrances		2,000,000

To close out encumbrances at fiscal year-end

15. The project encumbrance is reserved in Fund Balance.

301-3590	Undesignated Fund Balance	2,000,000	
301-3211	Fund Balance Reserved for Encumbrances		2,000,000

Closing Entries

16. The budget entry for the fiscal year is closed.

301-3830	APPROPRIATIONS	10,000,000	
301-3815	ESTIMATED REVENUE		4,000,000
301-3820	ESTIMATED OTHER FINANCING SOURCES		6,000,000

To close budget accounts

17. Revenue and Other Financing Sources are closed to fund balance.

301-3920	Other Financing Sources	6,000,000	
301-3910	Revenue	4,000,000	
301-3590	Undesignated Fund Balance		10,000,000

To close Revenue and Other Financing Sources to Fund Balance

18. Expenditures are closed to fund balance.

301-3590	Undesignated Fund Balance	8,000,000	
301-3930	Expenditures		8,000,000

To close Expenditures to Fund Balance

Closing Trial Balance

301-1040	Cash – Unrestricted	6,800,000	
301-3730	PROJECT AUTHORIZED (MEMO)	10,000,000	
301-3740	PROJECT AUTHORIZED – OFFSET (MEMORANDUM)		10,000,000
301-2050	Contracts Payable – Retained Percentage		800,000
301-2740	Federal Aid Anticipation Notes Payable		4,000,000
301-3211	Fund Balance Reserved for Encumbrance		2,000,000
301-3590	Undesignated Fund Balance		0
		<u>16,800,000</u>	<u>16,800,000</u>

The amount expended by the end of the first year of the project, \$7,200,000 (plus \$800,000 held as retainage), is recorded in the General Fixed Assets Account Group at year-end as a Construction in Progress transaction. See Chapter 15.

Second Year of the Project

Opening Trial Balance

301-1040	Cash – Unrestricted	6,800,000	
301-3730	PROJECT AUTHORIZED (MEMO)	10,000,000	
301-3740	PROJECT AUTHORIZED – OFFSET (MEMORANDUM)		10,000,000
301-2050	Contracts Payable – Retained Percentage		800,000
301-2740	Federal Aid Anticipation Notes Payable		4,000,000
301-3211	Fund Balance Reserved for Encumbrance		2,000,000
301-3590	Undesignated Fund Balance		0
		<u>16,800,000</u>	<u>16,800,000</u>

Budget Entry

19. The remaining budget is re-opened.

301-3880	BUDGETARY FUND BALANCE	2,000,000	
301-3830	APPROPRIATIONS		2,000,000

To open the remaining budget

Project Encumbrance

20. The balance of the project encumbered at the end of the project’s first year is reclassified.

301-3211	Fund Balance Reserved for Encumbrances	2,000,000	
301-3590	Undesignated Fund Balance		2,000,000

To reclassify encumbrances

21. The balance of the project encumbered at the end of the project’s first year is carried forward into the project’s second year.

301-3940	Encumbrances	2,000,000	
301-3211	Fund Balance Reserved for Encumbrances		2,000,000

To re-establish the remaining encumbered project

Encumbrances

22. The encumbrances are liquidated when contractor invoices are received for the portion of the work completed.

301-3211	Fund Balance Reserved for Encumbrances	2,000,000	
301-3940	Encumbrances		2,000,000

To liquidate encumbrances for portion of work completed

Expenditures

23. Expenditures, less retainage, are paid.

301-3930	Expenditures	1,900,000	
301-1040	Cash – Unrestricted		1,710,000
301-2050	Contracts Payable – Retained Percentage		190,000

To record the expenditures per warrant #_____

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24. When the project is completed and specifications are met, the retainage is paid.

301-2050	Contracts Payable – Retained Percentage	990,000	
301-1040	Cash – Unrestricted		990,000

To record the payment of retainage on contract

Temporary Borrowing

25. The temporary federal aid anticipation notes are repaid.

301-2740	Federal Aid Anticipation Notes Payable	4,000,000	
301-1040	Cash – Unrestricted		4,000,000

To record the repayment of temporary loans

Closing Entries

26. The budget is closed.

301-3830	APPROPRIATIONS	2,000,000	
301-3880	BUDGETARY FUND BALANCE		2,000,000

To close the budget accounts

27. Revenue is closed to fund balance.

Since no Revenue was received in the project's second year, no entry is necessary.

28. Expenditures are closed to fund balance.

301-3590	Undesignated Fund Balance	1,900,000	
301-3930	Expenditures		1,900,000

To close Expenditures to Undesignated Fund Balance

29. The project has been completed and is closed.

301-3740	PROJECT AUTHORIZED – OFFSET (MEMORANDUM)	10,000,000	
301-3730	PROJECT AUTHORIZED (MEMO)		10,000,000

To close the project

30. Unspent bond proceeds are re-allocated in accordance with G.L. c. 44, § 20.

301-3570	Other Financing Uses	100,000	
301-1040	Cash – Unrestricted		100,000

Unspent bond proceeds re-allocated to another project

Closing Entry

31. Fund Balance is closed.

301-3590	Undesignated Fund Balance	100,000	
301-3970	Other Financing Uses		100,000

Closing Trial Balance

There is no closing trial balance. All funds have been received, expended and re-allocated.

The Capital Projects Fund for this project can now be closed.

CHAPTER 12 – PROPRIETARY FUND

Proprietary Fund Types

Both Enterprise Funds and Internal Service Funds are Proprietary Fund types, i.e. services are provided for a charge in a manner similar to private business. Generally, different functions or services should not be combined into one Enterprise Fund. However, the Director of Accounts has allowed and special legislation has directed that Water and Sewer may be accounted for in one Water-Sewer Enterprise Fund by vote of the entity's legislative body.

Legal adoption of an Enterprise Fund for UMAS purposes is in accordance with G.L. c. 44, § 53F½ or special legislative act that mimics the general law. Only cities and towns may adopt an Enterprise Fund under this section.

The acquisition of major capital assets appropriated in the Proprietary Fund as well as the acquisition, construction or reconstruction of capital facilities for Proprietary Fund projects are accounted for in the Capital Projects Fund for UMAS accounting purposes.

Short and Long Term Debt Related Transactions

Proprietary Fund type debt related costs may be appropriated in and paid by the General Fund, then allocated to the associated Proprietary Fund as indirect costs. Alternatively, these costs may be appropriated in and paid by the Proprietary Fund. Debt related revenues other than debt proceeds are recorded in the associated Proprietary Fund.

Proprietary Fund long term liabilities are recorded in the General Long Term Obligations Account Group clearly identifying them from those of other funds.

Fixed Asset Related Transactions

Costs related to the acquisition of a Proprietary Fund fixed assets including vehicles trucks and computers, appropriated in the General Fund are allocated as indirect costs to the associated Proprietary Fund. Upon expenditure, the amount is recorded in the General Fixed Assets Account Group as a construction in progress or as a fixed asset.

Costs incurred related to the acquisition, construction or reconstruction of a Proprietary Fund capital facilities or other major capital asset is accounted for within the Capital Projects Fund and is recorded upon expenditure in the General Fixed Assets Account Group as a construction in progress or as a fixed asset clearly identifying them from those of other funds.

Electric Light Departments

Electric light departments are subject to the regulations issued by state and federal energy management agencies. Electric utilities are established under G.L. c. 164. 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. The Accountant should maintain control accounts and review invoices as with any other department to ensure compliance with municipal law.

Enterprise Fund Manual

The Division of Local Services has published an Enterprise Fund Manual, IGR 08-101, which gives specific guidance on the establishment, budgeting and accounting for Enterprise Funds and is available on its website. Note that the Manual gives specific guidance as to the Director’s role in the calculation of indirect costs, in the use of certified Retained Earnings and in the calculation of an Enterprise Fund revenue deficit.

UMAS Modified Accrual

For UMAS accounting purposes, Enterprise Funds are reported using a “UMAS modified accrual” basis meaning that revenues are recorded on a cash basis during the fiscal year and year-end adjusting entries for certain late payments may be recorded in accordance with the Director’s annual year-end guidance to Accountants and Auditors.

The Director’s guidance allows:

- state aid payments received by September 30;
- Federal/state reimbursements received by September 30 for FY2014 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit;
- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2014 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided:
 - (a) a documented reimbursement request was filed with the appropriate authority by September 30;
 - (b) the Bureau must be satisfied that payment will be made.
- Funds borrowed in anticipation of reimbursement and to offset a deficit fund balance are borrowed by June 30, or with a 44:31 approval, borrowing through the setting of the tax rate;

- UMAS does not recognize the GAAP “60 day rule” for receipts collected after June 30. For tax bills issued after May 1, 60 days of property tax receipts beginning on the date of mailing is allowed.

Illustrative Journal Entries

The journal entries are grouped under the following general categories:

- Opening Trial Balance;
- Budgetary Entries;
- Expenses;
- Intra-Fund Transfers
- Inter-Fund Transfers;
- Revenue;
- Investment of Excess Cash;
- Adjusting Entries;
- Closing Entries;
- Closing Trial Balance.

Example for an Enterprise Fund

- The journal entries illustrate the entire accounting cycle for one fiscal year;
- Although the example reflects the operations of a water department, the same basic entries and accounting theory are applicable to other Enterprise Funds;
- The Water Department’s appropriated direct costs are \$442,000 to be funded by \$379,000 from revenues, \$50,000 from certified retained earnings and \$13,000 from a General Fund subsidy;
- The Water Department’s indirect costs appropriated in the General Fund are \$147,000. These costs are normally appropriated in the General Fund and allocated to the Enterprise Fund for funding but cannot in this case due to insufficient budgeted Enterprise Fund revenues;
- Construction of the water treatment plant is recorded in the Capital Projects Fund and is not reflected in this chapter;
- Bond authorization is recorded in the General Long-Term Obligations Group of Accounts. See Chapter 15.

Opening Trial Balance

- The prior fiscal year's closing trial balance is brought forward and recorded as the current year's opening trial balance.

650-1040	Cash – Unrestricted	286,000	
650-1310	User Charges Receivable	59,000	
650-1330	Utility Liens Added to Taxes	8,000	
650-2010	Warrants Payable		54,000
650-2651	Deferred Revenue – User Charges		59,000
650-2653	Deferred Revenue – Utility Liens		8,000
650-3591	Undesignated Retained Earnings		232,000
		<u>353,000</u>	<u>353,000</u>

To record the opening trial balance

Budgetary Entries

- Appropriations for the fiscal year are recorded.

650-3890	BUDGETARY CONTROL	442,000	
650-3830	APPROPRIATIONS		442,000

To record appropriations

Subsidiary Ledger

650-5000	Subsidiary Appropriation Control	442,000	
650-5110	Salaries and Wages, Permanent Positions		306,500
650-5170	Fringe Benefits on Behalf of Employees		10,000
650-5210	Energy		2,000
650-5230	Non-Energy Utilities		3,500
650-5240	Repairs and Maintenance		1,500
650-5340	Communication		500
650-5410	Energy Supplies		500
650-5430	Building and Equipment Repairs and Maintenance Supplies		22,500
650-5780	Extraordinary/Unforeseen		10,000
650-5800	Capital Outlay		50,000
650-5925	Interest on Notes		35,000

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3. Estimated revenue for the fiscal year is recorded.

