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:

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

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

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

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
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

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

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

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
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

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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
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

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


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

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

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
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

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

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

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
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

<table>
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<th>Subheading</th>
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<td>• Investment in General Fixed Assets</td>
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<td>• Reserved Fund Balance</td>
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<td>• Fund Balance Other – Actual</td>
<td>3900 – 3999</td>
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</table>

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.
Uniform Massachusetts Accounting System – July, 2014

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)
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
Uniform Massachusetts Accounting System – July, 2014

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.

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

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
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.

Other Taxes – Revenue recognized from any other taxes not included above.

Charges for Services

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

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

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

Other Non-Utility, Non-Usage Charges – Revenue recognized from non-utility charges other than usage (such as sale of goods, concessions, ticket sales).
4320 **Fees** – 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
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
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
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4750</td>
<td><strong>Special Assessments</strong> – Revenue recognized from special assessments and betterments not reported elsewhere.</td>
</tr>
<tr>
<td>4770</td>
<td><strong>Fines and Forfeits</strong> – Revenue recognized from fines or forfeits (e.g. parking fines, penal fines, library book fines, bond forfeitures, etc).</td>
</tr>
<tr>
<td>4810</td>
<td><strong>Sales of Inventory</strong> – Revenue recognized from the sale of inventory.</td>
</tr>
<tr>
<td>4820</td>
<td><strong>Earnings on Investments</strong> – Revenue recognized from income earned on investments (interest and dividends only).</td>
</tr>
<tr>
<td>4830</td>
<td><strong>Contributions and Donations</strong> – Revenue recognized from contributions or gifts from a private donor. Contributions or gifts from another government would be classified as a grant.</td>
</tr>
<tr>
<td>4840</td>
<td><strong>Miscellaneous</strong> – Revenue recognized from items not provided for elsewhere. Assign additional codes to the detail for:</td>
</tr>
<tr>
<td></td>
<td>Insurance dividends</td>
</tr>
<tr>
<td>4890</td>
<td><strong>Gain or Loss in Investment Portfolio</strong> - Revenue recognized or lost on sale of investments.</td>
</tr>
<tr>
<td>4910</td>
<td><strong>Proceeds from Sale of Bonds</strong> – 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.</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Function</th>
<th>Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>100 – 199</td>
</tr>
<tr>
<td>Public Safety</td>
<td>200 – 299</td>
</tr>
<tr>
<td>Education</td>
<td>300 – 399</td>
</tr>
<tr>
<td>Public Works and Facilities</td>
<td>400 – 499</td>
</tr>
<tr>
<td>Human Services</td>
<td>500 – 599</td>
</tr>
<tr>
<td>Culture and Recreation</td>
<td>600 – 699</td>
</tr>
<tr>
<td>Debt Service</td>
<td>700 – 799</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>800 – 899</td>
</tr>
<tr>
<td>Unclassified</td>
<td>900 – 999</td>
</tr>
</tbody>
</table>

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

Cemetery

Human Services

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

Health Officer
Board of Health
Other *

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

Health Center
Nursing Service
Mental Health Clinic
Dental Clinic
Other *

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

Special Programs – Expenditures related to the provision of services to specific target groups within the general population. Reporting units:

Council on Aging
Youth Services
Veterans Services
Other *

Public Assistance – Expenditures related to the provision of services for individuals who are economically unable to provide for their essential needs.
Other – Expenditures for human services that do not readily fall into one of the previous categories.

Culture and Recreation

Library – Expenditures related to the operation of a public library.

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

Parks – Expenditures relate to the maintenance of public parks, squares and similar ornamental areas.

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.

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

- Historical Commission
- Celebrations (Memorial Day, etc.) *
- Other Cultural and Recreation *

Debt Service

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

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

- Interest on Long Term Debt *
- 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 *
Permanent Funds and Special Purpose Trust Funds – Expenditures related to Permanent Funds and Special Purpose Trust Fund activities.

Transfers – Expenditures relating to transfers between funds:

- Transfers to General Fund
- Transfers to Special Revenue Fund
- Transfers to Capital Projects Fund
- Transfers to Permanent Funds
- Transfers to Proprietary Funds
- 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.

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

<table>
<thead>
<tr>
<th>Merit</th>
<th>Shift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>Educational</td>
</tr>
<tr>
<td>Weekend</td>
<td>Longevity</td>
</tr>
</tbody>
</table>
5150 Fringe Benefits to Employees – Expenditures for fringe benefits paid directly to employees such as:

<table>
<thead>
<tr>
<th>Vacation</th>
<th>Educational Leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Occupational Sick Leave</td>
<td>Military Leave</td>
</tr>
<tr>
<td>Maternity Leave</td>
<td>Union Activities</td>
</tr>
<tr>
<td>Standard Holidays</td>
<td>Occupational Sick Leave</td>
</tr>
<tr>
<td>Court Leave</td>
<td>Bereavement Leave</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Worker’s Compensation</th>
<th>Unemployment Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Payments</td>
<td>Life Insurance</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>Social Security</td>
</tr>
<tr>
<td>Retirement Fund</td>
<td>Massachusetts Teachers’ Retirement</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Tuition Reimbursement</th>
<th>Uniform Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career Incentive</td>
<td>Unused Sick-Leave Buyback</td>
</tr>
<tr>
<td>In-Service Training</td>
<td>Stipends</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Electricity or Natural Gas for heat, power, lighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil used for heat</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewerage</td>
</tr>
</tbody>
</table>
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
- Recreational Facilities
- Vehicles
- Traffic Control Equipment
- Water Meters
- Communication Lines
- Office Equipment
- Medical Equipment
- Sewer or Water Pumping Stations
- HVAC Equipment
- Construction Equipment
- Audio Visual Equipment
- Machine Tools
- Street Paving and Marking
- Computer 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
- Food Service Management
- Management Consulting
- Student Testing
- Underwriting
- Engineering/Architectural
- Contract Bargaining
- Employee Training Seminars
- Accounting and Auditing
- Legal
- Advertising
- Data Processing
- Public Safety
- Labor Relations
- Book-Binding
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
- Regional Districts
- Collaboratives
- Private Schools
- Out-of-State Schools
- 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

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

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
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
- Plumbing
- Hand Tools or Power Tools
- Floor Coverings
- Wall Coverings
- Electrical
- Paint
- Glass
- Doors
- Window Coverings
5450  **Custodial and Housekeeping Supplies** – The cost of expendable supplies related to custodial and housekeeping functions such as:

<table>
<thead>
<tr>
<th>Cleaning Supplies</th>
<th>Bedding and Linens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brooms and Mops</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Rakes, Hoes and Other Tools</th>
<th>Track Cinders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paint for Grounds</td>
<td>Fertilizers</td>
</tr>
<tr>
<td>Loan, Grass Seed, Lime</td>
<td>Soil and Sod</td>
</tr>
<tr>
<td>Pesticides and Herbicides</td>
<td>Trees and Shrubs</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Gasoline</th>
<th>Tires and Tubes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-Freeze</td>
<td>Motor Oil and Lubricants</td>
</tr>
<tr>
<td>Batteries</td>
<td>Parts and Accessories</td>
</tr>
</tbody>
</table>

5490  **Food and Food Service Supplies** – The cost of expendable supplies used for feed service purposes such as:

<table>
<thead>
<tr>
<th>Perishables</th>
<th>Non-Perishables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving Utensils</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>First Aid Kits</th>
<th>Orthopedic Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Room Packs</td>
<td>Sutures</td>
</tr>
<tr>
<td>Pacemakers</td>
<td>Instruments</td>
</tr>
<tr>
<td>Isotopes</td>
<td>Drugs</td>
</tr>
<tr>
<td>Chemicals and Solutions</td>
<td>Oxygen</td>
</tr>
<tr>
<td>(used for medical purposes)</td>
<td>X-Ray Film</td>
</tr>
</tbody>
</table>
5510 **Educational Supplies** – The cost of expendable supplies and materials used for educational purposes such as:

- Test Materials
- Teaching Aids
- Books and Processing
- Plan Books and Registers
- Maps and Charts
- Special Education Supplies
- Workbooks and Textbooks
- Kindergarten Supplies
- Athletic Equipment for School
- Audio Visual Supplies
- Encyclopedias

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
- Data Processing
- Crime Prevention
- Magazine Subscriptions
- Recreational
- Uniforms and Other Clothing
- Library Supplies
- 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.
Uniform Massachusetts Accounting System – July, 2014

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.

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.
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.

<table>
<thead>
<tr>
<th>Depreciation</th>
<th>Survivor Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments in Lieu of Taxes</td>
<td>Reserve fund appropriations</td>
</tr>
<tr>
<td>Revenue funds</td>
<td>Agency fund disbursements</td>
</tr>
</tbody>
</table>

**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
- Communications Equipment
- EMS Equipment/Vehicles
- Refuse Containers
- Construction Equipment
- Classroom Equipment
- Trucks and Buses
- Classroom Furniture
- Fire Alarm Equipment
- Office Equipment and Furniture
- Bulletin Boards and Shelving
- 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.
5890  **Construction in Progress** – Expenditures made in connection with construction projects such as:

- Fire Stations
- Wastewater Treatment Plants
- School Buildings
- 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.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Approximate Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Operating expense budgets prepared for each department</td>
<td>November</td>
</tr>
<tr>
<td>2. Revenue budget estimated for each department</td>
<td>November</td>
</tr>
<tr>
<td>3. Real property and personal property valuation determined</td>
<td>January</td>
</tr>
<tr>
<td>4. Budgets submitted to authorizing bodies for approval</td>
<td></td>
</tr>
<tr>
<td>• Finance Committee</td>
<td>December</td>
</tr>
<tr>
<td>• Town Meeting (G.L. c. 39, § 9)</td>
<td>Feb. - May</td>
</tr>
<tr>
<td>• City Council (G.L. c. 44, § 32)</td>
<td>June</td>
</tr>
<tr>
<td>5. Budgets approved</td>
<td>June</td>
</tr>
<tr>
<td>6. Cherry Sheet notification</td>
<td>June</td>
</tr>
<tr>
<td>7. Other amounts required to be raised identified</td>
<td>July</td>
</tr>
<tr>
<td>8. Other available funds identified and use determined</td>
<td>Apr. – Dec.</td>
</tr>
<tr>
<td>10. Tax rate set and tax levy committed for collection</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmental operating budget</td>
<td>Current year’s operating budget</td>
</tr>
<tr>
<td>State and county assessments</td>
<td>State Cherry Sheet</td>
</tr>
<tr>
<td>Other amounts to be raised</td>
<td>Includes final court judgments, abatement deficits, appropriation deficits and revenue deficits</td>
</tr>
</tbody>
</table>

**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:

<table>
<thead>
<tr>
<th>Number</th>
<th>Title</th>
<th>Classification Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3810</td>
<td>ESTIMATED TAX LEVY</td>
<td>Real estate and personal property taxes</td>
</tr>
<tr>
<td>3815</td>
<td>ESTIMATED REVENUE</td>
<td>Excises, most licenses and fees, grants and other such items</td>
</tr>
<tr>
<td>3820</td>
<td>ESTIMATED OTHER FINANCING SOURCES</td>
<td>Operating transfers-in, bond proceeds</td>
</tr>
<tr>
<td>3830</td>
<td>APPROPRIATIONS</td>
<td>All amounts appropriated by town meeting or city/town council</td>
</tr>
<tr>
<td>3860</td>
<td>OTHER AUTHORIZED EXPENDITURES</td>
<td>Other local expenditures not requiring appropriation</td>
</tr>
<tr>
<td>3870</td>
<td>ESTIMATED OTHER FINANCING USES</td>
<td>Operating transfers-out</td>
</tr>
<tr>
<td>3880</td>
<td>BUDGETARY FUND BALANCE</td>
<td>Available source of funds for current year or subsequent expenditures. A use of funds for</td>
</tr>
<tr>
<td></td>
<td></td>
<td>expenditures paid in one year and provided for by taxation in the next.</td>
</tr>
<tr>
<td>3890</td>
<td>BUDGETARY CONTROL</td>
<td>The offsetting debit or credit for other budget entries</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>City/Town Council or Town Meeting Dates</th>
<th>FY*</th>
<th>Appropriations</th>
<th>Authorizations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(a) Total Appropriations Of Each Meeting</td>
<td>(b) From Raise and Appropriate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12,203,657.00</td>
<td>11,414,657.00</td>
</tr>
<tr>
<td>4/12/2014 2015</td>
<td></td>
<td>12,203,657.00</td>
<td>11,414,657.00</td>
</tr>
<tr>
<td>7/10/2014 2015</td>
<td></td>
<td>22,500.00</td>
<td>0.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>12,226,157.00</td>
<td>11,414,657.00</td>
</tr>
</tbody>
</table>
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.)
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

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.
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.

<table>
<thead>
<tr>
<th>Date of Appropriation</th>
<th>Source of Fund</th>
<th>Use of Fund</th>
<th>Col. A Amount in Fund When Approp. Was Made</th>
<th>Col. B Amount of Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/10/2014</td>
<td>Parking Meters</td>
<td>Parking Department</td>
<td>22,503.00</td>
<td>19,500.00</td>
</tr>
<tr>
<td>7/10/2014</td>
<td>Stabilization Fund</td>
<td>Departmental Equipment</td>
<td>15,000.00</td>
<td>3,000.00</td>
</tr>
</tbody>
</table>

Totals: 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.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>(a) Actual Revenues Fiscal 2014</th>
<th>(b) Estimated Receipts Fiscal 2015*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Water</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2</td>
<td>Sewer</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>3</td>
<td>Hospital</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>4</td>
<td>Nursing home</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>5</td>
<td>Recreation department</td>
<td>50,000.00</td>
<td>50,000.00</td>
</tr>
<tr>
<td>6</td>
<td>Airport</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th></th>
<th>BUDGETARY CONTROL</th>
<th>APPROPRIATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-3890</td>
<td>442,000</td>
<td>442,000</td>
</tr>
<tr>
<td>650-3830</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To record appropriations in the enterprise fund.
2. Total costs appropriated
   a. Costs appropriated in the enterprise fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAL &amp; WAGES</td>
<td>$400,000.00</td>
</tr>
<tr>
<td>EXPENSES</td>
<td>$42,000.00</td>
</tr>
<tr>
<td>CAPITAL OUTLAY</td>
<td>$0.00</td>
</tr>
<tr>
<td>RESERVE FUND</td>
<td>$0.00</td>
</tr>
<tr>
<td>OTHER APPROP IN ENT. FUND</td>
<td>$0.00</td>
</tr>
<tr>
<td>PY costs approp from retained earnings or other enterp available funds</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

   Total costs appropriated in the enterprise fund: $442,000.00

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

4. Appropriations and Reservations

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects, Acquisitions, Debt service and Other</td>
<td>$150,000.00</td>
</tr>
<tr>
<td>Administrative Expenses (5% or less of 1A - Total annual revenues)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Reservations (10% min of 1A - for each Reserve, if not voted within Appropriations)</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Budgeted reserve to be appropriated</td>
<td>$0.00</td>
</tr>
<tr>
<td>Prior Year Deficits</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

   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

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

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 IId.
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
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.

<table>
<thead>
<tr>
<th>SCHEDULE OF AMOUNTS CERTIFIED FOR TAX TITLE PURPOSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Recap/Pro forma page 2, item IIIB, line 1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filing and recording fees including examiner's costs required by the Land Court</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Advertising and publishing costs</td>
<td>0.00</td>
</tr>
<tr>
<td>Certified Mailing</td>
<td>0.00</td>
</tr>
<tr>
<td>Other-(specify)</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>5,000.00</strong></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>001-3890 BUDGETARY CONTROL</th>
<th>11,657</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3815 ESTIMATED REVENUE</td>
<td>11,657</td>
</tr>
</tbody>
</table>

To record the Cherry Sheet Offset
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
### A. County Assessments:

1. County Tax: Ch. 35, ss. 30, 31  
2. Suffolk County Retirement Ch. 61, Acts of 2009, s. 10  

Sub-Total, County Assessments  

### B. State Assessments and Charges:

1. Retired Employees Health Insurance Ch. 32A, s. 10B  
2. Retired Teachers Health Insurance Ch. 32A, s. 12  
3. Mosquito Control Projects Ch. 252, s. 5A  
4. Air Pollution Districts Ch. 111, ss. 142B, 142C  
5. Metropolitan Area Planning Council Ch. 40B, ss. 26, 29  
6. Old Colony Planning Council Ch. 332  
7. RMV Non-Renewal Surcharge Ch. 90, Ch. 604  

Sub-Total, State Assessments  

### C. Transportation Authorities:

1. MBTA Ch. 161A, ss. 8-9, 1974, Ch. 825, ss. 5-7  
2. Boston Metro. Transit District Ch. 383, 1954, Ch. 535  
3. Regional Transit Ch. 161B, ss. 9, 10, 23, 1973, Ch. 1141  

Sub-Total, Transportation Assessments  

### D. Annual Charges Against Receipts:

1. Special Education Ch. 71B, ss. 10, 12  
2. STRAP Repayments Ch. 637, s. 32  

Sub-Total, Annual Charges Against Receipts  

### E. Tuition Assessments:

1. School Choice Sending Tuition Ch. 76, s. 12B, 1993, Ch. 71  
2. Charter School Sending Tuition Ch. 71, s. 89  
3. Essex County Technical Institute Sending Tuition Ch. 300, s. 21  

Sub-Total, Tuition Assessments  

### F. Total Estimated Charges, Fiscal 2014

122,608
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.

To record the Overlay for the fiscal year

<table>
<thead>
<tr>
<th>OL1</th>
<th>Overlay</th>
</tr>
</thead>
</table>

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

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.
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.
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
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
Enterprise Funds

<table>
<thead>
<tr>
<th></th>
<th>(a) FY 2014 Actual Revenues</th>
<th>(b) FY 2015 Estimated Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enterprise revenues and available funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. User charges</td>
<td>0.00</td>
<td>377,000.00</td>
</tr>
<tr>
<td>Connection Fees</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other departmental revenue</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Investment income</td>
<td>0.00</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Total revenues :</td>
<td>0.00</td>
<td>379,000.00</td>
</tr>
<tr>
<td>Retained earnings appropriated **</td>
<td>0.00</td>
<td>50,000.00</td>
</tr>
<tr>
<td>Other enterprise available funds</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Specify</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total current year revenues and available funds</td>
<td>$ 0.00</td>
<td>$ 429,000.00</td>
</tr>
<tr>
<td>b. Retained earnings appropriated for PY costs **</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Other enterprise available funds for PY costs</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Total revenues and available funds for PY costs</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Total revenues and available funds</td>
<td></td>
<td>$ 0.00</td>
</tr>
</tbody>
</table>

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
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
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 | BUDGETARY 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)

<table>
<thead>
<tr>
<th>I. TAX RATE SUMMARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ia. Total amount to be raised (from Ile)</td>
</tr>
<tr>
<td>Ib. Total estimated receipts and other revenue sources (from IIIe)</td>
</tr>
<tr>
<td>Ic. Tax Levy (Ia minus Ib)</td>
</tr>
</tbody>
</table>

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.

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

**1,510,650**  **1,510,650**

To record the opening trial balance
Prior Fiscal Year Matters

Pay Prior Fiscal Year Warrants Payable

2.) Warrants Payable are paid.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-2010</td>
<td>Warrants Payable</td>
<td>250,000</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash - Unrestricted</td>
<td>250,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>12,000</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>12,000</td>
</tr>
</tbody>
</table>

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

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5210</td>
<td>Energy</td>
<td>12,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>12,000</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>350,000</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash - Unrestricted</td>
<td>250,000</td>
</tr>
<tr>
<td>001-2120</td>
<td>Federal Income Tax Withholdings Payable</td>
<td>25,000</td>
</tr>
<tr>
<td>001-2130</td>
<td>State Income Tax Withholdings Payable</td>
<td>25,000</td>
</tr>
<tr>
<td>001-2140</td>
<td>Retirement Withholdings Payable</td>
<td>25,000</td>
</tr>
<tr>
<td>001-2150</td>
<td>Insurance Withholdings Payable</td>
<td>25,000</td>
</tr>
</tbody>
</table>

To record the payroll expenditures – warrant # __________

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5110</td>
<td>Salaries and Wages, Permanent Positions</td>
<td>325,000</td>
</tr>
<tr>
<td>001-5120</td>
<td>Salaries and Wages, Temporary Positions</td>
<td>25,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>350,000</td>
</tr>
</tbody>
</table>
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
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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>150,000</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash - Unrestricted</td>
<td>150,000</td>
</tr>
</tbody>
</table>

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

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5210</td>
<td>Energy</td>
<td>100,000</td>
</tr>
<tr>
<td>001-5240</td>
<td>Repairs and Maintenance</td>
<td>15,000</td>
</tr>
<tr>
<td>001-5300</td>
<td>Professional and Technical</td>
<td>35,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>150,000</td>
</tr>
</tbody>
</table>

Vendor Refund

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

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>2,000</td>
</tr>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>2,000</td>
</tr>
</tbody>
</table>

To record the receipt of a vendor refund for expenditures paid

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>2,000</td>
</tr>
<tr>
<td>001-5420</td>
<td>Office Supplies</td>
<td>1,000</td>
</tr>
<tr>
<td>001-5430</td>
<td>Building and Equipment Repairs and Maintenance Supplies</td>
<td>1,000</td>
</tr>
</tbody>
</table>
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
```

To record the transfer of free cash to appropriations