650-3815	ESTIMATED REVENUE	379,000	
650-3890	BUDGETARY CONTROL		379,000

To record the Estimated Revenue

Subsidiary Ledger

650-4210	Utility Usage Charges	340,000	
650-4370	Other Departmental	35,000	
650-4820	Investment Income	4,000	
650-4000	Subsidiary Revenue Control		379,000

4. Certified Retained Earnings are appropriated to supplement revenues.

650-3880	BUDGETARY FUND BALANCE	50,000	
650-3890	BUDGETARY CONTROL		50,000
650-3890	BUDGETARY CONTROL	50,000	
650-3830	APPROPRIATIONS		50,000

To record use of certified Retained Earnings

Subsidiary Ledger

None

5. A budgeted General Fund subsidy is recorded.

650-3820	ESTIMATED OTHER FINANCING SOURCES	13,000	
650-3890	BUDGETARY CONTROL		13,000
650-3890	BUDGETARY CONTROL	13,000	
650-3880	BUDGETARY FUND BALANCE		13,000

To record General Fund subsidy

Subsidiary Ledger

650-4971	Transfers From General Fund	13,000	
650-4000	Subsidiary Revenue Control		13,000

6. Indirect costs are appropriated in the General Fund.

After the budgeted General Fund subsidy, there are only sufficient Enterprise Fund revenues to fund direct costs of the Enterprise. Because of this, indirect costs appropriated in the General Fund are paid for by and in the General Fund. No entry in the Enterprise Fund is necessary.

If the Enterprise Fund was budgeted self-sufficient or as a budgeted surplus, the preferred accounting treatment to fund indirect costs appropriated in the General Fund is to transfer Cash from the Enterprise Fund to the General Fund. This entry may only be done to the extent of the amount budgeted as shown on form A-2 of that fiscal year's certified Tax Rate Recap.

Expenditures

7. Warrants Payable as of the end of last fiscal year are paid.

650-2010	Warrants Payable	54,000	
650-1040	Cash – Unrestricted		54,000

To record warrants payable

8. The Enterprise pays current fiscal year expenditures.

650-3930	Expenditures	420,000	
650-1040	Cash – Unrestricted		420,000

To record the payment of direct Enterprise expenditures

Intra-Fund Transfers

Although there may be no effect on the general ledger, the entries provide accounting control and an audit trail.

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9. The entity votes to transfer funds between appropriations.

650-3830	APPROPRIATIONS	2,000	
650-3890	BUDGETARY CONTROL		2,000
650-3890	BUDGETARY CONTROL	2,000	
650-3830	APPROPRIATIONS		2,000

To record approved transfers between appropriations, accounts # _____

Subsidiary Ledger

650-5430	Building and Equipment Repairs and Maintenance Supplies	2,000	
650-5240	Repairs and Maintenance		2,000

Inter-Fund Transfers

Transactions between funds include those where one fund renders a service for another and those where one fund reimburses another fund for expenditures initially made by it, which were properly applicable to another fund.

10. The Water Department (Enterprise Fund) “purchases” office supplies from the Central Purchasing Department (General Fund).

650-3930	Expenditures	250	
650-1040	Cash – Unrestricted		250

To record purchase of supplies from central purchasing

Subsidiary Ledger

650-5420	Office Supplies	250	
650-5000	Subsidiary Appropriation Control		250

11. Two Recreation Department (General Fund) vehicles are filled with gasoline from the Water Department’s (Enterprise Fund) gasoline pump.

650-1040	Cash – Unrestricted	100	
650-3930	Expenditures		100

To record the sale of gasoline to an activity accounted for in the General Fund

Subsidiary Ledger

650-5000	Subsidiary Appropriation Control	100	
650-5480	Vehicular Supplies		100

Revenue

The principal revenue source for most Enterprise Funds is user charges. Rates should be reviewed periodically to determine their adequacy. Revenue is recorded on a cash basis during the fiscal year. Year-end adjustments are only allowed per the Director’s annual guidance.

Issue Water Bills

12. The water bills are issued and agree to the commitment.

650-1310	User Charges Receivable	349,000	
650-2651	Deferred Revenue – User Charges		349,000

To record the commitment of water user charges

Collect Water Bills

13. Payments for current water bills are collected.

650-1040	Cash – Unrestricted	338,000	
650-1310	User Charges Receivable		338,000

To record cash collected on current fiscal year water user charges

14. Revenue is adjusted to reflect the payments received.

650-2651	Deferred Revenue – User Charges	338,000	
650-3910	Revenue		338,000

To record Revenue from the collections on water user charges

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	338,000	
650-4210	Utility Usage Charges		338,000

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Abate Unpaid Water Bills

15. Current unpaid water bills are abated.

650-2651	Deferred Revenue – User Charges	2,000	
650-1310	User Charges Receivable		2,000

To record water bill abatements

Return Credit Balance on Water Bills

16. A ratepayer is refunded a credit balance.

650-1310	User Charges Receivable	200	
650-1040	Cash – Unrestricted		200

To record refund of credit balance

17. Revenue is adjusted to reflect the refund.

650-3910	Revenue	200	
650-2651	Deferred Revenue – User Charges		200

To adjust for the credit refund

Subsidiary Ledger

650-4210	Utility Usage Charges	200	
650-4000	Subsidiary Revenue Control		200

Water liens

When unpaid water rates are reclassified to water liens, and provided G.L. c. 40, § 42B has been accepted, the unpaid amount is included on the real estate tax bills. Otherwise, they are separately committed and cannot be so included. Revenue from paid water liens, including interest and penalties, is revenue to the Enterprise Fund.

If an amount received is insufficient to repay both the water lien and other real estate taxes due, the order of payment is (1) water lien, (2) committed interest, (3) taxes due.

Transfer Prior Fiscal Year Water Receivables to Water Liens

18. The Assessors commit prior fiscal year water liens per G.L. c. 40, § 42B.

650-1330	Utility Liens Added to Taxes	59,000	
650-1310	User Charges Receivable		59,000

To record the water liens added to taxes

19. The related Deferred Revenue accounts are adjusted.

650-2651	Deferred Revenue – User Charges	59,000	
650-2653	Deferred Revenue – Utility Liens		59,000

To adjust the Deferred Revenue accounts for user charges taken into lien

Transfer Prior Fiscal Year Water Liens to Tax Title

20. An unpaid water lien portion of a property taken into tax title is recorded.

650-1241	Water Liens Receivable	8,000	
650-1330	Utility Liens Added to Taxes		8,000

To transfer water liens after tax taking

21. The related Deferred Revenue accounts are adjusted.

650-2653	Deferred Revenue – Utility Liens	8,000	
650-2622	Deferred Revenue – Water Liens Receivable		8,000

To adjust the Deferred Revenue accounts to reflect tax taking

If the Treasurer, or other custodian of tax liens, sells land of low value that is in tax lien as set forth in G.L. c. 60, § 79, the order of payment is (1) real estate taxes in tax lien, (2) other taxes in tax lien, (3) enterprise liens in tax liens apportioned by their relative magnitude, (4) interest and charges. If proceeds remain, a liability in the General Fund entitled “Excess on Sale of Land of Low Value” is created and maintained for five (5) years, after which it enures to the General Fund if there are no claims for it.

Tax Foreclosures

Once the property has been foreclosed on, that portion due to the water lien is recorded in the Enterprise Fund.

Foreclose on Property with Water Lien

22. The entity forecloses on a tax lien property that included a water lien.

650-1880	Tax Foreclosures	5,000	
650-1241	Water Liens Receivable		5,000

To record the foreclosure on a tax lien

23. The Revenue and the Deferred Revenue – Water Liens are adjusted.

650-2622	Deferred Revenue – Water Liens Receivable	5,000	
650-1241	Deferred Revenue – Tax Foreclosure		5,000

To record the revenue from foreclosure of tax liens

If the foreclosed property is sold for an amount insufficient to repay both the water lien and other real estate taxes due, the order of payment is (1) taxes due, (2) water lien.

Investment of Excess Cash

24. An investment of excess funds is made.

650-1100	Short Term Investments	50,000	
650-1040	Cash – Unrestricted		50,000

To record the investment of excess cash

25. Sale of Investment.

650-1040	Cash - Unrestricted	50,500	
650-1110	Short Term Investments		50,000
650-3910	Revenue		500

To record the sale of invested funds

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	500	
650-4820	Earnings on Investments		500

Other Departmental Revenue

26. Other departmental revenue is collected.

650-1040	Cash – Unrestricted	38,000	
650-3910	Revenue		38,000

To record receipt of other departmental revenue

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	38,000	
650-4220	Other Utility Non-Usage Charges		38,000

Adjusting Entries

27. The General Fund subsidy is recorded.

650-1040	Cash – Unrestricted	13,000	
650-3920	Other Financing Sources		13,000

To record General Fund subsidy received

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	13,000	
650-4971	Transfers from General Fund		13,000

28. If the Enterprise Fund had been budgeted on form A-2 as self-sufficient or with a budgeted surplus, the following entry would be made for \$147,000 (indirect costs appropriated in the General Fund).

650-3970	Other Financing Uses	xxx	
650-1040	Cash – Unrestricted		xxx

To transfer Cash to General Fund for indirect costs

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Subsidiary Ledger

650-5961	Transfers to General Fund	xxx	
650-4000	Subsidiary Revenue Control		xxx

Closing Entries

29. The budget entries are closed.

650-3830	APPROPRIATIONS	442,000	
650-3890	BUDGETARY CONTROL		442,000
650-3890	BUDGETARY CONTROL	442,000	
650-3880	BUDGETARY FUND BALANCE		442,000

To close Appropriations

Subsidiary Ledger

650-5110	Salaries and Wages, Permanent Positions	306,500	
650-5170	Fringe Benefits on Behalf of Employees	10,000	
650-5210	Energy	2,000	
650-5230	Non-Energy Utilities	3,500	
650-5240	Repairs and Maintenance	1,500	
650-5340	Communication	500	
650-5410	Energy Supplies	500	
650-5430	Building and Equipment Repairs and Maintenance Supplies	22,500	
650-5780	Extraordinary/Unforeseen	10,000	
650-5800	Capital Outlay	50,000	
650-5926	Interest on Notes	35,000	
650-5000	Subsidiary Appropriation Control		442,000

30. The budget entry for estimated revenues is closed.

650-3880	BUDGETARY FUND BALANCE	379,000	
650-3815	ESTIMATED REVENUE		379,000

To close Estimated Revenue

Subsidiary Ledger

650-4001	Subsidiary Revenue Control	379,000	
650-4210	Utility Usage Charges		340,000
650-4370	Other Departmental		35,000
650-4820	Investment Income		4,000

31. The Retained Earnings appropriated entry is closed.

650-3830	APPROPRIATIONS	50,000	
650-3890	BUDGETARY CONTROL		50,000
650-3890	BUDGETARY CONTROL	50,000	
650-3880	BUDGETARY FUND BALANCE		50,000

To close Retained Earnings

32. The budget entry for the General Fund subsidy is closed.

650-3880	BUDGETARY FUND BALANCE	13,000	
650-3890	BUDGETARY CONTROL		13,000
650-3890	BUDGETARY CONTROL	13,000	
650-3820	ESTIMATED OTHER FINANCING SOURCES		13,000

To close budgeted General Fund subsidy

33. Revenues and Other Financing Sources are closed to Undesignated Retained Earnings.

650-3910	Revenue	376,300	
650-3920	Other Financing Sources	13,000	
650-3591	Undesignated Retained Earnings		389,300

To close Revenues to Undesignated Retained Earnings

34. Expenditures are closed to Undesignated Retained Earnings.

650-3591	Undesignated Retained Earnings	420,150	
650-3930	Expenditures		420,150

To close Expenditures to Undesignated Retained Earnings

Closing Trial Balance

650-1040	Cash – Unrestricted	201,150	
650-1241	Water Liens Receivable	3,000	
650-1310	User Charges Receivable	9,200	
650-1330	Utility Liens Added to Taxes	59,000	
650-1880	Tax Foreclosures	5,000	
650-2622	Deferred Revenue – Water Liens		3,000
650-2623	Deferred Revenue – Tax Foreclosure		5,000
650-2651	Deferred Revenue – User Charges Receivable		9,200
650-2653	Deferred Revenue – Utility Liens		59,000
650-3591	Undesignated Retained Earnings		201,150
		<u>277,350</u>	<u>277,350</u>

Frequently Asked Questions

How does the expenditure of budgeted surplus in an Enterprise Fund differ from that for extraordinary and unforeseen?