```
001-3890   BUDGETARY CONTROL                10,000
001-3830   APPROPRIATIONS                   10,000
```

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>19,500</td>
</tr>
<tr>
<td>001-3920</td>
<td>Other Financing Sources</td>
<td>19,500</td>
</tr>
</tbody>
</table>

To record the transfer from the Special Revenue Fund

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>19,500</td>
</tr>
<tr>
<td>001-4972</td>
<td>Transfers From Special Revenue Funds</td>
<td>19,500</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>200,000</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>200,000</td>
</tr>
</tbody>
</table>

To record expenditure of funds for special education

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5320</td>
<td>Special Education Tuition</td>
<td>200,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>200,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>200,000</td>
</tr>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>200,000</td>
</tr>
</tbody>
</table>

To reimburse General Fund for special education expenditures
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

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
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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>100,000</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash - Unrestricted</td>
<td>100,000</td>
</tr>
</tbody>
</table>

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

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5240</td>
<td>Repairs and Maintenance</td>
<td>100,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>100,000</td>
</tr>
</tbody>
</table>

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
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
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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>FYxx</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1251</td>
<td>Estimated Personal Property Taxes Receivable FYxx</td>
<td></td>
<td>250,000</td>
</tr>
<tr>
<td>001-1252</td>
<td>Estimated Real Estate Taxes Receivable FYxx</td>
<td></td>
<td>2,000,000</td>
</tr>
<tr>
<td>001-2610</td>
<td>Deferred Revenue – Real and Personal Property Taxes</td>
<td></td>
<td>2,250,000</td>
</tr>
</tbody>
</table>

To record commitment of estimated real and personal property taxes

No Subsidiary Ledger Entry
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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1210</td>
<td>Personal Property Taxes Receivable FYxx</td>
<td>500,000</td>
</tr>
<tr>
<td>001-1220</td>
<td>Real Estate Taxes Receivable FYxx</td>
<td>4,000,000</td>
</tr>
<tr>
<td>001-2610</td>
<td>Deferred Revenue – Real and Personal Property Taxes</td>
<td>4,500,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-2610</td>
<td>Deferred Revenue – Real and Personal Property Taxes</td>
<td>250,000</td>
</tr>
<tr>
<td>001-1230</td>
<td>Allowance for Abatements and Exemptions FYxx</td>
<td>250,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-2610</td>
<td>Deferred Revenue – Real and Personal Property Taxes</td>
<td>2,250,000</td>
</tr>
<tr>
<td>001-1251</td>
<td>Estimated Personal Property Taxes Receivable FYxx</td>
<td>250,000</td>
</tr>
<tr>
<td>001-1252</td>
<td>Estimated Real Estate Taxes Receivable FYxx</td>
<td>2,000,000</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>50,000</td>
</tr>
<tr>
<td>001-4170</td>
<td>Penalties and Interest on Taxes and Excises</td>
<td>50,000</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>768,000</td>
</tr>
<tr>
<td>001-1260</td>
<td>Motor Vehicle Excise Receivable FYxx</td>
<td>760,000</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>8,000</td>
</tr>
</tbody>
</table>

To record cash collected on motor vehicle excise

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-2630</td>
<td>Deferred Revenue – Motor Vehicle Excise</td>
<td>760,000</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>760,000</td>
</tr>
</tbody>
</table>

To record the collections into Revenue and adjust Deferred Revenue

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>768,000</td>
</tr>
<tr>
<td>001-4150</td>
<td>Motor Vehicle Excise</td>
<td>760,000</td>
</tr>
<tr>
<td>001-4170</td>
<td>Penalties and Interest on Taxes and Excises</td>
<td>8,000</td>
</tr>
</tbody>
</table>
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).

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>18,000</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>1,000</td>
</tr>
<tr>
<td>001-1270</td>
<td>Boat Excise Receivable FYxx</td>
<td>17,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-2641</td>
<td>Deferred Revenue – Boat Excise</td>
<td>17,000</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>8,500</td>
</tr>
<tr>
<td>001-2310</td>
<td>Due to Special Revenue Funds</td>
<td>8,500</td>
</tr>
</tbody>
</table>

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

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>9,500</td>
</tr>
<tr>
<td>001-4160</td>
<td>Other Excise</td>
<td>8,500</td>
</tr>
<tr>
<td>001-4170</td>
<td>Penalties and Interest on Taxes and Excises</td>
<td>1,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-2310</td>
<td>Due To Special Revenue Funds</td>
<td>8,500</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash - Unrestricted</td>
<td>8,500</td>
</tr>
</tbody>
</table>

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
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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1253</td>
<td>Deferred Property Tax Receivable FYxx</td>
<td>3,000</td>
</tr>
<tr>
<td>001-2620</td>
<td>Deferred Revenue – Deferred Property Tax</td>
<td>3,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-2620</td>
<td>Deferred Revenue – Real and Personal Property Taxes</td>
<td>3,000</td>
</tr>
<tr>
<td>001-1220</td>
<td>Real Estate Taxes Receivable FYxx</td>
<td>3,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>3,000</td>
</tr>
<tr>
<td>001-1253</td>
<td>Deferred Property Tax Receivable FYxx</td>
<td>3,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-2620</td>
<td>Deferred Revenue – Deferred Property Tax</td>
<td>3,000</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>3,000</td>
</tr>
</tbody>
</table>

To adjust Deferred Revenue – Deferred Property Tax

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>3,000</td>
</tr>
<tr>
<td>001-4120</td>
<td>Real Estate Taxes</td>
<td>3,000</td>
</tr>
</tbody>
</table>

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
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.

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

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>6,500</td>
</tr>
<tr>
<td>001-4142</td>
<td>Tax Liens Redeemed</td>
<td>6,300</td>
</tr>
<tr>
<td>001-4170</td>
<td>Penalties and Interest on Taxes and Excises</td>
<td>200</td>
</tr>
</tbody>
</table>

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

To record the revenue from the sale of land of low value

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>6,500</td>
</tr>
<tr>
<td>001-4142</td>
<td>Tax Liens Redeemed</td>
<td>6,300</td>
</tr>
<tr>
<td>001-4170</td>
<td>Penalties and Interest on Tax Liens</td>
<td>200</td>
</tr>
</tbody>
</table>
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
Subsidy 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

Subsidy 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.

\[
\begin{array}{lcl}
001-1254 & \text{Taxes Receivable in Litigation FYxx} & 5,000 \\
001-2624 & \text{Deferred Revenue – Taxes in Litigation} & 5,000 \\
\end{array}
\]

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.

\[
\begin{array}{lcl}
001-2610 & \text{Deferred Revenue – Real and Personal Property Taxes} & 5,000 \\
001-1220 & \text{Real Estate Taxes Receivable FYxx} & 5,000 \\
\end{array}
\]

To adjust Deferred Revenue for the transfer to Taxes in Litigation

77.) Taxes in Litigation are paid.

\[
\begin{array}{lcl}
001-1040 & \text{Cash – Unrestricted} & 5,000 \\
001-3910 & \text{Revenue} & 5,000 \\
\end{array}
\]

To record payment of taxes in litigation

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

\[
\begin{array}{lcl}
001-2623 & \text{Deferred Revenue – Taxes in Litigation} & 5,000 \\
001-1254 & \text{Taxes Receivable in Litigation FYxx} & 5,000 \\
\end{array}
\]

To adjust Deferred Revenue

Subsidiary Ledger

\[
\begin{array}{lcl}
001-4000 & \text{Subsidiary Revenue Control} & 5,000 \\
001-4143 & \text{Litigated Taxes Collected} & 5,000 \\
\end{array}
\]
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.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>1,800</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>1,800</td>
</tr>
</tbody>
</table>

To record the clerk’s receipts

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>1,800</td>
</tr>
<tr>
<td>001-4420</td>
<td>Other Licenses</td>
<td>1,200</td>
</tr>
<tr>
<td>001-4320</td>
<td>Fees</td>
<td>500</td>
</tr>
<tr>
<td>001-4450</td>
<td>Permits</td>
<td>100</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>1,000</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>1,000</td>
</tr>
</tbody>
</table>

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

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>1,000</td>
</tr>
<tr>
<td>001-4320</td>
<td>Fees</td>
<td>1,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>30,000</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>30,000</td>
</tr>
</tbody>
</table>

To record payment by Massachusetts School Building Authority

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>30,000</td>
</tr>
<tr>
<td>001-4680</td>
<td>Other State Revenue</td>
<td>30,000</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1110</td>
<td>Short-Term Investments</td>
<td>100,000</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>100,000</td>
</tr>
</tbody>
</table>

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
Uniform Massachusetts Accounting System – July 2013

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5925</td>
<td>Interest on Notes</td>
<td>21,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>21,000</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>500,000</td>
</tr>
<tr>
<td>001-3296</td>
<td>Fund Balance Reserved for Reduction of Future Excluded Debt</td>
<td>500,000</td>
</tr>
</tbody>
</table>

To reserve the premium on debt excluded debt

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>500,000</td>
</tr>
<tr>
<td>001-4930</td>
<td>Premium from Sale of Bonds</td>
<td>500,000</td>
</tr>
</tbody>
</table>

(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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3970</td>
<td>Other Financing Uses</td>
<td>50,000</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>50,000</td>
</tr>
</tbody>
</table>

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5963</td>
<td>Transfers to Capital Projects Fund</td>
<td>50,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriations Control</td>
<td>50,000</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>50,000</td>
</tr>
<tr>
<td>001-3970</td>
<td>Other Financing Uses</td>
<td>50,000</td>
</tr>
</tbody>
</table>

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

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriations Control</td>
<td>50,000</td>
</tr>
<tr>
<td>001-5963</td>
<td>Transfers to Capital Projects Fund</td>
<td>50,000</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>xxx</td>
</tr>
<tr>
<td>001-3920</td>
<td>Other Financing Sources</td>
<td>xxx</td>
</tr>
</tbody>
</table>

To record the proceeds from deficit notes

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>xxx</td>
</tr>
<tr>
<td>001-4920</td>
<td>Proceeds from Issue of Temporary Loans</td>
<td>xxx</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5965</td>
<td>Transfers to Proprietary Funds</td>
<td>75,670</td>
</tr>
<tr>
<td>01-5000</td>
<td>Subsidiary Appropriations Control</td>
<td>75,670</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash - Unrestricted</td>
<td>80,000</td>
</tr>
<tr>
<td>001-3920</td>
<td>Other Financing Sources</td>
<td>80,000</td>
</tr>
</tbody>
</table>

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

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>80,000</td>
</tr>
<tr>
<td>001-4970</td>
<td>Transfers from Proprietary Funds</td>
<td>80,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>10,000</td>
</tr>
<tr>
<td>001-3920</td>
<td>Other Financing Sources</td>
<td>10,000</td>
</tr>
</tbody>
</table>

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

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>10,000</td>
</tr>
<tr>
<td>001-4970</td>
<td>Transfers from Special Revenue Funds</td>
<td>10,000</td>
</tr>
</tbody>
</table>
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 |
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
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
119.) The Expenditures and Other Financing Uses are closed to Undesignated Fund Balance.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3590</td>
<td>Undesignated Fund Balance</td>
<td>2,320,620</td>
</tr>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>2,168,950</td>
</tr>
<tr>
<td>001-3970</td>
<td>Other Financing Uses</td>
<td>151,670</td>
</tr>
</tbody>
</table>

To close Expenditures and Other Financing Uses to Undesignated Fund Balance

**Closing Trial Balance**

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

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

6,869,180  6,869,180
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;
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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-3710</td>
<td>STATE AND FEDERAL GRANTS AWARDED (MEMORANDUM)</td>
<td>200,000</td>
</tr>
<tr>
<td>201-3720</td>
<td>STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMO)</td>