Budgeted surplus appropriated to an Enterprise Fund may be further appropriated for current enterprise operating and/or capital costs until June 30, after which any unspent amount is closed to undesignated retained earnings. An Extraordinary and Unforeseen amount appropriated to an Enterprise Fund may be expended without further appropriation only for extraordinary (uncommon, unusual, non-recurring) or unforeseen (unanticipated, unknown in advance) costs. The local appropriating body may place additional restrictions upon its use. After June 30, any unspent amount is closed to undesignated retained earnings.

If the enterprise included future cost items within its user charge, can the fund reserve that portion of the user charge apart from Retained Earnings?

Communities are advised to appropriate such revenues, once certified as Retained Earnings, into a special purpose stabilization fund. Should the purpose of that

stabilization fund change, the funds must be returned to Retained Earnings of the enterprise from which they were voted.

May a community's tax rate be delayed if Enterprise Fund indirect costs are deemed excessive by the Director of Accounts?

Yes. IGR 08-101 details this and other matters regarding indirect costs. Provided an amount has been budgeted and only to the extent of the amount budgeted as presented on form A-2 of the Tax Rate Recap, Cash is transferred from the Enterprise Fund to the fund where the expenditures are paid (normally the General Fund).

If an Enterprise Fund receives revenue in excess of the amount reported on Schedule A-2, can this revenue be appropriated after the tax rate has been set for that fiscal year?

No. Revenues from an Enterprise Fund activity can only be appropriated up until the time the tax rate for that fiscal year has been certified by the Bureau of Accounts. Revenue received in excess of the amount reported on Schedule A-2 closes to Undesignated Retained Earnings at fiscal year's end and becomes Retained Earnings only after being certified by the Bureau, unless special legislation dictates otherwise.

Internal Service Funds

Internal service funds (ISFs) are funds that are used to report an activity that provides from a central source goods and services to other funds, departments or agencies. A primary use in Massachusetts is for a self-insurance activity (e.g. group health, workers compensation, building insurance and liability insurance). Another ISF use is a motor vehicle pool where the full cost of the pool is supported by charges to other departments' appropriations. Another example is 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. In this case, these functions will probably be included as part of general government.

Self-Insured Health Claims Trust Fund per G.L. c. 32B, § 3A

Chapter 32B – Contributory Group General or Blanket Insurance for Persons in the Service of Counties, Cities, Towns and Districts and Their Dependents

Section 3A – Administrative services contract for payment of claims

General Principles of a Self-Insured Health Claims Trust Fund

Local governments can manage and finance the risks associated with providing health insurance in any number of ways ranging from purchasing commercial insurance for all or part of the risks of loss, to participating in public entity risk pools and to retaining all risks of loss.

When a government purchases commercial insurance, they transfer the risks of losses to a third party. The third party establishes a premium for the covered losses over a certain period of time. This practice limits the government's exposure to the premium paid and they will not share in any profit or loss incurred by the third party insurer. The government will negotiate with the covered members to allocate the employer/employee share of the premium.

If the government believes it is more economical to manage its health insurance risks internally, it would set aside assets for claim settlement in its Health Claims Trust Fund. As part of management's evaluation of the benefits of being self-insured, it may elect to assume all of the risk of loss or purchase what is commonly known as stop loss insurance from a third party to limit its exposure to loss.

With a self-insured plan, the government acts like a commercial insurer to determine what the appropriate premium for the year will be that will be sufficient to cover all of the anticipated expenses that it will incur for the plan year. Both the employer and employee's share of the premium will be transferred to the Health Claims Trust and will be recorded as revenue within the Trust. All costs incurred for claims and administration

will be recorded as expenses within the Trust. At the end of each year, the surplus or deficit generated will have an impact on future premiums.

A self-insured plan is one in which the employer and employees assume the financial risk for providing health care benefits to employees, retirees and other covered members. Communities must adopt G.L. c. 32B, § 3A to establish a separate fund to account for the health claims activities.

Key Provisions of Chapter 32B, § 3A

Once the community accepts the provisions of this law, it must design its accounting systems to provide full accounting and proof of compliance with these provisions. The key elements of this law are as follows:

- Contracts with service administrators or providers cannot exceed 5 years;
- The Treasurer will establish a Claims Trust Fund and deposit all appropriated and other amounts into the fund;
- Investment earnings of the fund shall remain with the fund;
- The Treasurer will disburse from the fund all expenses related to its operation;
- The contribution rate between the employer and employee/retiree establishes the basis for allocating any net assets of the fund;
- The contribution rates established between the employer and employee/retiree requires that the accounting system allocate the administrative service charge, claims paid and claims if actual contributions and expense allocations are different than the contribution rates previously set, then future contribution rates must be adjusted to correct the imbalance;
- If the contribution rate is 75% employer and 25% employee/retiree, then all expenses must be allocated on the same basis. This will have the effect of having both parties having the same relative share in any remaining surplus or deficit;
- The Trust must be audited each year and can be done as part of the annual audit of the community. The audit shall determine whether the accounting for the fund is in accordance with generally accepted accounting principles, including accrual for claims that have been incurred but not paid as of the conclusion of the fiscal year;
- If the Trust is in a deficit at the end of the fiscal year, it must be funded. If the community does not fund the deficit through available funds, it must raise the deficit as part of the subsequent fiscal year's tax rate. A political subdivision must provide for the deficit in the next year's budget;
- If the community has funded a deficit, then future contribution rates must be adjusted to rebalance the fund to the contribution rates previously set. This can be accomplished by increasing the employee/retiree contributions or reducing future employer contributions as surpluses are generated.

Common Type of Health Claims Trust Plans

When a community establishes a Health Claims Trust Fund, there are different options on how to administer the plans. The most common option chosen is to negotiate with one or several commercial insurers to administer the claims payments for a fee. The claims they pay on the community's behalf are accounted for separately by the administrator and available for the community to view.

The most common plans offered by the third party administrators are level monthly payment plans or a plan with working capital deposits.

In a level monthly payment plan, the community, its insurance advisor and the third party administrator estimate the total expected claims that will be processed for the upcoming year. That total will be divided by 12 and each month the Health Claims Trust will pay the administrator the level payment. Usually at the end of each quarter, the administrator will provide a reconciliation report that details the total payments received from the Health Claims Trust and the actual payments made by the administrator. If the actual claims paid exceed the level monthly payments, then the Health Claims Trust pays the administrator the difference. If the opposite occurs, the administrator refunds the Health Claims Trust.

Within the Health Claims Trust, the actual expense paid each quarter is equal to the actual claims and administration cost paid by the administrator. To properly account for these transactions within the Trust, all payments to the administrator along with all receipts or credits received from the administrator would be recorded as expenses. At the end of a financial reporting period, the amount due to or from the administrator would be recorded as either as receivable or payable and the offsetting expense.

A plan that requires a working capital deposit requires the community to deposit an agreed upon amount with the administrator. This amount is usually higher than one month's average claims paid. The accounting definition of positive working capital is where a company has sufficient funds to pay for current liabilities. A working capital deposit allows the administrator to pay claims promptly because they have funds on hand to fund the payment. At the end of each month, the administrator bills the Health Claims Trust to reimburse them for the actual claims and expenses paid in the previous month.

The working capital deposit is recorded as a short term asset. The payment to the administrator each month is equal to the actual claims and expenses paid on the community's behalf. Therefore, this payment is fully expensed. There is no quarterly settlement reconciliation as part of this plan.

At the start of each new policy period, there is frequently a change in the amount of the working capital deposit required. Any change must be accounted for as a change in the asset.

Incurred But Not Reported (IBNR) Liability

An important accounting aspect of the cost of a self-insurance fund is costs that have been incurred but not reported as of the end of the fiscal year. Incurred but not reported (IBNR) claims are defined by GASB Cod. Soc C50.113, footnote 5 as follows:

IBNR includes (a) known loss events that are expected to later be presented as claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. IBNR, therefore, is largely an estimate of loss associated with future likely claims activity based on historical actual results that establish a reliable pattern. For example, after reviewing historical claims experience, one might find that only 40 percent of all claims are normally reported during the year of occurrence, an additional 50 percent the next year, and the remainder in the third year. This pattern would be used to estimate IBNR amounts and the timing of those amounts for financial reporting purposes.”

IBNR will be recorded as an expense and liability in the Health Claims Trust Internal Service Fund.

There is no set way to estimate IBNR. Consideration must be given to many factors. The most important are the trends experienced by each community’s plan. Working with your health insurance advisor is usually a good place to start. They can produce various reports on your prior history that can reasonable estimate the liability. Although not required, the community can have an actuarial analysis of the plan.

Stop Loss Insurance

Regardless of the type of self-insured plan adopted, the community will normally purchase stop loss insurance with a commercial insurer. The premium is paid by the Health Claims Trust and is fully expensed for the policy period.

The transfer of risk of loss from the community to the stop loss insurer provides insurance in excess of a certain, typically large, amount. Stop loss insurance works like the deductible on car insurance. If you get into an accident and total your car, you are responsible for the first \$1,000 of damage while the insurer will pay for the remaining damages. Stop loss insurance works in a similar manner. The community selects at what level of loss they will fund through contributions and once this level is reached, they purchase insurance for the excess. The most common type of stop loss insurance is when the Health Claims Trust is responsible for all claims paid during the policy period for an individual up to a set limit (say \$200,000), while the insurer will be responsible for all claims in excess of that amount.

Normally, the Health Claims Trust will pay the excess claims and submit documentation to a third party stop loss insurer for reimbursement. When the reimbursement is

received, the amounts should be captured in its' own general ledger account with a credit balance but for financial reporting purposes should be netted against expenses.

Illustrative Journal Entries for an Internal Service (self insurance) Fund

Accounting for the activities of the internal service, self insurance 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
- Expenses
- Revenue
- Other Transactions
- 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.

The example chosen for an internal service fund reflects the operations of a self-insurance trust fund, but the same basic entries and accounting theory are applicable to other internal service funds.

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 recorded as the current year's beginning trial balance, including memoranda accounts.

691-1040	Cash – Unrestricted	6,000,000	
691-1870	Deposits	300,000	
691-2020	Accounts Payable		4,500,000
691-3015	Net Assets Unrestricted		1,800,000
		<u>6,300,000</u>	<u>6,300,000</u>

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Expenses

2. The plan pays expenses to the plan administrator for the prior month.

691-2020	Accounts Payable	2,000,000	
691-1040	Cash – Unrestricted		2,000,000

To pay expenses of the health insurance trust funds

Revenue

3. The plan receives its monthly contributions from the employees and the local government.

691-1040	Cash – Unrestricted	1,500,000	
691-3910	Revenue		1,500,000

To record the revenue for the month

Expenses

4. The local government receives an invoice from the administrative organization for the monthly expense, health and administrative costs.

691-3930	Expenses	1,125,000	
691-2020	Accounts Payable		1,125,000

To record the administrative expense for the month.

Other Transactions

5. The administrative agency decides to reduce the deposit the local government must maintain.

691-1040	Cash – Unrestricted	50,000	
691-1870	Deposits		50,000

To record the reduction of the deposit required.

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Adjusting Entries

6. Based on past experience the local government determines the incurred but not reported expense. (To be reversed in the subsequent year.)

691-3930	Expenses	250,000	
691-2020	Accounts Payable		250,000

To record the incurred but not reported expense for the year

Closing Entries

7. The revenues and expenses are closed out to net assets unrestricted.

691-3910	Revenue	1,500,000	
691-3930	Expenses		1,375,000
691-3015	Net Assets Unrestricted		125,000

To close the nominal accounts for the year.

Closing Trial Balance

691-1040	Cash-Unrestricted	5,550,000	
691-1870	Deposits	250,000	
691-2020	Accounts Payable		3,875,000
691-3015	Net Assets Unrestricted		1,925,000
		<u>5,800,000</u>	<u>5,800,000</u>

CHAPTER 13 – FIDUCIARY AND PERMANENT FUNDS

Massachusetts governments have historically classified fiduciary funds as follows:

- Expendable Trust Funds;
- Non-Expendable Trust Funds;
- Agency Funds.

Expendable trust funds are trust funds where the interest and the principal (corpus) may be expended consistent with the Trust indenture.

Non-Expendable trust funds are trust funds where the interest only (not the principal (corpus)) may be expended consistent with the Trust indenture (i.e. Cemetery Perpetual Care).

Agency funds are used to account and report the resources where the government is acting as an agent for the funds. Examples are meals tax and withholdings.

These funds are called fiduciary funds because the funds are not part of the government but are held in trust or as an agent for an individual, private organization or another government.

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. Agency funds are still considered fiduciary funds. The 2003 and 2007 versions of the UMAS Manual revised the fund structure to recognize the GASB 34 reclassification of funds,

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 is the Cemetery Perpetual Care fund. In this case, 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 would be the Scholarship Fund. Since the permanent fund type uses the modified accrual basis of accounting, the accounting is similar to Special Revenue Funds.

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Beginning Entry

1. At the beginning of the year, the Cemetery Perpetual Care 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 payment of prior year bills

3. Interest on investments is received.

530-1040	Cash – Unrestricted	50	
530-3910	Revenue		50

To record 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

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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
530-3590	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

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
		<u>10,450</u>	<u>10,450</u>

Private Purpose Fund Type

Private purpose trust funds are fiduciary funds and use the accrual method of accounting. The beneficiaries 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.

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Beginning Balance

1. At the 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

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 but not yet received

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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 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
		<u>760</u>	<u>760</u>

Other Fiduciary Fund Types

Other Fiduciary Fund types are : Investment Trust Funds, Pension (and other employee Benefit Fund types and Agency Funds. Investment trust funds are seldom used by Massachusetts local governments. Pension Funds include 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 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

Beginning Balance

- 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

- 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

- 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

- 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

- 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

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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

8. 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 Net		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 Fund had the following balances:

903-1040	Cash – Unrestricted	10,000	
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

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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 year

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 receipt of 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

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

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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 G.L. c. 59, § 23, after certification by the Director of Accounts.

At the end of the fiscal year, the Accountant will close the books of the governmental entity and prepare a balance sheet. In the past, some Accountants 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 30. The balance sheet, consisting of assets, liabilities and fund balances, is prepared by the Accountant with a target submission date of September 15 to allow for possible appropriation of such funds during the fall season. A combined balance sheet with backup documentation is required from each entity. Backup documentation includes:

- Combined Balance Sheet and Combining Balance Sheets for each fund type including individual fund balances;
- Detailed analysis of undesignated fund balance/surplus revenue;
- Completed year end checklist;
- Cash reconciliation form;
- Treasurer's quarterly cash report;
- Schedule of outstanding receivables;
- Statement of indebtedness;
- Snow and Ice annual report;
- Audited financial statements if required by the Director;
- Other information as requested by the Bureau.

Cities, towns and districts that have authorized debt or had a federal or state grant approved may expend for those purposes from available unrestricted funds in anticipation of the borrowing or receipt of grant funds. Any co-called inter-fund or internal borrowing 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 (G.L. c.44, §20A). *Illustrative journal entries regarding inter-fund 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
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. Note: 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 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 it represents a “loan” from the General Fund

to the fund in deficit. However, if the governmental entity borrows funds (BAN, GAN, SAN) by June 30 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. final court judgments, emergencies).

Legally overspent accounts can either be funded by appropriation or raised on the following fiscal year's Tax Rate Recap. 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 Recap.

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 G.L. c. 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 1, 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 30 for expenditures made in the prior fiscal year that resulted in deficit fund balances as of June 30 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 them.

UMAS has expanded this concept to suggest that all assets and long term obligations for Governmental Funds and Proprietary 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 General Fixed Assets Account Group (and the General Long Term Obligations Account Group) and are reported (for GAAP financial reporting purposes) in their 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 assets 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 an Other Financing Source and an entry is made in 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 obligation 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 Entry
 Bond Issues and Payments
 Closing Trial Balance

Opening Entry

1. At the beginning of the fiscal year, account balances from the prior year’s ending trial balance should be recorded in the general ledger.

050-1996	Amount to be Provided for Payment of Bonds	2,000,000
050-1997	Amount to be Provided, State (Chapter 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

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.

1a. 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

1b. Serial bonds 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 bonds are issued in connection with a capital project recorded in the Capital Projects Fund.

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 2013

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 (Chapter 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 (Chapter 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 - GFAAG

The entries which follow illustrate the accounting for the GFAAG and are presented in the following sequence:

- Opening Entry
- Closing Trial Balance

Opening Entry

1. At the beginning of the fiscal year, account balances from the prior year's ending trial balance should be recorded in 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-1	Water Pollution Abatement Trust Entries for pools 1 – 10
H-2	Water Pollution Abatement Trust Entries for pools 11 -
I	List of Funds
J	Accounting Entries for Inter-fund Borrowing
K	Revenue Deficits
L	Massachusetts School Building Authority Entries
M	Self Insured Health Care Trust Fund Example

APPENDIX A

Changes to the Uniform Massachusetts Accounting System

Date	Subject	Add Pages	Remove Pages
7/04	Appendix K	254 – 256	none
7/04	Account #3593	47	47
7/04	Education Collaboratives	3	3
7/04	List of Appendices	225	225
7/04	Appendix A	226	226
6/06	Appendix H	243 – 246	243 – 246
6/06	Appendix A	225	225
8/07	Chapter 11	173 – 188	166 – 183
8/07	Chapter 12	189 – 216	184 – 200
7/01/2011	UMAS Changes	See Below	See Below
7/2012	New Chapter 9	106 – 157	106 – 146
7/2013	UMAS Changes	See Below	See Below
7/2014	UMAS Changes	See Below	See Below

This is the first phase of a multi-part effort to review and amend certain UMAS provisions. Major changes that affect or reiterate important accounting policy only are noted below.

- Ch. 1 – UMAS is an accounting system, not a financial reporting system;
- Ch. 2 – Change to the UMAS chart of accounts to GASB 54 financial reporting classifications is not required;
- Ch. 6 – Subsidiary Revenue Control encompasses Other Financing Sources in non-General Fund entries;
- Ch. 7 – Subsidiary Appropriation Control encompasses Other Financing Uses in non-General Fund entries
- Ch. 11 – Long term liabilities for bonds payable for Governmental Fund types are recorded in the GLTOAG. Capital costs for Governmental Fund fixed asset are recorded upon expenditure in the GFAAG. Capital costs for Governmental Fund capital facility are recorded upon expenditure in the GFAAG;
- Ch. 12 – Long term liabilities for bonds payable for Proprietary Funds are recorded in the GLTOAG. Capital costs for Proprietary Fund fixed asset are recorded upon expenditure in the GFAAG. Capital costs for Proprietary Fund capital facility or other major capital asset is accounted for within the Capital Projects Fund and will be recorded upon expenditure in the GFAAG;
- Ch. 12 – New information regarding an Internal Service Fund for a Self-Insured Health Care Trust Fund;
- App. H-2 – Entries for Massachusetts Water Pollution Abatement Control, pools 11 forward;

App. L – Entries for Massachusetts School Building Authority

App. M – Sample Set Up of Ledgers for Self-Insured Health Care Trust Fund

7/2012 Changes to Chapter 9:

- New sections, narratives and examples;
- GASB adjustments were removed;
- “Cherry Sheet” entries re-grouped;
- Commitments, collections, abatements, refunds re-grouped;
- Deferred Revenue for Tax Foreclosures;
- Added subsidiary entries where necessary;
- Re-named Fund Balance Reserved for Overlay Released by the Assessors for Expenditure to Fund Balance Reserved for Overlay Surplus;
- Re-named Unreserved Fund Balance – Unprovided Abatements and Exemptions to Unreserved Fund Balance – Overlay Deficits

7/2013 Changes:

Ch. 4 – Added 2740 and 2750 to Chart of Accounts;

Ch. 5 – Added 3285 and 3330 to Chart of Accounts and clarified that 3240 is for available funds, not just for free cash;

Ch. 9 – Added section regarding UMAS Modified Accruals, removed excessive or confusing language, added School Lunch when funds are received in the General Fund; changed land of low value entry when proceeds were less than the carrying value

Ch. 10 – Limited entry examples to one per special revenue fund category, removed excessive or confusing language, added an example for receipt of grant, added section regarding UMAS Modified Accrual;

Ch. 11 – Added section regarding UMAS Modified Accrual, removed excessive or confusing language, replaced GANs with FAANs;

Ch. 12 – Added section regarding UMAS Modified Accrual, revoked excessive or confusing language, added three frequently asked questions, modified one entry from the IGR regarding indirect costs in case of a General Fund subsidy, changed Net Assets Unrestricted to Undesignated Retained Earnings.