<td>200,000</td>
</tr>
</tbody>
</table>

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.)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-1040</td>
<td>Cash - Unrestricted</td>
<td>200,000</td>
</tr>
<tr>
<td>201-2301</td>
<td>Due to General Fund</td>
<td>200,000</td>
</tr>
</tbody>
</table>

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

Expenditures

3. Expenditures are placed on a warrant for payment.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-3930</td>
<td>Expenditures</td>
<td>200,000</td>
</tr>
<tr>
<td>201-2010</td>
<td>Warrants Payable</td>
<td>200,000</td>
</tr>
</tbody>
</table>

To record expenditures placed on warrant #______________

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-5210</td>
<td>Energy</td>
<td>200,000</td>
</tr>
<tr>
<td>201-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>200,000</td>
</tr>
</tbody>
</table>
4. Funds are expended for purposes of the grant.

   | Account                  | Description           | Amount  
---|-------------------------|-----------------------|---------
   | 201-2010 Warrants Payable | 200,000               |         
   | 201-1040 Cash – Unrestricted | 200,000              |         

   To record grant expenditures

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

   | Account                  | Description           | Amount  
---|-------------------------|-----------------------|---------
   | 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.

   | Account                  | Description           | Amount  
---|-------------------------|-----------------------|---------
   | 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

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

   | Account                  | Description           | Amount  
---|-------------------------|-----------------------|---------
   | 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

   | Account                  | Description           | Amount  
---|-------------------------|-----------------------|---------
   | 201-4000 Subsidiary Revenue Control | 190,000              |         
   | 201-4680 Other State Revenue | 190,000               |         

166
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
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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>220-1040</td>
<td>Cash – Unrestricted</td>
<td>6,265</td>
</tr>
<tr>
<td>220-1601</td>
<td>Due from the General Fund</td>
<td>2,350</td>
</tr>
<tr>
<td>220-2010</td>
<td>Warrants Payable</td>
<td>1,000</td>
</tr>
<tr>
<td>220-2670</td>
<td>Deferred Revenue – Intergovernmental</td>
<td>2,350</td>
</tr>
<tr>
<td>220-3560</td>
<td>Fund Balance – Revolving Funds</td>
<td>5,265</td>
</tr>
</tbody>
</table>

8,615  8,615

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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>220-1040</td>
<td>Cash - Unrestricted</td>
<td>2,350</td>
</tr>
<tr>
<td>220-3920</td>
<td>Other Financing Sources</td>
<td>2,350</td>
</tr>
</tbody>
</table>

To record transfer from the General Fund

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>220-4000</td>
<td>Subsidiary Revenue Control</td>
<td>2,350</td>
</tr>
<tr>
<td>220-4640</td>
<td>Education Offset Items – Reserve for</td>
<td>2,350</td>
</tr>
<tr>
<td></td>
<td>Direct Expenditures</td>
<td></td>
</tr>
</tbody>
</table>

3. The receivable from the General Fund is adjusted.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>220-2670</td>
<td>Deferred Revenue – Intergovernmental</td>
<td>2,350</td>
</tr>
<tr>
<td>220-1601</td>
<td>Due from General Fund</td>
<td>2,350</td>
</tr>
</tbody>
</table>

To reverse the receivable
Prior Fiscal Year Warrants Payable

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

\[
\begin{array}{ll}
220-2010 & \text{Warrants Payable} & 1,000 \\
220-1040 & \text{Cash – Unrestricted} & 1,000 \\
\end{array}
\]

To record warrants payable

Current Fiscal Year Expenditures Placed on Warrant

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

\[
\begin{array}{ll}
220-3930 & \text{Expenditures} & 22,682 \\
220-2010 & \text{Warrants Payable} & 22,682 \\
\end{array}
\]

To record expenditures on a warrant

Subsidiary Ledger

\[
\begin{array}{ll}
220-5490 & \text{Food and Food Service Supplies} & 22,682 \\
220-5000 & \text{Subsidiary Appropriation Control} & 22,682 \\
\end{array}
\]

Current Fiscal Year Warrants Payable are Paid

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

\[
\begin{array}{ll}
220-2010 & \text{Warrants Payable} & 22,682 \\
220-1040 & \text{Cash – Unrestricted} & 22,682 \\
\end{array}
\]

To record expenditures from warrant #__________

Commonwealth Billed

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

\[
\begin{array}{ll}
220-1601 & \text{Due from General Fund} & 20,000 \\
220-2670 & \text{Deferred Revenue – Intergovernmental} & 20,000 \\
\end{array}
\]

The Commonwealth is billed for expenditures
Revenues

8. Lunch receipts are turned over to the Treasurer.

\[
\begin{align*}
220-1040 & \quad \text{Cash – Unrestricted} \\
220-3910 & \quad \text{Revenue}
\end{align*}
\]

\[12,672 \quad 12,672\]

To record receipt and deposit of lunch receipts

Subsidiary Ledger

\[
\begin{align*}
220-4000 & \quad \text{Subsidiary Revenue Control} \\
220-4370 & \quad \text{Other Departmental Revenue}
\end{align*}
\]

\[12,672 \quad 12,672\]

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

\[
\begin{align*}
220-1040 & \quad \text{Cash - Unrestricted} \\
220-3920 & \quad \text{Other Financing Sources}
\end{align*}
\]

\[5,000 \quad 5,000\]

To record cherry sheet offset received for current fiscal year

Subsidiary Ledger

\[
\begin{align*}
220-4000 & \quad \text{Subsidiary Revenue Control} \\
220-4971 & \quad \text{Transfers from General Fund}
\end{align*}
\]

\[5,000 \quad 5,000\]

10. The receivable is adjusted.

\[
\begin{align*}
220-2670 & \quad \text{Deferred Revenue – Intergovernmental} \\
220-1601 & \quad \text{Due from General Fund}
\end{align*}
\]

\[5,000 \quad 5,000\]

To reverse the receivable
Adjusting Entries

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

\[
\begin{align*}
220-3930 & \quad \text{Expenditures} & 4,000 \\
220-2010 & \quad \text{Warrants Payable} & 4,000 \\
\end{align*}
\]

To record warrants payable

Subsidiary Ledger

\[
\begin{align*}
220-5490 & \quad \text{Food Service and Food Service Supplies} & 4,000 \\
220-5000 & \quad \text{Subsidiary Appropriation Control} & 4,000 \\
\end{align*}
\]

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

\[
\begin{align*}
220-3970 & \quad \text{Other Financing Uses} & \text{xxx} \\
220-1040 & \quad \text{Cash - Unrestricted} & \text{xxx} \\
\end{align*}
\]

To transfer interest to General Fund

Subsidiary Ledger

\[
\begin{align*}
220-5961 & \quad \text{Transfer to General Fund} & \text{xxx} \\
220-5000 & \quad \text{Subsidiary Appropriation Control} & \text{xxx} \\
\end{align*}
\]

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.)

\[
\begin{align*}
220-1040 & \quad \text{Cash – Unrestricted} & 15,000 \\
220-3910 & \quad \text{Revenue} & 15,000 \\
\end{align*}
\]

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

17,605     17,605
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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>232-1040</td>
<td>Cash – Unrestricted</td>
<td>23,000</td>
</tr>
<tr>
<td>232-3240</td>
<td>Fund Balance Reserved for Expenditures</td>
<td>19,500</td>
</tr>
<tr>
<td>232-3300</td>
<td>Fund Balance – Receipts Reserved for Appropriation</td>
<td>3,500</td>
</tr>
</tbody>
</table>

23,000 23,000

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>232-3240</td>
<td>Fund Balance Reserved for Expenditures</td>
<td>19,500</td>
</tr>
<tr>
<td>232-3300</td>
<td>Fund Balance – Receipts Reserved for Appropriation</td>
<td>19,500</td>
</tr>
</tbody>
</table>

To reverse entry reserving appropriated parking meter receipts
Budget

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

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>232-3880</td>
<td>BUDGETARY FUND BALANCE</td>
<td>19,500</td>
</tr>
<tr>
<td>232-3890</td>
<td>BUDGETARY CONTROL</td>
<td>19,500</td>
</tr>
<tr>
<td>232-3890</td>
<td>BUDGETARY CONTROL</td>
<td>19,500</td>
</tr>
<tr>
<td>232-3870</td>
<td>ESTIMATED OTHER FINANCING USES</td>
<td>19,500</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>232-3970</td>
<td>Other Financing Uses</td>
<td>19,500</td>
</tr>
<tr>
<td>232-1040</td>
<td>Cash – Unrestricted</td>
<td>19,500</td>
</tr>
</tbody>
</table>

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

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>232-5961</td>
<td>Transfer to General Fund</td>
<td>19,500</td>
</tr>
<tr>
<td>232-5000</td>
<td>Subsidiary Appropriations Control</td>
<td>19,500</td>
</tr>
</tbody>
</table>

Revenue

5. Current fiscal year parking meter receipts are deposited.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>232-1040</td>
<td>Cash – Unrestricted</td>
<td>18,328</td>
</tr>
<tr>
<td>232-3910</td>
<td>Revenue</td>
<td>18,328</td>
</tr>
</tbody>
</table>

To record parking meter receipts

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>232-4000</td>
<td>Subsidiary Revenue Control</td>
<td>18,328</td>
</tr>
<tr>
<td>232-4240</td>
<td>Other Non-Utility Usage Charges</td>
<td>18,328</td>
</tr>
</tbody>
</table>
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

   24,328       24,328
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.

   \[
   \begin{array}{llll}
   251-1040 & \text{Cash – Unrestricted} & 10,000 \\
   251-3910 & \text{Revenue} & 10,000 \\
   \end{array}
   \]

   To record citizen’s gift

   **Subsidiary Ledger**

   \[
   \begin{array}{llll}
   251-4000 & \text{Subsidiary Revenue Control} & 10,000 \\
   251-4830 & \text{Contributions and Donations} & 10,000 \\
   \end{array}
   \]

2. Replacement equipment is purchased for the playground.

   \[
   \begin{array}{llll}
   251-3930 & \text{Expenditures} & 10,000 \\
   251-1040 & \text{Cash - Unrestricted} & 10,000 \\
   \end{array}
   \]

   To record payment to the contractor

   **Subsidiary Ledger**

   \[
   \begin{array}{llll}
   251-5870 & \text{Replacement Equipment} & 10,000 \\
   251-5000 & \text{Subsidiary Appropriation Control} & 10,000 \\
   \end{array}
   \]
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
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
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
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
10. Cash is collected from the granting agency.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>301-1040</td>
<td>Cash – Unrestricted</td>
<td>4,000,000</td>
</tr>
<tr>
<td>301-1710</td>
<td>Due from Federal Government</td>
<td>4,000,000</td>
</tr>
</tbody>
</table>

To record collections on grant

11. Revenue from the grant is recorded.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>301-2670</td>
<td>Deferred Revenue – Intergovernmental</td>
<td>4,000,000</td>
</tr>
<tr>
<td>301-3910</td>
<td>Revenue</td>
<td>4,000,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>301-1040</td>
<td>Cash – Unrestricted</td>
<td>6,000,000</td>
</tr>
<tr>
<td>301-3920</td>
<td>Other Financing Sources</td>
<td>6,000,000</td>
</tr>
</tbody>
</table>

To record the proceeds from the issuance of bonds

13. The temporary bond anticipation notes are repaid.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>301-2720</td>
<td>Bond Anticipation Notes Payable</td>
<td>6,000,000</td>
</tr>
<tr>
<td>301-1040</td>
<td>Cash – Unrestricted</td>
<td>6,000,000</td>
</tr>
</tbody>
</table>

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

16,800,000 16,800,000

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

16,800,000 16,800,000

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 #__________
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
The project has been completed and is closed.

To close the project

Unspent bond proceeds are re-allocated in accordance with G.L. c. 44, § 20.

Unspent bond proceeds re-allocated to another project

Fund Balance is closed.

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

1. The prior fiscal year’s closing trial balance is brought forward and recorded as the current year’s opening trial balance.

   | Account Code | Description                                | Amount  
   |--------------|---------------------------------------------|---------
   | 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 |
   |              |                                             | **353,000** | **353,000** |

To record the opening trial balance

Budgetary Entries

2. Appropriations for the fiscal year are recorded.

   | Account Code | Description                                | Amount  
   |--------------|---------------------------------------------|---------
   | 650-3890     | BUDGETARY CONTROL                          | 442,000 |
   | 650-3830     | APPROPRIATIONS                              | 442,000 |

To record appropriations

Subsidiary Ledger

   | Account Code | Description                                | Amount  
   |--------------|---------------------------------------------|---------
   | 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  |
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.
9. The entity votes to transfer funds between appropriations.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-3830</td>
<td>APPROPRIATIONS</td>
<td>2,000</td>
</tr>
<tr>
<td>650-3890</td>
<td>BUDGETARY CONTROL</td>
<td>2,000</td>
</tr>
<tr>
<td>650-3890</td>
<td>BUDGETARY CONTROL</td>
<td>2,000</td>
</tr>
<tr>
<td>650-3830</td>
<td>APPROPRIATIONS</td>
<td>2,000</td>
</tr>
</tbody>
</table>

To record approved transfers between appropriations, accounts #__________

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-5430</td>
<td>Building and Equipment Repairs and Maintenance Supplies</td>
<td>2,000</td>
</tr>
<tr>
<td>650-5240</td>
<td>Repairs and Maintenance</td>
<td>2,000</td>
</tr>
</tbody>
</table>

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).

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-3930</td>
<td>Expenditures</td>
<td>250</td>
</tr>
<tr>
<td>650-1040</td>
<td>Cash – Unrestricted</td>
<td>250</td>
</tr>
</tbody>
</table>

To record purchase of supplies from central purchasing

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-5420</td>
<td>Office Supplies</td>
<td>250</td>
</tr>
<tr>
<td>650-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>250</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-1040</td>
<td>Cash – Unrestricted</td>
<td>100</td>
</tr>
<tr>
<td>650-3930</td>
<td>Expenditures</td>
<td>100</td>
</tr>
</tbody>
</table>

To record the sale of gasoline to an activity accounted for in the General Fund
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.

\[
\begin{align*}
650-1310 & \quad \text{User Charges Receivable} & \quad 349,000 \\
650-2651 & \quad \text{Deferred Revenue – User Charges} & \quad 349,000 \\
\end{align*}
\]

To record the commitment of water user charges

Collect Water Bills

13. Payments for current water bills are collected.

\[
\begin{align*}
650-1040 & \quad \text{Cash – Unrestricted} & \quad 338,000 \\
650-1310 & \quad \text{User Charges Receivable} & \quad 338,000 \\
\end{align*}
\]

To record cash collected on current fiscal year water user charges

14. Revenue is adjusted to reflect the payments received.

\[
\begin{align*}
650-2651 & \quad \text{Deferred Revenue – User Charges} & \quad 338,000 \\
650-3910 & \quad \text{Revenue} & \quad 338,000 \\
\end{align*}
\]

To record Revenue from the collections on water user charges

Subsidiary Ledger

\[
\begin{align*}
650-5000 & \quad \text{Subsidiary Appropriation Control} & \quad 100 \\
650-5480 & \quad \text{Vehicular Supplies} & \quad 100 \\
650-4000 & \quad \text{Subsidiary Revenue Control} & \quad 338,000 \\
650-4210 & \quad \text{Utility Usage Charges} & \quad 338,000 \\
\end{align*}
\]
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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-1880</td>
<td>Tax Foreclosures</td>
<td>5,000</td>
</tr>
<tr>
<td>650-1241</td>
<td>Water Liens Receivable</td>
<td>5,000</td>
</tr>
</tbody>
</table>

To record the foreclosure on a tax lien

23. The Revenue and the Deferred Revenue – Water Liens are adjusted.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-2622</td>
<td>Deferred Revenue – Water Liens Receivable</td>
<td>5,000</td>
</tr>
<tr>
<td>650-1241</td>
<td>Deferred Revenue – Tax Foreclosure</td>
<td>5,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-1100</td>
<td>Short Term Investments</td>
<td>50,000</td>
</tr>
<tr>
<td>650-1040</td>
<td>Cash – Unrestricted</td>
<td>50,000</td>
</tr>
</tbody>
</table>

To record the investment of excess cash


<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-1040</td>
<td>Cash - Unrestricted</td>
<td>50,500</td>
</tr>
<tr>
<td>650-1110</td>
<td>Short Term Investments</td>
<td>50,000</td>
</tr>
<tr>
<td>650-3910</td>
<td>Revenue</td>
<td>500</td>
</tr>
</tbody>
</table>

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
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

<table>
<thead>
<tr>
<th>Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-4001</td>
<td>Subsidiary Revenue Control</td>
<td>379,000</td>
</tr>
<tr>
<td>650-4210</td>
<td>Utility Usage Charges</td>
<td>340,000</td>
</tr>
<tr>
<td>650-4370</td>
<td>Other Departmental</td>
<td>35,000</td>
</tr>
<tr>
<td>650-4820</td>
<td>Investment Income</td>
<td>4,000</td>
</tr>
</tbody>
</table>

31. The Retained Earnings appropriated entry is closed.

<table>
<thead>
<tr>
<th>Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-3830</td>
<td>Appropriations</td>
<td>50,000</td>
</tr>
<tr>
<td>650-3890</td>
<td>Budgetary Control</td>
<td>50,000</td>
</tr>
<tr>
<td>650-3890</td>
<td>Budgetary Control</td>
<td>50,000</td>
</tr>
<tr>
<td>650-3880</td>
<td>Budgetary Fund Balance</td>
<td>50,000</td>
</tr>
</tbody>
</table>

To close Retained Earnings

32. The budget entry for the General Fund subsidy is closed.

<table>
<thead>
<tr>
<th>Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-3880</td>
<td>Budgetary Fund Balance</td>
<td>13,000</td>
</tr>
<tr>
<td>650-3890</td>
<td>Budgetary Control</td>
<td>13,000</td>
</tr>
<tr>
<td>650-3890</td>
<td>Budgetary Control</td>
<td>13,000</td>
</tr>
<tr>
<td>650-3820</td>
<td>Estimated Other Financing Sources</td>
<td>13,000</td>
</tr>
</tbody>
</table>

To close budgeted General Fund subsidy

33. Revenues and Other Financing Sources are closed to Undesignated Retained Earnings.

<table>
<thead>
<tr>
<th>Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-3910</td>
<td>Revenue</td>
<td>376,300</td>
</tr>
<tr>
<td>650-3920</td>
<td>Other Financing Sources</td>
<td>13,000</td>
</tr>
<tr>
<td>650-3591</td>
<td>Undesignated Retained Earnings</td>
<td>389,300</td>
</tr>
</tbody>
</table>

To close Revenues to Undesignated Retained Earnings
34. Expenditures are closed to Undesignated Retained Earnings.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-3591</td>
<td>Undesignated Retained Earnings</td>
<td>420,150</td>
</tr>
<tr>
<td>650-3930</td>
<td>Expenditures</td>
<td>420,150</td>
</tr>
</tbody>
</table>

To close Expenditures to Undesignated Retained Earnings

**Closing Trial Balance**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>650-1040</td>
<td>Cash – Unrestricted</td>
<td>201,150</td>
</tr>
<tr>
<td>650-1241</td>
<td>Water Liens Receivable</td>
<td>3,000</td>
</tr>
<tr>
<td>650-1310</td>
<td>User Charges Receivable</td>
<td>9,200</td>
</tr>
<tr>
<td>650-1330</td>
<td>Utility Liens Added to Taxes</td>
<td>59,000</td>
</tr>
<tr>
<td>650-1880</td>
<td>Tax Foreclosures</td>
<td>5,000</td>
</tr>
<tr>
<td>650-2622</td>
<td>Deferred Revenue – Water Liens</td>
<td>3,000</td>
</tr>
<tr>
<td>650-2623</td>
<td>Deferred Revenue – Tax Foreclosure</td>
<td>5,000</td>
</tr>
<tr>
<td>650-2651</td>
<td>Deferred Revenue – User Charges Receivable</td>
<td>9,200</td>
</tr>
<tr>
<td>650-2653</td>
<td>Deferred Revenue – Utility Liens</td>
<td>59,000</td>
</tr>
<tr>
<td>650-3591</td>
<td>Undesignated Retained Earnings</td>
<td>201,150</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>277,350</td>
</tr>
</tbody>
</table>

**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 reasonably 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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>691-1040</td>
<td>Cash – Unrestricted</td>
<td>6,000,000</td>
</tr>
<tr>
<td>691-1870</td>
<td>Deposits</td>
<td>300,000</td>
</tr>
<tr>
<td>691-2020</td>
<td>Accounts Payable</td>
<td>4,500,000</td>
</tr>
<tr>
<td>691-3015</td>
<td>Net Assets Unrestricted</td>
<td>1,800,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,300,000</td>
</tr>
</tbody>
</table>
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.
Adjusting Entries

6. Based on past experience the local government determines the incurred but not reported expense. (To be reversed in the subsequent year.)

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>691-3930</td>
<td>Expenses</td>
<td>250,000</td>
</tr>
<tr>
<td>691-2020</td>
<td>Accounts Payable</td>
<td>250,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>691-3910</td>
<td>Revenue</td>
<td>1,500,000</td>
</tr>
<tr>
<td>691-3930</td>
<td>Expenses</td>
<td>1,375,000</td>
</tr>
<tr>
<td>691-3015</td>
<td>Net Assets Unrestricted</td>
<td>125,000</td>
</tr>
</tbody>
</table>

To close the nominal accounts for the year.

Closing Trial Balance

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>691-1040</td>
<td>Cash-Unrestricted</td>
<td>5,550,000</td>
</tr>
<tr>
<td>691-1870</td>
<td>Deposits</td>
<td>250,000</td>
</tr>
<tr>
<td>691-2020</td>
<td>Accounts Payable</td>
<td>3,875,000</td>
</tr>
<tr>
<td>691-3015</td>
<td>Net Assets Unrestricted</td>
<td>1,925,000</td>
</tr>
</tbody>
</table>

5,800,000  5,800,000
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.
Beginning Entry

1. At the beginning of the year, the Cemetery Perpetual Care Fund had the following balances:

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>530-1040</td>
<td>Cash – Unrestricted</td>
<td>5,000</td>
</tr>
<tr>
<td>530-1110</td>
<td>Short Term Investments</td>
<td>6,000</td>
</tr>
<tr>
<td>530-2020</td>
<td>Accounts Payable</td>
<td>1,000</td>
</tr>
<tr>
<td>530-3280</td>
<td>Fund Balance – Reserved for Special Purposes</td>
<td>1,000</td>
</tr>
<tr>
<td>530-3590</td>
<td>Undesignated Fund Balance</td>
<td>9,000</td>
</tr>
</tbody>
</table>

2. Bills of the prior year are paid.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>530-2020</td>
<td>Accounts Payable</td>
<td>1,000</td>
</tr>
<tr>
<td>530-1040</td>
<td>Cash – Unrestricted</td>
<td>1,000</td>
</tr>
</tbody>
</table>

To record payment of prior year bills

3. Interest on investments is received.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>530-1040</td>
<td>Cash – Unrestricted</td>
<td>50</td>
</tr>
<tr>
<td>530-3910</td>
<td>Revenue</td>
<td>50</td>
</tr>
</tbody>
</table>

To record receipt of interest on investments

4. Expenditures are incurred.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>530-3930</td>
<td>Expenditures</td>
<td>100</td>
</tr>
<tr>
<td>530-1040</td>
<td>Cash – Unrestricted</td>
<td>100</td>
</tr>
</tbody>
</table>

To record expenditures

5. Cemetery lots are sold.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>530-1040</td>
<td>Cash – Unrestricted</td>
<td>500</td>
</tr>
<tr>
<td>530-3910</td>
<td>Revenue</td>
<td>500</td>
</tr>
</tbody>
</table>

To record the sale of cemetery lots
6. Additional expenditures are incurred.

530-3930   Expenditures             50  
530-2020   Accounts Payable               50

To record additional expenditures

7. Closing Entries

530-3910   Revenue                    550
530-3930   Expenditures                 150
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**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>530-1040</td>
<td>Cash-Unrestricted</td>
<td>4,450</td>
</tr>
<tr>
<td>530-1110</td>
<td>Short Term Investments</td>
<td>6,000</td>
</tr>
<tr>
<td>530-2020</td>
<td>Accounts Payable</td>
<td>50</td>
</tr>
<tr>
<td>530-3280</td>
<td>Fund Balance – Reserved for Special Purposes</td>
<td>1,500</td>
</tr>
<tr>
<td>530-3590</td>
<td>Undesignated Fund Balance</td>
<td>8,900</td>
</tr>
</tbody>
</table>

| Total     |                                                   | 10,450 |

**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.
Beginning Balance

1. At the beginning of the fiscal year, the Scholarship Trust Fund had the following balances:

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>851-1040</td>
<td>Cash – Unrestricted</td>
<td>250</td>
</tr>
<tr>
<td>851-1110</td>
<td>Short Term Investments</td>
<td>750</td>
</tr>
<tr>
<td>851-2020</td>
<td>Accounts Payable</td>
<td>500</td>
</tr>
<tr>
<td>851-3010</td>
<td>Net Assets Restricted</td>
<td>500</td>
</tr>
</tbody>
</table>

2. Donations are received from various individuals and organizations.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>851-1040</td>
<td>Cash – Unrestricted</td>
<td>1,000</td>
</tr>
<tr>
<td>851-3910</td>
<td>Additions</td>
<td>1,000</td>
</tr>
</tbody>
</table>

   To record the receipt of donations

3. Various bill for services performed for the fund are paid.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>851-2020</td>
<td>Accounts Payable</td>
<td>500</td>
</tr>
<tr>
<td>851-1040</td>
<td>Cash – Unrestricted</td>
<td>500</td>
</tr>
</tbody>
</table>

   To record expenses paid

4. Investments are sold and the fund receives $5 in interest.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>851-1040</td>
<td>Cash – Unrestricted</td>
<td>255</td>
</tr>
<tr>
<td>851-1110</td>
<td>Short Term Investments</td>
<td>250</td>
</tr>
<tr>
<td>851-3910</td>
<td>Additions</td>
<td>5</td>
</tr>
</tbody>
</table>

   To record the sale of investments

5. An additional $5 in interest is earned on investments but not yet received.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>851-1550</td>
<td>Accrued Interest Receivable</td>
<td>5</td>
</tr>
<tr>
<td>851-3910</td>
<td>Additions</td>
<td>5</td>
</tr>
</tbody>
</table>

   To record the interest on investments but not yet received
6. Several scholarships are awarded to students.

851-3930  Deductions  750
851-2020  Accounts Payable  750

To record the award of scholarships

7. The scholarships are paid to 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

760  760

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

1. At the beginning of the fiscal year, the Pension Fund had the following balances:

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>700-1040</td>
<td>Cash – Unrestricted</td>
<td>2,000</td>
</tr>
<tr>
<td>700-1110</td>
<td>Short Term Investments</td>
<td>15,000</td>
</tr>
<tr>
<td>700-2020</td>
<td>Accounts Payable</td>
<td>1,000</td>
</tr>
<tr>
<td>700-3010</td>
<td>Net Assets Restricted</td>
<td>16,000</td>
</tr>
</tbody>
</table>

2. Amounts withheld from employees are paid to the fund.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>700-1040</td>
<td>Cash – Unrestricted</td>
<td>5,000</td>
</tr>
<tr>
<td>700-3910</td>
<td>Additions</td>
<td>5,000</td>
</tr>
</tbody>
</table>

   To record amounts received from employees

3. An appropriation from the General Fund for the employer contribution is transferred to the Pension Fund (enterprise funds and other proprietary funds may make their own contributions).

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>700-1040</td>
<td>Cash – Unrestricted</td>
<td>10,000</td>
</tr>
<tr>
<td>700-3910</td>
<td>Additions</td>
<td>10,000</td>
</tr>
</tbody>
</table>

   To record amounts received for employer contributions