7/2014 Changes:

Ch. 3 – Removed 1299, 1399, 1499, 1550, 1810, 1830 and added 1960 to Chart

Ch. 4 – Added language to 2010 and 2020, added 2111, changed 2220 – 2229

Ch. 5 – Removed 3001 – 3015, added 3297, capitalized 3710 – 3890

Ch. 8 – Added Recap documents, added entries and changed order of other entries

Ch. 9 – Ch. 12 - UMAS Modified Accruals – amended to Director’s 7/2014 letter

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 Receivable
1299	Allowance for Uncollectible Excises
1310	User Charges Receivable
1320	Other Service Receivable
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 (cont)

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 Governmental 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 (Chapter 70B)

APPENDIX C

LIABILITY ACCOUNTS – SUMMARY TABLE

<u>Code</u>	<u>Liability Account</u>
2010	Warrants Payable
2020	Accounts Payable
2050	Contracts Payable, Retainage 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 Retirement 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, 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 (cont)

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
2740	Federal Aid Anticipation Notes Payable (FAANs)
2750	State Aid Anticipation Notes Payable (SAANs)
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 Surplus
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
3297	Fund Balance Reserved for Amortized Premium
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 Designated
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 (cont)

FUND EQUITY ACCOUNTS – SUMMARY TABLE

<u>Code</u>	<u>Fund Equity Account</u>
3595	Unreserved Fund Balance – Final 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 EXISES

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 (cont)

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
4680	Other State Revenue

OTHER GOVERNMENTAL REVENUE

4710	Indirect Distributions
4720	County Distributions
4730	Municipal Distributions
4740	Payments on Behalf of

SPECIAL ASSESSMENTS

4750	Special Assessments
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FINES AND FORFEITS

4770	Fines and Forfeits
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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	Dispositions of Fixed Assets
4950	Compensation for Loss of Fixed Assets
4960	Interest Received on Bonds Sold
4970	Inter-fund 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 (cont)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

164	Licensing Commission
169	Other Licensing and Registration *
170	Land Use
171	Conservation Commissioner
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 (cont)

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 (cont)

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 Cultural and Recreation *

DEBT SERVICE

710	Retirement of Debt *
750	Interest
751	Interest on Long Term Debt *
752	Interest on Short Term Debt *

APPENDIX F (cont)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

INTERGOVERNMENTAL EXPENDITURES

- 810 Federal Assessment and Charges *
- 820 State Assessments and Charges *
- 830 County Assessments and Charges *
- 840 Other Intergovernmental Assessment 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
- 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 Funds
- 993 Transfers to capital Projects Funds
- 994 Transfers to Permanent Funds
- 995 Transfers to Proprietary Funds
- 996 Transfers to Private Purpose Trust and Agency Funds

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 Vehicle Supplies
5490 Food and Food Service Supplies
5500 Medical and Surgical Supplies
5510 Educational Supplies
5530 Public Works Supplies
5580 Other Supplies

APPENDIX G (cont)

**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 (cont)

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 Inter-fund 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 – 1

Mass. Water Pollution Abatement Trust (for pools 1 – 10)

The entries in the example are based on the following information derived from an actual MWPAT (Massachusetts Water Pollution Abatement Trust) loan. For brevity, budgetary and memorandum entries are not shown. They would be the same entries as those in Chapter 11 – Capital Projects Funds and Chapter 12 – Proprietary Funds.

**Massachusetts Water Pollution Abatement Trust
Revolving Loan Program for Local Governments**

Summary of Example:

USE OF FUNDS

Amount available for Construction	\$3,490,950
Issuance Costs	\$17,292
Origination Fee	\$4,748
Total Use of Funds:	\$3,512,990

SOURCE OF FUNDS

Bond Issued	\$3,376,192
Premium	\$136,798
Total Source of Funds:	\$3,512,990

TOTAL DEBT SERVICE

Bond Issued	\$3,376,192
Interest Cost	\$1,760,433
Total Gross Debt Service	\$5,136,625
Less: MWPAT Subsidy	\$2,120,936
Total Net Debt Service	\$3,015,689

TOTAL TO BE REPAYED

Principal	\$2,529,284
Interest	\$486,405
Total to be Repaid	\$3,015,689

Source: Schedule C

APPENDIX H – 1 (cont)

Entries if the program is operated in governmental funds.

Capital Projects Fund

1. The local government receives an interim loan from the MWPAT.

300-1040	Cash – Unrestricted	500,000	
300-2720	Bond Anticipation Notes Payable		500,000

To record the receipt of funds from the MWPAT.

2. The local government pays a contractor for work performed on the project.

300-3930	Expenditures	100,000	
300-1040	Cash – Unrestricted		100,000

To record the payment to the contractor on the MWPAT project.

3. The local government signs a bond agreement with MWPAT and receives the proceeds.

300-1040	Cash – Unrestricted	2,876,192	
300-2720	Bond Anticipation Notes	500,000	
300-3920	Other Financing Sources		3,376,192

To record the proceeds of the loan from MWPAT.

General Fund

All financing entries will be in the general fund.

1. The local government receives permanent financing from the WPAT.

001-1040	Cash – Unrestricted	3,490,950	
001-3930	Expenditures	22,040	
001-3920	Other Financing Sources		136,798
001-1040	Cash – Unrestricted		3,376,192

To record the receipt of the proceeds from the WPAT financing.

APPENDIX H – 1 (cont)

Subsidiary Ledger

001-5920	Issuance Costs	22,040	
001-5000	Subsidiary Appropriation Control		22,040
001-4000	Revenue Control	136,798	
001-4930	Premium on Sale of Bonds		136,798

2. The local government records the first payment of interest.

001-3930	Expenditures	33,547	
001-3910	Revenue		16,737
001-1040	Cash – Unrestricted		16,811

To record the payment of interest on the WPAT debt.

Subsidiary Ledger

001-4000	Revenue Control	16,737	
001-4820	Earnings on Investments		16,737
001-5925	Interest on Notes	33,547	
001-5000	Subsidiary Appropriation Control		33,547

3. The local government records the first payment of principal and interest.

001-3930	Expenditures	207,871	
001-3910	Revenue		99,457
001-1040	Cash – Unrestricted		108,414

To record the payment of debt service to the MWPAT

Subsidiary Ledger

001-5910	Maturing Principal on Long-Term Debt	207,871	
001-5000	Subsidiary Appropriation Control		207,871
001-4000	Subsidiary Revenue Control	99,457	
001-4680	Other State Revenue		99,457

APPENDIX H – 1 (cont)

General Obligation Account Group

1. The local government records the long-term debt to the WPAT.

050-1996	Amounts to be Provided for the Payment of Bonds	3,376,192	
050-2995	WPAT Bonds Payable		3,376,192

To record the receipt of the proceeds of debt from WPAT.

2. The local government records the repayment of loan principal to WPAT.

050-2995	WPAT Bonds Payable	207,871	
050-1996	Amounts to be provided for the Payment of Bonds		207,871

To record the repayment of principal to WPAT.

Entries if the program is operated in an Enterprise Fund

1. The local government receives an interim loan from the MWPAT.

650-1040	Cash – Unrestricted	500,000	
650-2720	Bond Anticipation Notes Payable		500,000

To record the issuance of Bond Anticipation Notes

2. The local government pays a contractor for work performed on the project.

650-1950	Construction in Progress	100,000	
650-1040	Cash – Unrestricted		100,000

To record the payment to the contractor on the MWPAT project.

APPENDIX H – 1 (cont)

3. The local government signs a bond agreement with MWPAT and receives the proceeds.

650-1040	Cash – Unrestricted	3,490,950	
650-2720	Bond Anticipation Notes Payable	500,000	
650-3930	Expenditures	22,040	
650-3920	Other Financing Sources		136,798
650-1040	Cash – Unrestricted		500,000
650-2995	MWPAT Bonds Payable		3,376,192

To record the proceeds of the loan from MWPAT.

4. The local government records the first payment of interest.

650-3930	Expenses	33,547	
650-3910	Revenue		16,737
650-1040	Cash – Unrestricted		16,811

To record the payment of interest on the WPAT debt.

5. The local government records the first payment of principal and interest.

650-3930	Expenses	71,042	
650-2995	Bonds Payable – Outside Debt Limit	136,829	
650-3910	Revenue		99,457
650-1040	Cash – Unrestricted		108,414

To record the payment of debt service to the MWPAT

APPENDIX H – 2

Mass. Water Pollution Abatement Trust (for pools beginning with 11)

The Massachusetts Water Pollution Abatement Trust (MWPAT) administers the Revolving Loan Program and acting like a bank utilizes federal and state grants, as well as bonding authority, to provide subsidized loans to the Commonwealth’s cities, towns, authorities and districts. These loans fund the construction and repair of wastewater and drinking water treatment plants and related infrastructure at significant savings to ratepayers. This Appendix explains the typical entries related to accounting for MWPAT loans with a fixed rate of 2%.

The entries in the example are based on the following information derived from an actual MWPAT loan. The assumption for this example is that the program is associated with a Water Enterprise Fund.

**Massachusetts Water Pollution Abatement Trust
Revolving Loan Program for Pools 11 and above**

Summary of Example:

Use of Funds

Amounts available for Construction	\$3,889,893
Total Use of Funds	\$3,889,893

Source of Funds

Bond Proceeds – MWPAT	\$3,104,791
Federal Funds – ARRA	\$785,102
Total Source of Funds	\$3,889,893

Interim Loan from MWPAT

Interim Loan Note	\$1,000,000
Interest	\$14,600
	\$1,014,600

Total Permanent Debt Service

Bond Issued – MWPAT	\$3,104,791
Interest Cost	\$694,399
Total Debt Service	\$3,799,190

First Year Debt Service

Principal Repayment	\$127,526
Interest	\$60,821
Total First Year Debt Service	\$188,347

Unspent Bond Proceeds

Bond Proceeds not needed for project	\$48,000
	\$48,000

APPENDIX H – 2 (cont)

Memorandum entry to record authorization to borrow

The local governmental unit (LGU) appropriates for the project and authorizes the Treasurer to borrow to finance the costs of the project. When the bonds are authorized, the Accountant will record an entry in the Water Enterprise General Long Term Obligations Account Group.

1. The following entry is made in the GLTOAG to record the authorization of bonds based on the appropriate certified vote authorizing the Treasurer to borrow for the entire project.

General Ledger

050-3760	BONDS AUTHORIZED (MEMORANDUM)	3,889,893	
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)		3,889,893

To record vote authorizing borrowing for the project

Budgetary Entries

The LGU will record a budget in a Capital Projects Fund for the total project costs, revenues and other financing sources after approval from MWPAT.

2. The following entries are made in the general ledger and subsidiary ledgers to record the budget.

General Ledger

302-3810	ESTIMATED REVENUE	785,102	
302-3820	ESTIMATED OTHER FINANCING SOURCES	3,104,791	
302-3830	APPROPRIATIONS		3,889,993

APPENDIX H – 2 (cont)

Subsidiary Ledger

302-4500	Federal Grant Revenue	785,102	
302-4910	Bond Proceeds	3,104,791	
302-4000	Subsidiary Revenue Control		3,889,993
302-5890	Project Expenditures		3,889,993
302-5000	Subsidiary Appropriation Control	3,889,993	

To record the budgeted appropriations, estimated revenues and estimated other financing sources of the project

Interim Financing

The MWPAT may provide interim financing to the LGU to finance the project expenditures pending permanent financing.

3. The LGU records the following entry upon receipt of the interim loan proceeds.

General Ledger

302-1040	Cash – Unrestricted	1,000,000	
302-2720	Bond Anticipation Notes Payable		1,000,000
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)	1,000,000	
050-3760	BONDS AUTHORIZED (MEMORANDUM)		1,000,000

To record loan proceeds from MWPAT and reduction in the authorization to borrow due to issuance of interim financing from the MWPAT

Federal Funding

The LGU may receive federal funding for the project passed through MWPAT. MWPAT will typically disburse the federal funds first.

APPENDIX H – 2 (cont)

4. The following entry is made to record the receipt of federal funds. Before June 30, town meeting votes to reduce the amount of bonds authorized by the amount of the federal grant received.

General Ledger

302-1040	Cash – Unrestricted	785,102	
302-3910	Revenue		785,102
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)	785,102	
050-3760	BONDS AUTHORIZED (MEMORANDUM)		785,102

Subsidiary Ledger

302-4000	Subsidiary Revenue Control	785,102	
302-4500	Federal Revenue		785,102

To record the receipt of federal financial assistance and related reduction in Bonds Authorized

Issuance of Bonds

The MWPAT will provide permanent financing in the form of a bond issue. All interim loans and accrued interest on interim loans will be paid off at the time the bond is issued. The MWPAT will disburse the bond proceeds as the project progresses and hold the remaining in an account at MWPAT designated for the LGU. The Accountant will record the principal amount of the bond in the accounting ledgers on the issue date and the LGU will draw down on the bond as needed.