4. Investments are purchased for funds not necessary to meet obligations.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>700-1110</td>
<td>Short Term Investments</td>
<td>6,000</td>
</tr>
<tr>
<td>700-1040</td>
<td>Cash – Unrestricted</td>
<td>6,000</td>
</tr>
</tbody>
</table>

   To record the investment of cash

5. Benefits are paid to pension fund participants.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>700-3930</td>
<td>Deductions</td>
<td>5,000</td>
</tr>
<tr>
<td>700-1040</td>
<td>Cash – Unrestricted</td>
<td>5,000</td>
</tr>
</tbody>
</table>

   To record the payment of benefits to plan members
6. Administrative costs are incurred.

700-3930 Deductions 500
700-2020 Accounts Payable 500

To record the administrative costs for the plan

7. Administrative costs are paid.

700-2020 Accounts Payable 500
700-1040 Cash – Unrestricted 500

To record the payment of administrative costs

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

26,500 26,500

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
2. Amounts withheld from the previous year are paid.

<table>
<thead>
<tr>
<th>Journal Entry</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>903-2120</td>
<td>Federal Income Tax Withholdings Payable</td>
<td>5,000</td>
</tr>
<tr>
<td>903-2130</td>
<td>State Income Tax Withholdings Payable</td>
<td>2,000</td>
</tr>
<tr>
<td>903-2170</td>
<td>Union Dues Withholdings Payable</td>
<td>1,000</td>
</tr>
<tr>
<td>903-2180</td>
<td>Employee Savings Withholdings Payable</td>
<td>2,000</td>
</tr>
<tr>
<td>903-1040</td>
<td>Cash – Unrestricted</td>
<td>10,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Journal Entry</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>903-1040</td>
<td>Cash – Unrestricted</td>
<td>1,000</td>
</tr>
<tr>
<td>903-2120</td>
<td>Federal Income Tax Withholdings Payable</td>
<td>500</td>
</tr>
<tr>
<td>903-2130</td>
<td>State Income Tax Withholdings Payable</td>
<td>200</td>
</tr>
<tr>
<td>903-2170</td>
<td>Union Dues Withholdings Payable</td>
<td>100</td>
</tr>
<tr>
<td>903-2180</td>
<td>Employee Savings Withholdings Payable</td>
<td>200</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Journal Entry</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>903-2120</td>
<td>Federal Income Tax Withholdings Payable</td>
<td>500</td>
</tr>
<tr>
<td>903-1040</td>
<td>Cash – Unrestricted</td>
<td>500</td>
</tr>
</tbody>
</table>

To record the payment of federal income tax withholdings

5. The state income taxes are required to be paid to the state.

<table>
<thead>
<tr>
<th>Journal Entry</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>903-2130</td>
<td>State Income Tax Withholdings Payable</td>
<td>200</td>
</tr>
<tr>
<td>903-1040</td>
<td>Cash – Unrestricted</td>
<td>200</td>
</tr>
</tbody>
</table>

To record the payment of state income tax withholdings

6. Union dues and Employee Savings plan are remitted.

<table>
<thead>
<tr>
<th>Journal Entry</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>903-2170</td>
<td>Union Dues Withholdings Payable</td>
<td>100</td>
</tr>
<tr>
<td>903-2180</td>
<td>Employee Savings Withholdings Payable</td>
<td>200</td>
</tr>
<tr>
<td>903-1040</td>
<td>Cash – Unrestricted</td>
<td>300</td>
</tr>
</tbody>
</table>
7. The last payroll of the fiscal year is made and the withholdings are remitted to the Agency Fund.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>903-1040</td>
<td>Cash – Unrestricted</td>
<td>1,200</td>
</tr>
<tr>
<td>903-2120</td>
<td>Federal Income Tax Withholdings Payable</td>
<td>600</td>
</tr>
<tr>
<td>903-2130</td>
<td>State Income Tax Withholdings Payable</td>
<td>300</td>
</tr>
<tr>
<td>903-2170</td>
<td>Union Dues Withholdings Payable</td>
<td>200</td>
</tr>
<tr>
<td>903-2180</td>
<td>Employee Savings Withholdings Payable</td>
<td>100</td>
</tr>
</tbody>
</table>

To record receipt of withholdings from the General and Other Funds

8. Ending Trial Balance

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>903-1040</td>
<td>Cash – Unrestricted</td>
<td>1,200</td>
</tr>
<tr>
<td>903-2120</td>
<td>Federal Income Tax Withholdings Payable</td>
<td>600</td>
</tr>
<tr>
<td>903-2130</td>
<td>State Income Tax Withholdings Payable</td>
<td>300</td>
</tr>
<tr>
<td>903-2170</td>
<td>Union Dues Withholdings Payable</td>
<td>200</td>
</tr>
<tr>
<td>903-2180</td>
<td>Employee Savings Withholdings Payable</td>
<td>100</td>
</tr>
</tbody>
</table>
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.

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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>050-3760</td>
<td>BONDS AUTHORIZED</td>
<td>1,000,000</td>
</tr>
<tr>
<td>050-3770</td>
<td>BONDS AUTHORIZED – OFFSET</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

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).

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>050-3770</td>
<td>BONDS AUTHORIZED – OFFSET</td>
<td>5,000,000</td>
</tr>
<tr>
<td>050-3760</td>
<td>BONDS AUTHORIZED</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>050-1996</td>
<td>Amount to be Provided for</td>
<td>5,000,000</td>
</tr>
<tr>
<td></td>
<td>Payment of Bonds</td>
<td></td>
</tr>
<tr>
<td>050-2912</td>
<td>Bonds Payable, Inside the</td>
<td>5,000,000</td>
</tr>
<tr>
<td></td>
<td>Debt Limit – Land Acquisition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and Public Buildings</td>
<td></td>
</tr>
</tbody>
</table>

To record the issuance of serial bonds for a new fire station
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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>050-1996</td>
<td>Amount to be Provided for Payment of Bonds</td>
<td>6,455,000</td>
</tr>
<tr>
<td>050-1997</td>
<td>Amount to be Provided, State (Chapter 70B)</td>
<td>270,000</td>
</tr>
<tr>
<td>050-2940</td>
<td>Bonds Payable – Outside Debt Limit – School Construction</td>
<td>450,000</td>
</tr>
<tr>
<td>050-2912</td>
<td>Bonds Payable – Inside Debt Limit – Land Acquisition and Public Buildings</td>
<td>25,000</td>
</tr>
<tr>
<td>050-2944</td>
<td>Bonds Payable – Outside Debt Limit – Sewer Treatment Plant</td>
<td>5,000,000</td>
</tr>
<tr>
<td>050-2988</td>
<td>Bonds Payable – Outside Debt Limit – Industrial and Economic Development</td>
<td>950,000</td>
</tr>
<tr>
<td>050-2992</td>
<td>Bonds Payable – Outside Debt Limit – Public Disasters and Emergencies</td>
<td>300,000</td>
</tr>
</tbody>
</table>

6,725,000 6,725,000
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.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>010-1910</td>
<td>Land</td>
<td>5,000,000</td>
</tr>
<tr>
<td>010-1920</td>
<td>Buildings</td>
<td>10,000,000</td>
</tr>
<tr>
<td>010-1929</td>
<td>Accumulated Depreciation - Buildings</td>
<td>2,000,000</td>
</tr>
<tr>
<td>010-1930</td>
<td>Plant</td>
<td>15,000,000</td>
</tr>
<tr>
<td>010-1939</td>
<td>Accumulated Depreciation – Plant</td>
<td>4,000,000</td>
</tr>
<tr>
<td>010-1940</td>
<td>Machinery and Equipment</td>
<td>6,000,000</td>
</tr>
<tr>
<td>010-1949</td>
<td>Accumulated Depreciation – Machinery and Equipment</td>
<td>1,500,000</td>
</tr>
<tr>
<td>010-1950</td>
<td>Construction in Progress</td>
<td>15,000,000</td>
</tr>
<tr>
<td>010-3015</td>
<td>Net Assets Unrestricted</td>
<td>43,500,000</td>
</tr>
</tbody>
</table>

51,000,000 51,000,000

2. A project to build a new fire station is completed and bonded.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>010-1920</td>
<td>Buildings</td>
<td>5,000,000</td>
</tr>
<tr>
<td>010-1950</td>
<td>Construction in Progress</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>

To record as an asset the new fire station

3. Depreciation is recorded on the fixed assets.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>010-3970</td>
<td>Other Financing Sources</td>
<td>3,000,000</td>
</tr>
<tr>
<td>010-1929</td>
<td>Accumulated Depreciation – Buildings</td>
<td>1,500,000</td>
</tr>
<tr>
<td>010-1939</td>
<td>Accumulated Depreciation – Plant</td>
<td>1,000,000</td>
</tr>
<tr>
<td>010-1949</td>
<td>Accumulated Depreciation – Machinery and Equipment</td>
<td>500,000</td>
</tr>
</tbody>
</table>

To record annual depreciation
## Closing Trial Balance

4. Closing trial balance

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>010-1910 Land</td>
<td>5,000,000</td>
</tr>
<tr>
<td>010-1920 Buildings</td>
<td>15,000,000</td>
</tr>
<tr>
<td>010-1929 Accum Dep - Buildings</td>
<td>3,500,000</td>
</tr>
<tr>
<td>010-1930 Plant</td>
<td>15,000,000</td>
</tr>
<tr>
<td>010-1939 Accum Dep - Plant</td>
<td>5,000,000</td>
</tr>
<tr>
<td>010-1940 Machinery</td>
<td>6,000,000</td>
</tr>
<tr>
<td>010-1949 Accum Dep - Machinery</td>
<td>2,000,000</td>
</tr>
<tr>
<td>010-1950 Construction in Progress</td>
<td>10,000,000</td>
</tr>
<tr>
<td>010-3015 Net Assets Unrestricted</td>
<td>40,500,000</td>
</tr>
</tbody>
</table>

| Total                  | 51,000,000 |
|                        | 51,000,000 |
## List of Appendices

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Changes to the Uniform Massachusetts Accounting System</td>
</tr>
<tr>
<td>B</td>
<td>Asset Accounts – Summary Table</td>
</tr>
<tr>
<td>C</td>
<td>Liability Accounts – Summary Table</td>
</tr>
<tr>
<td>D</td>
<td>Fund Equity Accounts – Summary Table</td>
</tr>
<tr>
<td>E</td>
<td>Revenue Accounts – Summary Table</td>
</tr>
<tr>
<td>F</td>
<td>Functions and Organizational Responsibility</td>
</tr>
<tr>
<td>G</td>
<td>Expenditure Objects</td>
</tr>
<tr>
<td>H-1</td>
<td>Water Pollution Abatement Trust Entries for pools 1 – 10</td>
</tr>
<tr>
<td>H-2</td>
<td>Water Pollution Abatement Trust Entries for pools 11 -</td>
</tr>
<tr>
<td>I</td>
<td>List of Funds</td>
</tr>
<tr>
<td>J</td>
<td>Accounting Entries for Inter-fund Borrowing</td>
</tr>
<tr>
<td>K</td>
<td>Revenue Deficits</td>
</tr>
<tr>
<td>L</td>
<td>Massachusetts School Building Authority Entries</td>
</tr>
<tr>
<td>M</td>
<td>Self Insured Health Care Trust Fund Example</td>
</tr>
</tbody>
</table>
APPENDIX A

Changes to the Uniform Massachusetts Accounting System

<table>
<thead>
<tr>
<th>Date</th>
<th>Subject</th>
<th>Add Pages</th>
<th>Remove Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/04</td>
<td>Appendix K</td>
<td>254 – 256</td>
<td>none</td>
</tr>
<tr>
<td>7/04</td>
<td>Account #3593</td>
<td>47</td>
<td>47</td>
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<tr>
<td>7/04</td>
<td>Education Collaboratives</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>7/04</td>
<td>List of Appendices</td>
<td>225</td>
<td>225</td>
</tr>
<tr>
<td>7/04</td>
<td>Appendix A</td>
<td>226</td>
<td>226</td>
</tr>
<tr>
<td>6/06</td>
<td>Appendix H</td>
<td>243 – 246</td>
<td>243 – 246</td>
</tr>
<tr>
<td>6/06</td>
<td>Appendix A</td>
<td>225</td>
<td>225</td>
</tr>
<tr>
<td>8/07</td>
<td>Chapter 11</td>
<td>173 – 188</td>
<td>166 – 183</td>
</tr>
<tr>
<td>8/07</td>
<td>Chapter 12</td>
<td>189 – 216</td>
<td>184 – 200</td>
</tr>
<tr>
<td>7/01/2011</td>
<td>UMAS Changes</td>
<td>See Below</td>
<td>See Below</td>
</tr>
<tr>
<td>7/2012</td>
<td>New Chapter 9</td>
<td>106 – 157</td>
<td>106 – 146</td>
</tr>
<tr>
<td>7/2013</td>
<td>UMAS Changes</td>
<td>See Below</td>
<td>See Below</td>
</tr>
<tr>
<td>7/2014</td>
<td>UMAS Changes</td>
<td>See Below</td>
<td>See Below</td>
</tr>
</tbody>
</table>

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;
Uniform Massachusetts Accounting System – July 2013

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Asset Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1010</td>
<td>Cash on Hand</td>
</tr>
<tr>
<td>1020</td>
<td>Petty Cash</td>
</tr>
<tr>
<td>1040</td>
<td>Cash – Unrestricted</td>
</tr>
<tr>
<td>1060</td>
<td>Cash – Restricted</td>
</tr>
<tr>
<td>1110</td>
<td>Short Term Investments</td>
</tr>
<tr>
<td>1185</td>
<td>Unamortized Premiums on Bonds</td>
</tr>
<tr>
<td>1186</td>
<td>Unamortized Discounts on Bonds</td>
</tr>
<tr>
<td>1190</td>
<td>Long Term Investments</td>
</tr>
<tr>
<td>1210</td>
<td>Personal Property Taxes Receivable</td>
</tr>
<tr>
<td>1220</td>
<td>Real Estate Taxes Receivable</td>
</tr>
<tr>
<td>1230</td>
<td>Allowance for Abatements and Exemptions</td>
</tr>
<tr>
<td>1240</td>
<td>Tax Liens Receivable</td>
</tr>
<tr>
<td>1250</td>
<td>Property Tax Receivable – Community Preservation Act</td>
</tr>
<tr>
<td>1251</td>
<td>Estimated Personal Property Taxes Receivable</td>
</tr>
<tr>
<td>1252</td>
<td>Estimated Real Estate Taxes Receivable</td>
</tr>
<tr>
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<td>Deferred Property Tax Receivable</td>
</tr>
<tr>
<td>1254</td>
<td>Taxes Receivable in Litigation</td>
</tr>
<tr>
<td>1255</td>
<td>Unbilled Real and Personal Property Taxes Receivable</td>
</tr>
<tr>
<td>1260</td>
<td>Motor Vehicle Excise Receivable</td>
</tr>
<tr>
<td>1270</td>
<td>Boat Excise Receivable</td>
</tr>
<tr>
<td>1280</td>
<td>Farm Animal Excise Receivable</td>
</tr>
<tr>
<td>1290</td>
<td>Classified Forestlands Receivable</td>
</tr>
<tr>
<td>1299</td>
<td>Allowance for Uncollectible Excises</td>
</tr>
<tr>
<td>1310</td>
<td>User Charges Receivable</td>
</tr>
<tr>
<td>1320</td>
<td>Other Service Receivable</td>
</tr>
<tr>
<td>1330</td>
<td>Utility Liens Added to Taxes</td>
</tr>
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<td>1340</td>
<td>Departmental Receivables</td>
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<td>1399</td>
<td>Allowance for Uncollectible Receivables</td>
</tr>
<tr>
<td>1410</td>
<td>Unapportioned Special Assessments</td>
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<td>1420</td>
<td>Apportioned Assessments Added to Taxes</td>
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<td>Committed Interest Added to Taxes</td>
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<td>Apportioned Assessments, Not Yet Due</td>
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<td>1460</td>
<td>Suspended Assessments</td>
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<td>1470</td>
<td>Special Assessments Tax Liens</td>
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<tr>
<td>1499</td>
<td>Allowance for Uncollectible Special Assessments</td>
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</tbody>
</table>
**APPENDIX B (cont)**

**ASSET ACCOUNTS – SUMMARY TABLE**

<table>
<thead>
<tr>
<th>Code</th>
<th>Asset Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1510</td>
<td>Notes Receivable</td>
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<tr>
<td>1550</td>
<td>Accrued Interest Receivable</td>
</tr>
<tr>
<td>1601</td>
<td>Due from General Fund</td>
</tr>
<tr>
<td>1610</td>
<td>Due from Special Revenue Funds</td>
</tr>
<tr>
<td>1630</td>
<td>Due from Capital Projects Funds</td>
</tr>
<tr>
<td>1660</td>
<td>Due from Proprietary Funds</td>
</tr>
<tr>
<td>1680</td>
<td>Due from Permanent, Private Purpose Trust and Agency Funds</td>
</tr>
<tr>
<td>1710</td>
<td>Due from Federal Government</td>
</tr>
<tr>
<td>1720</td>
<td>Due from Commonwealth of Massachusetts</td>
</tr>
<tr>
<td>1730</td>
<td>Due from County</td>
</tr>
<tr>
<td>1740</td>
<td>Due from Municipalities</td>
</tr>
<tr>
<td>1790</td>
<td>Due from Other Governmental Units</td>
</tr>
<tr>
<td>1810</td>
<td>Inventories for Consumption</td>
</tr>
<tr>
<td>1830</td>
<td>Inventories for Resale</td>
</tr>
<tr>
<td>1850</td>
<td>Prepaid Expenses</td>
</tr>
<tr>
<td>1860</td>
<td>Travel and Payroll Advances</td>
</tr>
<tr>
<td>1870</td>
<td>Deposits</td>
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<td>1880</td>
<td>Tax Foreclosures</td>
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<tr>
<td>1890</td>
<td>Other Assets</td>
</tr>
<tr>
<td>1910</td>
<td>Land</td>
</tr>
<tr>
<td>1920</td>
<td>Buildings</td>
</tr>
<tr>
<td>1929</td>
<td>Accumulated Depreciation – Buildings</td>
</tr>
<tr>
<td>1930</td>
<td>Plant</td>
</tr>
<tr>
<td>1939</td>
<td>Accumulated Depreciation – Plant</td>
</tr>
<tr>
<td>1940</td>
<td>Machinery and Equipment</td>
</tr>
<tr>
<td>1949</td>
<td>Accumulated Depreciation – Machinery and Equipment</td>
</tr>
<tr>
<td>1950</td>
<td>Construction in Progress</td>
</tr>
<tr>
<td>1991</td>
<td>Amounts to be Provided for Judgments and Claims Payable</td>
</tr>
<tr>
<td>1992</td>
<td>Amounts to be Provided for Accrued Sick, Vacation and Other Compensated Absences</td>
</tr>
<tr>
<td>1993</td>
<td>Amounts to be Provided for Accrued Retirement Costs</td>
</tr>
<tr>
<td>1994</td>
<td>Amounts to be Provided for Payment of Bond Anticipation Notes Payable</td>
</tr>
<tr>
<td>1995</td>
<td>Amounts to be Provided for Payment of Capitalized Leases</td>
</tr>
<tr>
<td>1996</td>
<td>Amounts to be Provided for Payment of Bonds</td>
</tr>
<tr>
<td>1997</td>
<td>Amounts to be Provided, State (Chapter 70B)</td>
</tr>
</tbody>
</table>
## APPENDIX C

### LIABILITY ACCOUNTS – SUMMARY TABLE

<table>
<thead>
<tr>
<th>Code</th>
<th>Liability Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Warrants Payable</td>
</tr>
<tr>
<td>2020</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>2050</td>
<td>Contracts Payable, Retainage Percentage</td>
</tr>
<tr>
<td>2110</td>
<td>Accrued Payrolls Payable</td>
</tr>
<tr>
<td>2120</td>
<td>Federal Income Tax Withholdings Payable</td>
</tr>
<tr>
<td>2130</td>
<td>State Income Tax Withholdings Payable</td>
</tr>
<tr>
<td>2140</td>
<td>Retirement Withholdings Payable</td>
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<td>2150</td>
<td>Insurance Withholdings Payable</td>
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<td>2160</td>
<td>Charitable Contributions Withholdings Payable</td>
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<td>Union Dues Withholdings Payable</td>
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<td>2180</td>
<td>Employee Savings Withholdings Payable</td>
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<td>Other Payroll Withholdings Payable</td>
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<td>2210</td>
<td>Accrued Judgments Payable</td>
</tr>
<tr>
<td>2220</td>
<td>Accrued Liabilities</td>
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<td>2230</td>
<td>Accrued Sick, Vacation and Compensated Absences</td>
</tr>
<tr>
<td>2240</td>
<td>Accrued Retirement Costs</td>
</tr>
<tr>
<td>2301</td>
<td>Due to General Fund</td>
</tr>
<tr>
<td>2310</td>
<td>Due to Special Revenue Funds</td>
</tr>
<tr>
<td>2330</td>
<td>Due to Capital Projects Funds</td>
</tr>
<tr>
<td>2350</td>
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<td>Matured Debt and interest Payable</td>
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<td>Deferred Revenue – Real and Personal Property Taxes</td>
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<td>Deferred Revenue – Tax Liens</td>
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<td>Deferred Revenue – Tax Foreclosures</td>
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APPENDIX C (cont)

LIABILITY ACCOUNTS – SUMMARY TABLE

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<td>Deferred Revenue – Boat Excise</td>
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<td>Deferred Revenue – Farm Animal Excise</td>
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<td>Deferred Revenue – Classified Forestlands</td>
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<td>Deferred Revenue – User Charges</td>
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<td>Deferred Revenue – Other Services</td>
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<td>Deferred Revenue – Utility Liens</td>
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<td>Bonds Payable – Inside Debt Limit – Cemeteries</td>
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<td>Water Pollution Abatement Trust</td>
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2996 – 2999 Bonds Payable – Outside Debt Limit – Other
## APPENDIX D

**FUND EQUITY ACCOUNTS – SUMMARY TABLE**

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<td>Fund Balance Reserved for Prior Year Encumbrances</td>
</tr>
<tr>
<td>3213</td>
<td>Fund Balance Reserved for Construction</td>
</tr>
<tr>
<td>3220</td>
<td>Fund Balance Reserved for Overlay Surplus</td>
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<td>Fund Balance Reserved for Assets Held for Resale</td>
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<td>Fund Balance Reserved for Expenditures</td>
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<td>3241</td>
<td>Fund Balance Reserved for Open Space</td>
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<tr>
<td>3242</td>
<td>Fund Balance Reserved for Historic Resources</td>
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<td>3243</td>
<td>Fund Balance Reserved for Community Housing</td>
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<td>Fund Balance Reserved for Petty Cash</td>
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<td>Fund Balance Reserved for Inventories</td>
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<td>Fund Balance Reserved for Debt Service</td>
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<td>Fund Balance Reserved for Special Purposes</td>
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<td>Fund Balance Reserved for Endowment</td>
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<td>Fund Balance Reserved for Employee Retirement</td>
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<td>Fund Balance Reserved for Advances</td>
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<td>Fund Balance Reserved for Prepaid Expenses</td>
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<td>Fund Balance Reserved for Continued Appropriations</td>
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<td>Unreserved Fund Balance – Appropriation Deficits</td>
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<td>Unreserved Fund Balance – Unprovided Abatements and Exemptions</td>
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### APPENDIX D (cont)

**FUND EQUITY ACCOUNTS – SUMMARY TABLE**

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<td>Unreserved Fund Balance – Offset Receipts Deficit</td>
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<td>Unreserved Fund Balance – Year End Adjustments</td>
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<td>Bonds Authorized – Offset (Memorandum)</td>
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<td>Estimated Revenue – (Budgetary)</td>
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<td>Estimated Other Financing Sources – (Budgetary)</td>
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<td>Appropriations – (Budgetary)</td>
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<td>Other Authorized expenditures – (Budgetary)</td>
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APPENDIX E

REVENUE ACCOUNTS – SUMMARY TABLE

SUBSIDIARY REVENUE CONTROL

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TAXES AND EXISES

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<td>Abatements and Exemptions</td>
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<td>Tax Liens Redeemed</td>
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<td>Litigated Taxes Collected</td>
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<td>Penalties and Interest on Taxes and Excises</td>
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CHARGES FOR SERVICES

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LICENSES AND PERMITS

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FEDERAL REVENUE

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APPENDIX E (cont)

REVENUE ACCOUNTS – SUMMARY TABLE

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<td>Education Distributions and Reimbursements – School Aid Distributions</td>
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<td>Education Offset Items – Reserve for Direct Expenditures</td>
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<td>General Government – Reimbursements and Distributions</td>
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OTHER GOVERNMENTAL REVENUE

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SPECIAL ASSESSMENTS

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FINES AND FORFEITS

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MISCELLANEOUS REVENUE

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OTHER FINANCING SOURCES

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<td>Proceeds from Issue of Temporary Loans</td>
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<td>Premiums from Sale of Bonds</td>
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## APPENDIX F

### FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

#### GENERAL GOVERNMENT

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<td>Collector</td>
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<td>Personnel</td>
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<td>Civil Service</td>
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<td>Data Processing or Management Information Systems</td>
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<td>Elections *</td>
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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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>510</td>
<td>Health Inspection Services</td>
</tr>
<tr>
<td>511</td>
<td>Health Officer</td>
</tr>
<tr>
<td>512</td>
<td>Board of health</td>
</tr>
<tr>
<td>519</td>
<td>Other *</td>
</tr>
<tr>
<td>520</td>
<td>Clinical Services</td>
</tr>
<tr>
<td>521</td>
<td>Health Center</td>
</tr>
<tr>
<td>522</td>
<td>Nursing Service</td>
</tr>
<tr>
<td>523</td>
<td>Mental Health Clinic</td>
</tr>
<tr>
<td>524</td>
<td>Dental Clinic</td>
</tr>
<tr>
<td>529</td>
<td>Other *</td>
</tr>
<tr>
<td>530</td>
<td>Medical Facilities</td>
</tr>
<tr>
<td>540</td>
<td>Special Programs</td>
</tr>
<tr>
<td>541</td>
<td>Council on Aging</td>
</tr>
<tr>
<td>542</td>
<td>Youth Services</td>
</tr>
<tr>
<td>543</td>
<td>Veterans' Services</td>
</tr>
<tr>
<td>549</td>
<td>Other *</td>
</tr>
<tr>
<td>560</td>
<td>Public Assistance</td>
</tr>
<tr>
<td>590</td>
<td>Other</td>
</tr>
</tbody>
</table>

#### CULTURE AND RECREATION

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>610</td>
<td>Library</td>
</tr>
<tr>
<td>630</td>
<td>Recreation</td>
</tr>
<tr>
<td>650</td>
<td>Parks</td>
</tr>
<tr>
<td>670</td>
<td>Museums</td>
</tr>
<tr>
<td>690</td>
<td>Other</td>
</tr>
<tr>
<td>691</td>
<td>Historical Commission</td>
</tr>
<tr>
<td>692</td>
<td>Celebrations *</td>
</tr>
<tr>
<td>699</td>
<td>Other Cultural and Recreation *</td>
</tr>
</tbody>
</table>

#### DEBT SERVICE

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>710</td>
<td>Retirement of Debt *</td>
</tr>
<tr>
<td>750</td>
<td>Interest</td>
</tr>
<tr>
<td>751</td>
<td>Interest on Long Term Debt *</td>
</tr>
<tr>
<td>752</td>
<td>Interest on Short Term Debt *</td>
</tr>
</tbody>
</table>
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

PURCHASSE 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:

<table>
<thead>
<tr>
<th>USE OF FUNDS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount available for Construction</td>
<td>$3,490,950</td>
</tr>
<tr>
<td>Issuance Costs</td>
<td>$17,292</td>
</tr>
<tr>
<td>Origination Fee</td>
<td>$4,748</td>
</tr>
<tr>
<td>Total Use of Funds</td>
<td>$3,512,990</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SOURCE OF FUNDS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Issued</td>
<td>$3,376,192</td>
</tr>
<tr>
<td>Premium</td>
<td>$136,798</td>
</tr>
<tr>
<td>Total Source of Funds</td>
<td>$3,512,990</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL DEBT SERVICE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Issued</td>
<td>$3,376,192</td>
</tr>
<tr>
<td>Interest Cost</td>
<td>$1,760,433</td>
</tr>
<tr>
<td>Total Gross Debt Service</td>
<td>$5,136,625</td>
</tr>
<tr>
<td>Less: MWPAT Subsidy</td>
<td>$2,120,936</td>