APPENDIX H – 2 (cont)

5. The following entry is made to record the MWPAT bond proceeds.

General Ledger

302-1040	Cash – Unrestricted	1,000,000	
302-1065	Cash on Deposit at MWPAT	2,104,791	
302-3920	Other Financing Sources		3,104,791
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)	3,104,791	
050-3760	BONDS AUTHORIZED (MEMORANDUM)		3,104,791
050-1996	Amounts to be Provided for the Payment of Bonds	3,104,791	
050-2965	Bonds Payable – MWPAT		3,104,791

Subsidiary Ledger

302-4000	Subsidiary Revenue Control	3,104,791	
302-4910	Bonds Proceeds – MWPAT		3,104,791

To record proceeds of Bonds Payable – MWPAT and related reduction in Bonds Authorized

6. The following entry is made to record the payoff of interim loan payable and related interest. Note that BAN interest is being paid from the Enterprise Fund.

General Ledger

302-2720	Bond Anticipation Notes Payable	1,000,000	
302-1040	Cash – Unrestricted		1,000,000
600-3930	Expenditures	14,600	
600-1040	Cash – Unrestricted		14,600

Subsidiary Ledger

600-5925	Interest on Notes	14,600	
600-5000	Subsidiary Appropriation Control		14,600

To record payoff of interim loan payable and related short term interest

APPENDIX H – 2 (cont)

Project Expenditures

7. The LGU pays a contractor for work performed on the project.

General Ledger

302-3930	Expenditures	515,390	
302-1040	Cash – Unrestricted		515,390

Subsidiary Ledger

302-5830	Project Expenditures	515,390	
302-5000	Subsidiary Appropriation Control		515,390

To record project expenditures

Draw Down of Bond Proceeds

Proceeds from the bond are disbursed to the LGU as work progresses.

8. Record the receipt/draw down of the bond proceeds.

General Ledger

302-1040	Cash – Unrestricted	515,390	
302-1065	Cash on Deposit – MWPAT		515,390

To record receipt/draw down of cash on hand at the Trust

Payment of principal and interest on Bonds Payable

The LGU will pay maturing debt principal and interest on the Bonds Payable – MWPAT from the appropriate operating fund (General Fund or Enterprise Fund). In this example, the Water Enterprise Fund is responsible for debt payments.

APPENDIX H – 2 (cont)

9. Record the first maturing debt principal and related interest on the Bonds Payable – MWPAT.

General Ledger

600-3930	Expenditures	188,347	
600-1040	Cash – Unrestricted		188,347

Subsidiary Ledger

600-5910	Maturing Principal on Long Term Debt	127,526	
600-5915	Interest on Long Term Debt	60,821	
600-5000	Subsidiary Appropriation Control		188,347

Memorandum Entry

050-2965	Bonds Payable – MWPAT	127,526	
050-1996	Amounts to be Provided for the Payment of Bonds		127,526

To record payment of maturing debt principal and interest on the Bonds Payable – MWPAT

Unspent Bond Proceeds

Typically, the LGU has 24 months to draw down on the bond. After 24 months, the MWPAT and the LGU may agree to reduce the bond for any amounts not needed (i.e. unspent) for the project. If this happens, a new agreement is executed with a lower principal amount and a new debt repayment schedule.

APPENDIX H – 2 (cont)

10. Record the reduction to the bonds for amounts not needed for the project.

General Ledger

302-3920	Other Financing Sources	48,000	
302-1065	Cash on Deposit at MWPAT		48,000
050-2995	Bonds Payable – MWPAT	48,000	
050-1990	Amounts to be Provided for the Payment of Bonds		48,000
050-3760	BONDS AUTHORIZED (MEMORANDUM)	48,000	
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)		48,000

Subsidiary Ledger

302-4910	Bond Proceeds	48,000	
302-3290	Subsidiary Revenue Control		48,000

To record the reduction in principal on Bonds Payable – MWPAT

APPENDIX I

LIST OF FUNDS

Special Revenue Funds

Fund Number	Fund	Statutory Reference
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 and annual legislation
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, §16D½
230	Extended School Services (Day Care 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, §58
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/Conservation	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
244	Water Surplus	Ch. 41, §69B
245	Trash Collection Charges	Ch. 44, §28C(f)

APPENDIX I (cont.)

Special Revenue Funds

Fund Number	Fund	Statutory Reference
246	Community Preservation Fund	Ch. 44B
247	Law Enforcement Trust	Ch. 94C, §47
248	Weights and Measurers Fines	Ch. 98, §29A
249	Spay and Neuter Deposits	Ch. 140, §139A
250	Stabilization	Ch. 40, §5B
251	Education Fund (Supplementing School Appropriations)	Ch. 60, §3C
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, §53E½
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 MWPAT Loans	Ch. 29C
278 - 299	Other Federal and State Grants	

Capital Projects Funds

300	Highway Improvement Fund (reimbursable highway grants on recap)	Ch. 44, §53
301 - 399	Other Capital Projects	
400 - 449	Water Projects	Ch. 41, §69B
450 - 499	Sewer Projects	Ch. 83, §16

Permanent Funds

530	Cemetery Perpetual Care	Ch. 114, §25
540 - 599	Bequests	Ch. 44, §53A

Enterprise Funds

650	Water Enterprise	Ch. 44, §53F½
651	Sewer Enterprise	Ch. 44, §53F½
652 - 659	Other Enterprise	Ch. 44, §53F½
660	Water Enterprise – Special Legislation	Special Legislation
661	Sewer Enterprise – Special Legislation	Special Legislation
662 - 669	Other Enterprise – Special Legislation	Special Legislation
670	Electric Light Department	Ch. 164, §57

APPENDIX I (cont.)

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	Ch. 40, §13A
693	Municipal Liability Insurance	
694	Municipal Building Insurance	Ch. 40, §13
695	Motor Vehicle Pools	

Pension (Other Employee Benefit) Trust Funds

700	Pension Reserve	Ch. 40, §5D
750	Other Post-Employment Benefits Liability Trust	Ch. 32B, §20

Private Purpose Trust Funds

850	Conservation	Ch. 40, §8C
851	Scholarship Trust Fund	Ch. 60, §3C
852	Regional School Stabilization	Ch. 71, §16G½
853	Educational/Instructional Materials	Ch. 71, §20A
854	Low Income Seniors and Disabled Tax Relief	Ch. 60, §3D
855	Education Fund (Adult Literacy)	Ch. 60, §3C

Agency Funds

900	Deferred Compensation	Ch. 4, §67
901	Performance Deposits	
902	Funds Held for Electric Light Department	
903	Payroll Withholdings	
904	Student Activity Agency Account	Ch. 71, §47

APPENDIX J

ACCOUNTING ENTRIES FOR INTER-FUND 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 the state grant.

General Fund

001-1630	Due from Capital Projects Fund	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 of money 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 2013

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 the 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

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 Fund		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.

Uniform Massachusetts Accounting System – July 2013

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 Fund	100,000	
001-1040	Cash – Unrestricted		100,000

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 to the Capital Projects Fund

2. On December 1, the Town billed the granting agency \$100,000 for reimbursement of money expended.

Capital Projects Fund

300-1720	Due from the 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

Uniform Massachusetts Accounting System – July 2013

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 Fund		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

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

APPENDIX K

REVENUE DEFICITS

QUESTIONS AND ANSWERS

1. What is a revenue deficit?

A revenue deficit occurs when the current results of operations (actual revenues and expenditures exclusive of legal appropriation deficits) result in a deficit when compared to the approved budget (budgeted revenues and appropriations) for the fiscal year.

2. How does an Accountant determine a revenue deficit?

Accountants should compare expenditures to appropriations during the fiscal year. They should also compare actual revenues collected to budgeted revenues (excluding property taxes) during that fiscal year. Collection of property taxes less than the amount budgeted (commitment less Overlay) does not result in a revenue deficit because there is a basic assumption that the Town will eventually be able to foreclose its lien on the property and collect the taxes by selling it.

At the end of the fiscal year, if actual revenues collected (excluding property taxes) are less than budgeted revenues, and appropriation balances remaining are not sufficient to cover the revenue shortfall, a revenue deficit exists.

3. How is a revenue deficit accounted for?

On the UMAS system, the revenue control in the revenue subsidiary ledger will have to be analyzed to determine if a revenue shortfall exists. The appropriation subsidiary ledger will have to be analyzed to determine the amount of appropriation balances remaining. If the appropriation balances are insufficient to cover the revenue shortfall, an adjustment to Undesignated Fund Balance is necessary to account for the revenue deficit.

001-3593	Unreserved Fund Balance – Revenue Deficit	xxx	
001-3590	Undesignated Fund Balance		xxx

APPENDIX K (cont)

4. How does a revenue deficit affect free cash?

A revenue deficit is required to be raised on the next fiscal year’s tax rate. Therefore, if it is properly recorded, it does not affect the community’s free cash.

5. How should a revenue deficit be reported?

The Accountant should notify the Assessors in writing as to the amount of the revenue deficit for the period ending June 30. The revenue deficit should also appear as a balance in account 001-3593, Unreserved Fund Balance – Revenue Deficit on the community’s balance sheet as of June 30.

6. Examples of a revenue deficit.

A city finalizes its budget for a fiscal year with the following:

Total revenues \$100,000
 Total appropriations \$100,000

Note – in examples a – c, the unfavorable revenue deficit was caused by a shortfall in state and local receipts. Property taxes were fully collected.

a. At the end of the fiscal year, the city collected \$90,000 and will turn back \$5,000 of unspent appropriations. The city has a revenue deficit as calculated below:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/(Unfavorable)</u>
Revenue	100,000	90,000	(10,000)
Expenditures	100,000	95,000	5,000
Revenue Deficit			5,000

b. At the end of the fiscal year, the city collected \$90,000 and will turn back \$15,000 in unspent appropriations. The city does not have a revenue deficit.

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/(Unfavorable)</u>
Revenue	100,000	90,000	(10,000)
Expenditures	100,000	85,000	15,000
Revenue Surplus			5,000

APPENDIX K (cont)

- c. At the end of the fiscal year, the city collected \$90,000 and expended \$105,000 (includes \$5,000 for final court judgments and \$2,500 for snow and ice). Since final court judgments and snow and ice expenditures (with conditions) in excess of their appropriations are legal deficits, they are not included in the calculation of a revenue deficit. The amount to be raised for these is the overdraft, not the entire expenditure. These amounts will be included on the balance sheet as of June 30 as account 001-3595, Unreserved Fund Balance – Final Court Judgments and account 001-3592, Unreserved Fund Balance – Appropriation Deficits respectively.

The expenditures would be:

\$105,000 total expenditures
 Less \$ 5,000 final court judgments
 Less \$ 2,500 snow and ice
 \$ 97,500 total expenditures from appropriations, applicable to a revenue deficit.

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/(Unfavorable)</u>
Revenue	100,000	90,000	(10,000)
Expenditures	100,000	97,500	2,500
Revenue Deficit			7,500

- d. In this example, a city budgeted \$100,000 in total revenues (\$60,000 in property taxes and \$40,000 in state/local revenues). The city collected \$55,000 in property taxes, \$40,000 in state and local receipts and will not be turning back any appropriations. Does the city have a revenue deficit?

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/(Unfavorable)</u>
Revenue	40,000	40,000	0
Revenue – Taxes	60,000	55,000	(5,000)
Expenditures	100,000	100,000	0
Revenue Shortfall			5,000

In his example where the revenue shortfall is due to property tax collections, the city is not required to raise a revenue deficit. As previously explained, there is a basic assumption that because of the lien on the property, property taxes will eventually be collected.

APPENDIX L

Massachusetts School Building Authority (MSBA) Grant Payments

The purpose of this Appendix is to provide guidance on the accounting entries for recording grant payments from the MSBA.

Partial Payments Prior to Permanent Debt Issued

Through its “pay-as-you-build” Progress Payment System, the MSBA will reimburse a local governmental unit (LGU) for eligible project costs during construction. After an LGU enters into a Project Funding Agreement with the MSBA and submits project costs that have been incurred and paid locally, the MSBA audits the submitted invoices and reimburses the municipality or school district for its share of eligible project costs.

EXAMPLE

The LGU receives a school building assistance grant under the “pay-as-you-build” progress payment system for \$6,000,000 to reimburse 60% of the total project costs of \$10,000,000. The LGU will account for the school construction project in the Capital Projects Fund. The LGU issues a BAN for \$4,000,000 to temporarily finance its share of the project.

Budgetary Entries

The LGU will record a budget for the total project costs, revenues and other financing sources based on its certified vote and the Project Funding Agreement with the MSBA.

- 1. The following entries are made in the general and subsidiary ledgers to record the budget.

General Ledger

350-3810	ESTIMATED REVENUE	6,000,000	
350-3820	OTHER FINANCING SOURCES	4,000,000	
350-3830	APPROPRIATIONS		10,000,000

APPENDIX L (cont)

Subsidiary Ledger

350-5000	Subsidiary Appropriation Control	10,000,000	
350-5820	Buildings		10,000,000
350-4625	MSBA Grant Revenue	6,000,000	
350-4910	Bond Proceeds	4,000,000	
350-4000	Subsidiary Revenue Control		10,000,000

To record budget for the school building project

Memorandum Entry

- The LGU records a memorandum entry to record the amount awarded from the MSBA.

350-3710	MSBA GRANT AWARD	6,000,000	
350-3720	MSBA GRANT AWARD – OFFSET		6,000,000

To record the award of the grant from MSBA

Activity Entries

- The LGU sells bond anticipation notes (BANs) to temporarily finance the construction project. The amount of temporary borrowing will be paid off with proceeds from permanent financing.

General Ledger

350-1040	Cash – Unrestricted	4,000,000	
350-2720	Bond Anticipation Notes Payable		4,000,000

To record receipt of BAN

APPENDIX L (cont)

4. The LGU receives invoices from contractors for work performed on the project.

General Ledger

350-3930	Expenditures	1,500,000	
350-2010	Warrants Payable		1,500,000

Subsidiary Ledger

350-5820	Buildings	1,500,000	
350-5000	Subsidiary Appropriation Control		1,500,000

To record contractor accounts payable

1. The LGU requests a draw down from the MSBA through the “Pro-Pay” web based system for the MSBA share of expenditures (60%).

General Ledger

350-1720	Due from MSBA	900,000	
350-2670	Deferred Revenue		900,000
350-3720	MSBA GRANT AWARD – OFFSET	900,000	
350-3710	MSBA GRANT AWARDED		900,000

To record request for reimbursement from MSBA

6. The LGU receives reimbursement from the MSBA.

General Ledger

350-1040	Cash – Unrestricted	900,000	
350-3910	Revenue		900,000
350-2670	Deferred Revenue	900,000	
350-1720	Due from MSBA		900,000

APPENDIX L (cont)

Subsidiary Ledger

350-4000	Subsidiary Revenue Control	900,000	
350-4625	MSBA Grant Revenue		900,000

To record receipt of MSBA reimbursement

7. The LGU pays the contractors' invoices.

General Ledger

350-2010	Warrants Payable	1,500,000	
350-1040	Cash – Unrestricted		1,500,000

To record payment to the contractors on the MSBA project

8. The LGU sells bonds for its share of the costs of the construction project.

General Ledger

350-1040	Cash – Unrestricted	4,000,000	
350-3920	Other Financing Sources		4,000,000
050-1996	Amounts to be Provided for Payment of Bonds	4,000,000	
050-2912	Bonds Payable – Inside The Debt Limit		4,000,000

Subsidiary Ledger

350-4000	Subsidiary Revenue Control	4,000,000	
350-4910	Bond Proceeds		4,000,000

To record proceeds from the issuance of bonds

APPENDIX L (cont)

9. The LGU pays off BAN with proceeds from the bond sale (assuming the LGU borrowed temporarily its total share of the project of \$4,000,000).

General Ledger

350-2720	Bond Anticipation Notes Payable	4,000,000	
350-1040	Cash – Unrestricted		4,000,000

To record BAN pay down

Lump Sum Payment, Before Permanent Debt Issued

The MSBA may make a lump sum payment to an LGU for a transitional or a new c. 70B school building project before permanent debt is issued. In this situation, the LGU uses the lump sum grant proceeds to pay off the bond anticipation notes when they come due.

EXAMPLE

An LGU receives a lump sum school building assistance grant for \$6,000,000 to reimburse part of total project costs of \$10,000,000. The LGU will record grant revenue in the Capital Projects Fund and must use the lump sum payment to pay off the bond anticipation notes when they come due.

10. The LGU makes the following entry in the Capital Projects Fund to record the lump sum payment.

General Ledger

350-1040	Cash – Unrestricted	6,000,000	
350-3910	Revenue		6,000,000

Subsidiary Ledger

350-4000	Subsidiary Revenue Control	6,000,000	
350-4625	MSBA Grant Revenue		6,000,000

To record lump sum payment from MSBA

APPENDIX L (cont)

11. The LGU makes the following entry when it pays off the bond anticipation notes payable that were previously issued (entry not shown) in the amount of \$6,000,000.

General Ledger

350-2720	Bond Anticipation Notes Payable	6,000,000	
350-1040	Cash – Unrestricted		6,000,000

To record payment of bond anticipation notes

Lump Sum Payment with Interest Reimbursement, Before Permanent Debt Issued

For transitional projects where lump sum payment also includes a component to reimburse interest for temporary debt, the LGU may use as a current budget revenue the amount of the grant that is included as a reimbursement of such interest costs to the extent the costs have been included in the current or prior fiscal years' budgets.

EXAMPLE

The LGU receives a school building assistance grant for \$6,000,000 to reimburse part of total project costs of \$10,000,000. The project costs include \$400,000 of interest on outstanding bond anticipation notes that the LGU has raised in its tax rates while waiting permanent funding. The MSBA grant is reimbursing 60% of project costs.

The LGU may use \$240,000 (60% of \$400,000) as General Fund revenue and in that case would report it on the Tax Rate Recap, page 3 as a non-recurring local estimated receipt prior to tax rate certification by the Bureau of Accounts. The remaining \$5,760,000 of the grant must be used to pay off the bond anticipation notes when they come due.

12. The LGU makes the following entry to record the lump sum payment.

General Ledger

001-1040	Cash – Unrestricted	240,000	
001-3910	Revenue		240,000
350-1040	Cash – Unrestricted	5,760,000	
350-3910	Revenue		5,760,000

APPENDIX L (cont)

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	240,000	
001-4625	MSBA Grant Revenue		240,000
350-4000	Subsidiary Revenue Control	5,760,000	
350-4625	MSBA Grant Revenue		5,760,000

To record MSBA grant reimbursement including reimbursement for interest paid on outstanding bond anticipation notes

- The LGU makes the following entry when it pays off the bond anticipation notes payable (BAN issuance entry not shown).

General Ledger

350-2720	Bond Anticipation Notes Payable	5,760,000	
350-1040	Cash – Unrestricted		5,760,000

To record payment of bond anticipation notes

Lump Sum Payment Received After Permanent Debt Issued

When the MSBA school building assistance grant is disbursed in whole or in part as a lump sum, whether after completion of an audit or otherwise, and the bonds are not retired or refunded, the grant must be reserved and applied over the remaining term of the bond issue to pay the same percentage of each annual principal payment on the recipient’s debt for the project.

The LGU has the following two options for reserving the lump sum payment:

- Reserve the lump sum payment in the General Fund;
- Reserve the lump sum payment in a special purpose Stabilization fund for debt service related to the project. If this option is selected, the special purpose Stabilization fund must be established by the LGU under G.L. c. 40, § 5B.

APPENDIX L (cont)

EXAMPLE

The LGU receives a lump sum payment for \$2,500,000 representing the remaining balance of the school building grant. Prior to the lump sum payment, the MSBA was making annual payments. The LGU, years earlier, had permanently financed the entire project with the issuance of a \$10,000,000 bond. The remaining life of the bond is 10 years and the remaining principal balance is \$5,000,000. In this situation, the lump sum payment represents 50% of the remaining balance of the bond payable. Therefore, each year, the LGU will release an amount from the reserve equal to 50% of the maturing debt principal for that year. The LGU will use this amount as budgeted revenue each fiscal year. The LGU Maturing debt principal in the first year subsequent to receiving the lump payment is \$450,000 and interest is \$152,000

Reserve the Lump Sum Payment in the General Fund

By selecting the first option (reserving the lump sum payment in the General Fund), the interest earned on the balance is General Fund investment income.

14. The LGU receives the lump sum payment from MSBA.

General Ledger

001-1060	Cash – Restricted	2,500,000	
001-3910	Revenue		2,500,000
001-3590	Unreserved Fund Balance	2,500,000	
001-3280	Fund Balance Reserved for MSBA Debt Service		2,500,000

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	2,500,000	
001-4625	MSBA Grant Revenue		2,500,000

To record the receipt of the MSBA lump sum payment and set up the related reserve to fund future debt service principal in the General Fund

APPENDIX L (cont)

15. The LGU pays debt service related to the project. Appropriation for principal and interest on the project is assumed.

General Ledger

001-3930	Expenditures	602,000	
001-1060	Cash – Restricted		602,000

Subsidiary Ledger

001-5910	Maturing Principal on Long Term Debt	450,000	
001-5915	Interest on Long Term Debt	152,000	
001-5000	Subsidiary Appropriation Control		602,000

To record payment of maturing principal on long term debt

16. The LGU releases a portion of the reserve as a funding source to pay for a portion of the maturing debt principal (\$450,000 x 50%) for the fiscal year.

General Ledger

001-1040	Cash – Unrestricted	225,000	
001-1060	Cash – Restricted		225,000
001-3280	Fund Balance Reserved for MSBA Debt Service	225,000	
001-3590	Unreserved Fund Balance		225,000

To record MSBA debt reserve applied to fund current year debt service principal

Reserve the Lump Sum Payment in a Special Purpose Stabilization Fund

Selection of option number 2 allows the LGU to appropriate the amount required to be reserved to a special purpose Stabilization fund for debt service related to the project. Under this option, investment income will accrue to the Stabilization fund rather than to the General Fund.

Reserved monies appropriated to the special purpose Stabilization fund remain subject to all grant restrictions and are not available for appropriation for any purpose other than to pay principal on the debt for the project. Appropriations from the fund to pay the principal may be made on a schedule no faster than that authorized if the grant had been reserved in the General Fund.

APPENDIX L (cont)

The LGU may also appropriate the annual earnings of the Stabilization fund to pay interest on the debt. Where a reimbursement is appropriated to a Stabilization fund, interest on the reimbursement may not be used as a local estimated receipt to offset interest costs on the debt and may be appropriated from the Stabilization fund only after it has been earned and is available as part of the fund.

17. The LGU may appropriate the lump sum payment from the MSBA prior to receiving the payment. Under this scenario, the lump sum payment will be deposited directly into the special purpose Stabilization fund.

General Ledger

800-1060	Cash – Restricted	2,500,000	
800-3910	Revenue		2,500,000

Subsidiary Ledger

800-4000	Subsidiary Revenue Control	2,500,000	
800-4625	MSBA Grant Revenue		2,500,000

To record receipt of lump sum payment from the MSBA into the special purpose Stabilization fund

18. The LGU may first receive the lump sum payment from the MSBA in the General Fund and then subsequently appropriate the lump sum payment to the special purpose Stabilization fund. Entry number 14 above will record the receipt of the MSBA grant proceeds in the General Fund and the following entry will be made to record the subsequent appropriation of the reserve to the special purpose Stabilization fund.

General Ledger

001-3970	Other Financing Uses	2,500,000	
001-1060	Cash – Restricted		2,500,000
001-3280	Fund Balance Reserved for MSBA Debt Service	2,500,000	
001-3590	Unreserved Fund Balance		2,500,000
800-1060	Cash – Restricted	2,500,000	
800-3920	Other Financing Sources		2,500,000

APPENDIX L (cont)

Subsidiary Ledger

001-5966	Transfer to Special Purpose Stabilization Fund	2,500,000	
001-5000	Subsidiary Appropriation Control		2,500,000
800-4000	Subsidiary Revenue Control	2,500,000	
800-4971	Transfer from General Fund		2,500,000

To record transfer of balance of the MSBA lump sum payment to a special purpose Stabilization fund

19. The LGU records the first year's investment income to the special purpose Stabilization fund.

General Ledger

800-1060	Cash – Restricted	6,250	
800-3910	Revenue		6,250

Subsidiary Ledger

800-4000	Subsidiary Revenue Control	6,250	
800-4820	Investment Income		6,250

To record first year investment earnings of the special purpose Stabilization fund

20. The LGU votes to transfer an amount to the annual debt service principal (\$450,000 x 50%).

General Ledger

001-1040	Cash – Unrestricted	225,000	
001-3920	Other Financing Sources		225,000
800-3970	Other Financing Uses	225,000	
800-1060	Cash – Restricted		225,000

APPENDIX L (cont)

Subsidiary Ledger

800-5961	Transfer to General Fund	225,000	
800-5000	Subsidiary Appropriation		
	Control		225,000
001-4000	Subsidiary Revenue		
	Control	225,000	
001-4976	Transfer from Special		
	Purpose Stabilization Fund		225,000

To record transfer to General Fund to fund a portion of debt service related to the MSBA school building project

21. In Year 2, the LGU votes to transfer the amount of interest earned in Year 1 to the General Fund to fund interest on long term debt.

General Ledger

001-1040	Cash – Unrestricted	6,250	
001-3920	Other Financing Sources		6,250
800-3970	Other Financing Uses	6,250	
800-1060	Cash – Restricted		6,250

Subsidiary Ledger

800-5961	Transfer to General Fund	6,250	
800-5000	Subsidiary Appropriation		
	Control		6,250
001-4000	Subsidiary Revenue		
	Control	6,250	
001-4976	Transfer from Special		
	Purpose Stabilization Fund		6,250

To record interest income earned in the special purpose Stabilization fund to the General Fund for interest on long term debt

Lump Sum Payment Received as part of an Advanced Refunding of Bonds Transaction

Advance refunding is a financing technique that allows an issuer to obtain the benefit of lower interest rates when the outstanding bonds are not currently callable. The proceeds from the sale of the refunding bonds are used to purchase taxable

APPENDIX L (cont)

government securities which are deposited in an escrow account. The escrow account is structured so that the principal and interest earned on the securities are sufficient to pay all principal, interest and call premium, if any, on the outstanding bonds up to and including the call date. The refunding bonds are secured by the same sources of taxes or revenue previously pledged to the payment of the outstanding bonds.

In some cases, the MSBA provides a lump sum payment to the LGU to fund its portion of the advanced refunding bonds. The LGU will record the lump sum payment as revenue in a Special Revenue Grant Fund and disburse the money to the escrow account in accordance with the provisions of the advanced refunding agreement.

APPENDIX M

A Self-Insured Health Care Trust Fund

How to Set Up the Ledgers

At a minimum, the Health Claims Trust Fund should be its' own fund and not co-mingled with other trusts. It is also recommended that separate funds be used to distinguish between health claims and dental claims. In some instances, communities have established one fund for the employer contributions and a separate fund for the employee/retiree/surviving spouse/cobra members. As long as the allocation of the contributions and expenses are in accordance with the established rates, then this method is acceptable. For financial reporting purposes, these separate funds will be consolidated.

Within the ledgers, the following accounts may be required based on the type of plan adopted.

Assets

Cash and Investments – The Treasurer will either set up separate bank and investment accounts or allocate funds from the pooled accounts to record the receipts and disbursements of the Health Claims Trust.

Working Capital Deposit – This account is a short term asset held by a third party administrator that provides liquid assets in order to meet the current claims due.

Due from Claims Administrator – This account is used to record the amount due from the claims administrator based on the monthly or quarterly reconciliation of a level monthly payment plan. This asset would normally only be recorded at year end.

Due from Stop Loss Insurer – This account is used to record the estimated reimbursement due for claims in excess of the stop loss for the period then ended. This asset would normally be recorded at year end.

Due from Other Funds – This account will be used to record any receipt due the Trust but deposited in a general cash or investment account.

Prepaid Expenses – This account will only be used in the event that a payment was made from the Trust before the expense was incurred.

Warrants Payable – This account is used to record payables in the same manner as all other funds. Among other payables, it would include the amount billed for the previous month's claims paid by the administrator for a working capital deposit plan. It would not include the level monthly payment for the next month. Care needs to be taken at year end to not include the July level monthly payment in the last June warrant.

APPENDIX M (cont)

Due to Claims Administrator – This account is used to record the amount due to the claims administrator based on the monthly or quarterly reconciliation of a level monthly payment plan. This liability would normally only be recorded at year end.

Incurred But Not Reported Liability (IBNR) – This account is used to estimate the probable liability of claims and related administration charges that have been incurred but have not been reported. This liability will not include any amount due the claims administrator as these amounts have been reported. This liability should be adjusted annually based on the current activity, but the liability should not be reversed in order to properly report net assets through out the fiscal year.

Prepaid Employee Contributions – In most cases, communities withhold from the employee their health insurance contribution in the current month for the next month's premium. Therefore the withholding made in June is for July's premium and coverage. The Trust has not earned that revenue until the coverage period. This liability is at its highest in June as additional payrolls are run to cover teachers' summer pay which could have up to three months of prepaid employee contributions. This liability would normally only be recorded at fiscal year end and is reversed in July.

Prepaid Employer Contributions – The employer and employee should match contributions in the month that the premium is due and earned. Therefore the employer would transfer their share of the premium due for July in July. This would match the employee contribution withheld for July in June. The employer also should only have 12 monthly contributions in any given year.

In practice for most communities as of the date of this Manual, the employee and employer prepaid contributions have not been recorded on the ledger and in most cases not on the audited financial statements. The accounting approach adopted may be to record 12 monthly contributions for both the employee and employer which provides for an accurate representation of the statement of changes in net assets for the fiscal year. Since the Health Claims Trust has reported these contributions as current revenue, the net assets are overstated. The accounting becomes problematic when decisions are made to allow for premium holidays because net assets appear too high or when the community switches from self-insured to premium based.

When deciding whether to grant a premium holiday when determining the funding requirements to close out a Health Claims Trust Fund, an allowance for any potential prepaid amount should be recorded as current revenue.

APPENDIX M (cont)

Net Assets

The components of net assets are shared between the employer and employee/retiree based on the contribution rates established. If all contributions were made and expenses allocated in accordance with the established rates then the ending net assets would be allocated in the same manner. If the actual activity did not follow the rates, then the Accountant must analyze the activity to properly allocate this imbalance as part of the closing process.

Net Assets – Employee Share – This will represent the employee's share of any positive or negative net assets. This should equal the established contribution rate.

Net Assets – Employer Share – This will represent the employer's share of any positive or negative net assets. This should equal the contribution rate.

Net Assets – Employer Additional Contribution – In the event that this fund experiences a deficit in net assets at the end of the fiscal year, the employer is required to eliminate the deficit through an immediate additional contribution. When this contribution is made, there is not immediate employee contribution based on the contribution rate previously established. The balance in this account will be reduced if the future rates are adjusted in accordance with the legislation.

Revenue Accounts

We recommend establishing separate revenue accounts for each different type of employee./retiree contribution. The benefits will be to simplify the reconciliation and provide the proof that the actual contributions are in accordance with the established rates.

Employee Contributions from Payroll Withholding – This will report the actual current employee withholdings.

Employee Contributions Direct – This will report any direct payment of a current employee's contribution. These accounts do not have to be separate, but we recommend this in order to simplify the reconciliation procedures.

Employee Contributions Leave of Absence – This will report the direct payment received for an employee on a leave of absence. Normally, the employee will pay 100% of the premium but will not have to pay an administration fee required from ex-employees on COBRA.

APPENDIX M (cont)

COBRA Contributions – This will report all amounts paid directly for ex-employees who elected to remain covered by the community's plan.

COBRA Administration Fee – This will report the administration fee that is allowed to be charged.

Retiree Contributions – This will report the retiree contributions received from the retirement system.

Retiree Contributions Direct – This will report the retiree contributions received directly from the retiree.

Surviving Spouse Contributions – This will report the surviving spouse contributions received from the retirement system. A separate account is needed if the employer's contribution rate for a surviving spouse is different than a retiree.

Surviving Spouse Direct – This will report the surviving spouse contributions received directly from the surviving spouse. A separate account is needed if the employer's contribution rate for a surviving spouse is different than a retiree.

Employer contributions should have different accounts established for the General Fund, each Enterprise Fund and at least one for grant funds. It is recommended that a separate revenue account be established for each different level of contribution rates. For example, if the General Fund contribution rate is a 75/25 split for current employees and a 50/50 split for surviving spouses, then it would be prudent to have two accounts.

Employer Contribution General Fund – This would report all matching contributions for all employees/retirees/surviving spouses that have the same contribution rate. A second account would be established if there are different contribution rates.

Employer Contribution Enterprise Fund – This would report all matching contributions for all employees/retirees/surviving spouses that have the same contribution rate. A second account would be established if there are different contribution rates or if there are more than one enterprise fund.

Employer Contribution Grants – This would represent all matching contributions for all employees/retirees/surviving spouses that have the same contribution rates. A second account would be established if there are different contribution rates.

Investment Income – This will report the investment earnings of the fund.

APPENDIX M (cont)

Expense Accounts

We recommend separate accounts be established for all different self-insured plans carried by each commercial insurer. It is also recommended that separate accounts be used for each commercial administrator to break down the claims paid account for the administration charge.

Claims Expense – This will report all expenses related to claims paid for this plan. It will include both all payments and any receipts received for the level monthly payment plans periodic reconciliation. Additional accounts will be added for each different type of plan and the same for each commercial administrator.

Administration Expense – This will report all expenses related to claims paid for this plan. Additional accounts will be added for each different type of plan and the same for each commercial administrator.

Incurred But Not Reported Expense – This will report the expense related to the estimated claims and administration not currently known and is offset to the liability recorded in the statement of net assets.

Stop Loss Insurance Premium – This will report the premium expense paid for stop loss insurance.

Stop Loss Reimbursements – This will report as a negative expense all stop loss reimbursements received or due.

Insurance Advisory Expense – This will report any expenses related to engaging an outside insurance advisor.

Payroll Internal Administration – This will report any payroll charges allocated to the Health Claims Trust to manage the operations.

Fringe Benefits Internal Administration – This will report any fringe benefits charges related to community employees paid as part of the payroll charges above.

Other Expenses – Accounts will be set up for any other operating or capital charges related to the operation of the Health Claims Trust as needed.