</tr>
<tr>
<td>Total Net Debt Service</td>
<td>$3,015,689</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL TO BE REPAID</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>$2,529,284</td>
</tr>
<tr>
<td>Interest</td>
<td>$486,405</td>
</tr>
<tr>
<td>Total to be Repaid</td>
<td>$3,015,689</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5920</td>
<td>Issuance Costs</td>
<td>22,040</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>22,040</td>
</tr>
<tr>
<td>001-4000</td>
<td>Revenue Control</td>
<td>136,798</td>
</tr>
<tr>
<td>001-4930</td>
<td>Premium on Sale of Bonds</td>
<td>136,798</td>
</tr>
</tbody>
</table>

2. The local government records the first payment of interest.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>33,547</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>16,737</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>16,811</td>
</tr>
</tbody>
</table>

To record the payment of interest on the WPAT debt.

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Revenue Control</td>
<td>16,737</td>
</tr>
<tr>
<td>001-4820</td>
<td>Earnings on Investments</td>
<td>16,737</td>
</tr>
<tr>
<td>001-5925</td>
<td>Interest on Notes</td>
<td>33,547</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>33,547</td>
</tr>
</tbody>
</table>

3. The local government records the first payment of principal and interest.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>207,871</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>99,457</td>
</tr>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>108,414</td>
</tr>
</tbody>
</table>

To record the payment of debt service to the MWPAT

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5910</td>
<td>Maturing Principal on Long-Term</td>
<td>207,871</td>
</tr>
<tr>
<td></td>
<td>Debt</td>
<td></td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>207,871</td>
</tr>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>99,457</td>
</tr>
<tr>
<td>001-4680</td>
<td>Other State Revenue</td>
<td>99,457</td>
</tr>
</tbody>
</table>
Uniform Massachusetts Accounting System – July 2013

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.
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:

<table>
<thead>
<tr>
<th>Use of Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts available for Construction</td>
<td>$3,889,893</td>
</tr>
<tr>
<td><strong>Total Use of Funds</strong></td>
<td>$3,889,893</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Proceeds – MWPAT</td>
<td>$3,104,791</td>
</tr>
<tr>
<td>Federal Funds – ARRA</td>
<td>$785,102</td>
</tr>
<tr>
<td><strong>Total Source of Funds</strong></td>
<td>$3,889,893</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interim Loan from MWPAT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim Loan Note</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Interest</td>
<td>$14,600</td>
</tr>
<tr>
<td><strong>Total Interim Loan</strong></td>
<td>$1,014,600</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Permanent Debt Service</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Issued – MWPAT</td>
<td>$3,104,791</td>
</tr>
<tr>
<td>Interest Cost</td>
<td>$694,399</td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td>$3,799,190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>First Year Debt Service</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Repayment</td>
<td>$127,526</td>
</tr>
<tr>
<td>Interest</td>
<td>$60,821</td>
</tr>
<tr>
<td><strong>Total First Year Debt Service</strong></td>
<td>$188,347</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unspent Bond Proceeds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Proceeds not needed for project</td>
<td>$48,000</td>
</tr>
<tr>
<td><strong>Total Unspent Bond</strong></td>
<td>$48,000</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-4500</td>
<td>Federal Grant Revenue</td>
<td>785,102</td>
</tr>
<tr>
<td>302-4910</td>
<td>Bond Proceeds</td>
<td>3,104,791</td>
</tr>
<tr>
<td>302-4000</td>
<td>Subsidiary Revenue Control</td>
<td>3,889,993</td>
</tr>
<tr>
<td>302-5890</td>
<td>Project Expenditures</td>
<td>3,889,993</td>
</tr>
<tr>
<td>302-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>3,889,993</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-1040</td>
<td>Cash – Unrestricted</td>
<td>1,000,000</td>
</tr>
<tr>
<td>302-2720</td>
<td>Bond Anticipation Notes Payable</td>
<td>1,000,000</td>
</tr>
<tr>
<td>050-3770</td>
<td>BONDS AUTHORIZED – OFFSET (MEMORANDUM)</td>
<td>1,000,000</td>
</tr>
<tr>
<td>050-3760</td>
<td>BONDS AUTHORIZED (MEMORANDUM)</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-1040</td>
<td>Cash – Unrestricted</td>
<td>785,102</td>
</tr>
<tr>
<td>302-3910</td>
<td>Revenue</td>
<td>785,102</td>
</tr>
<tr>
<td>050-3770</td>
<td>BONDS AUTHORIZED – OFFSET</td>
<td>785,102</td>
</tr>
<tr>
<td></td>
<td>(MEMORANDUM)</td>
<td></td>
</tr>
<tr>
<td>050-3760</td>
<td>BONDS AUTHORIZED</td>
<td>785,102</td>
</tr>
<tr>
<td></td>
<td>(MEMORANDUM)</td>
<td></td>
</tr>
</tbody>
</table>

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-4000</td>
<td>Subsidiary Revenue</td>
<td>785,102</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td></td>
</tr>
<tr>
<td>302-4500</td>
<td>Federal Revenue</td>
<td>785,102</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-1040</td>
<td>Cash – Unrestricted</td>
<td>1,000,000</td>
</tr>
<tr>
<td>302-1065</td>
<td>Cash on Deposit at MWPAT</td>
<td>2,104,791</td>
</tr>
<tr>
<td>302-3920</td>
<td>Other Financing Sources</td>
<td>3,104,791</td>
</tr>
<tr>
<td>050-3770</td>
<td>BONDS AUTHORIZED – OFFSET (MEMORANDUM)</td>
<td>3,104,791</td>
</tr>
<tr>
<td>050-3760</td>
<td>BONDS AUTHORIZED (MEMORANDUM)</td>
<td>3,104,791</td>
</tr>
<tr>
<td>050-1996</td>
<td>Amounts to be Provided for the Payment of Bonds</td>
<td>3,104,791</td>
</tr>
<tr>
<td>050-2965</td>
<td>Bonds Payable – MWPAT</td>
<td>3,104,791</td>
</tr>
</tbody>
</table>

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-4000</td>
<td>Subsidiary Revenue Control</td>
<td>3,104,791</td>
</tr>
<tr>
<td>302-4910</td>
<td>Bonds Proceeds – MWPAT</td>
<td>3,104,791</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-2720</td>
<td>Bond Anticipation Notes Payable</td>
<td>1,000,000</td>
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<tr>
<td>302-1040</td>
<td>Cash – Unrestricted</td>
<td>1,000,000</td>
</tr>
<tr>
<td>600-3930</td>
<td>Expenditures</td>
<td>14,600</td>
</tr>
<tr>
<td>600-1040</td>
<td>Cash – Unrestricted</td>
<td>14,600</td>
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</tbody>
</table>

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>600-5925</td>
<td>Interest on Notes</td>
<td>14,600</td>
</tr>
<tr>
<td>600-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>14,600</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>600-3930</td>
<td>Expenditures</td>
<td>188,347</td>
</tr>
<tr>
<td>600-1040</td>
<td>Cash – Unrestricted</td>
<td>188,347</td>
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**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>600-5910</td>
<td>Maturing Principal on Long Term Debt</td>
<td>127,526</td>
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<tr>
<td>600-5915</td>
<td>Interest on Long Term Debt</td>
<td>60,821</td>
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<tr>
<td>600-5000</td>
<td>Subsidiary Appropriation Control</td>
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</table>

**Memorandum Entry**

<table>
<thead>
<tr>
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<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>050-2965</td>
<td>Bonds Payable – MWPAT</td>
<td>127,526</td>
</tr>
<tr>
<td>050-1996</td>
<td>Amounts to be Provided for the Payment of Bonds</td>
<td>127,526</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-3920</td>
<td>Other Financing Sources</td>
<td>48,000</td>
</tr>
<tr>
<td>302-1065</td>
<td>Cash on Deposit at MWPAT</td>
<td>48,000</td>
</tr>
<tr>
<td>050-2995</td>
<td>Bonds Payable – MWPAT</td>
<td>48,000</td>
</tr>
<tr>
<td>050-1990</td>
<td>Amounts to be Provided for the Payment of Bonds</td>
<td>48,000</td>
</tr>
<tr>
<td>050-3760</td>
<td>BONDS AUTHORIZED (MEMORANDUM)</td>
<td>48,000</td>
</tr>
<tr>
<td>050-3770</td>
<td>BONDS AUTHORIZED – OFFSET (MEMORANDUM)</td>
<td>48,000</td>
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</table>

**Subsidiary Ledger**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-4910</td>
<td>Bond Proceeds</td>
<td>48,000</td>
</tr>
<tr>
<td>302-3290</td>
<td>Subsidiary Revenue Control</td>
<td>48,000</td>
</tr>
</tbody>
</table>

To record the reduction in principal on Bonds Payable – MWPAT
## APPENDIX I

### LIST OF FUNDS

**Special Revenue Funds**

<table>
<thead>
<tr>
<th>Fund Number</th>
<th>Fund</th>
<th>Statutory Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>201</td>
<td>Adult and Continuing Ed</td>
<td>Ch. 71, §71E</td>
</tr>
<tr>
<td>202</td>
<td>Ambulance Receipts Reserved</td>
<td>Ch. 40, §5F</td>
</tr>
<tr>
<td>203</td>
<td>Beach and Pool Receipts Reserved</td>
<td>Ch. 40, §5F</td>
</tr>
<tr>
<td>204</td>
<td>Anniversary Celebrations</td>
<td>Ch. 44, §53I</td>
</tr>
<tr>
<td>205</td>
<td>Community School Program</td>
<td>Ch. 71, §71C</td>
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<tr>
<td>206</td>
<td>Dog Refund</td>
<td>Ch. 140, §172</td>
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<tr>
<td>207</td>
<td>Elderly Lunch Program</td>
<td>Ch. 15, §1L</td>
</tr>
<tr>
<td>208</td>
<td>Golf Course Receipts Reserved</td>
<td>Ch. 40, §5F</td>
</tr>
<tr>
<td>209</td>
<td>Insurance Reimbursements (over $20,000)</td>
<td></td>
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<tr>
<td>210</td>
<td>Insurance Reimbursements (under $20,000)</td>
<td>Ch. 44, §53</td>
</tr>
<tr>
<td>211</td>
<td>Lost Books and Industrial Art Supplies</td>
<td>Ch. 40, §§22B, 22C</td>
</tr>
<tr>
<td>212</td>
<td>Off-Street Parking Receipts</td>
<td>Ch. 76, §12A</td>
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<tr>
<td>213</td>
<td>Racial Equality</td>
<td>Ch. 44, §53D</td>
</tr>
<tr>
<td>214</td>
<td>Recreation and Parks Revolving</td>
<td>Ch. 114, §§15, 25</td>
</tr>
<tr>
<td>215</td>
<td>Off-Duty Police Detail</td>
<td>Ch. 44, §63</td>
</tr>
<tr>
<td>216</td>
<td>Sale of Cemetery Lots</td>
<td>Ch. 71, §47</td>
</tr>
<tr>
<td>217</td>
<td>Sale of Real Estate Fund</td>
<td>Ch. 76, §12B(o)</td>
</tr>
<tr>
<td>218</td>
<td>School Athletics and Other Receipts</td>
<td></td>
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<tr>
<td>219</td>
<td>School Choice</td>
<td>Ch. 548 of 1948</td>
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<tr>
<td>220</td>
<td>School Lunch</td>
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<tr>
<td>221</td>
<td>School Building Rental</td>
<td>Ch. 40, §3</td>
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<tr>
<td>222</td>
<td>Skating Rink Receipts Reserved</td>
<td>Ch. 40, §5F</td>
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<tr>
<td>223</td>
<td>Solid Waste Collection/Disposal</td>
<td>Ch. 44, §28C(f)</td>
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<td>224</td>
<td>State Aid to Libraries</td>
<td>Ch. 78, §19A and annual legislation</td>
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<tr>
<td>225</td>
<td>Summer School Tuition</td>
<td>Ch. 71, §71E</td>
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<td>226</td>
<td>Waterways Improvement Fund</td>
<td>Ch. 60B, §§2(l), 4</td>
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<tr>
<td>227</td>
<td>Waterways Improvement Fund</td>
<td>Ch. 40, §5G</td>
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<td>228</td>
<td>Wetlands Protection Fees</td>
<td>Ch. 131, §40</td>
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<tr>
<td>229</td>
<td>Regional School District Tuition</td>
<td>Ch. 71, §16D½</td>
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<tr>
<td>230</td>
<td>Extended School Services (Day Care Receipts)</td>
<td>Ch. 71, §26C</td>
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<td>231</td>
<td>School Tuition Non-resident or Foster Care</td>
<td>Ch. 71, §71F</td>
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<td>232</td>
<td>Parking Meter Receipts</td>
<td>Ch. 40, §§22A – 22C</td>
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<tr>
<td>233</td>
<td>Arts Lottery Council (Cultural)</td>
<td>Ch. 10, §58</td>
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<tr>
<td>234</td>
<td>Equal Education Opportunity</td>
<td>Ch. 70A, §4</td>
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<tr>
<td>235</td>
<td>Vocational Education Receipts</td>
<td>Ch. 74, §14B</td>
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<tr>
<td>236</td>
<td>Culinary Arts – Special Fund</td>
<td>Ch. 71, §17A</td>
</tr>
<tr>
<td>237</td>
<td>Disability Commission</td>
<td>Ch. 40, §22G</td>
</tr>
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<td>238</td>
<td>Planning/Zoning/Health/Conservation</td>
<td>Ch. 44, §53G</td>
</tr>
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<td>239</td>
<td>Highway and Water Pollution Grants</td>
<td>Ch. 44, §53</td>
</tr>
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<td>240</td>
<td>Recycling Commission Fund</td>
<td>Ch. 40, §8H</td>
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<td>241</td>
<td>Performance Bond Forfeitures</td>
<td>Ch. 41, §81U</td>
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<tr>
<td>242</td>
<td>METCO Reimbursements</td>
<td>Ch. 71B, §12</td>
</tr>
<tr>
<td>243</td>
<td>Sewer Receipts</td>
<td>Ch. 83, §16</td>
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<tr>
<td>244</td>
<td>Water Surplus</td>
<td>Ch. 41, §69B</td>
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<tr>
<td>245</td>
<td>Trash Collection Charges</td>
<td>Ch. 44, §28C(f)</td>
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</table>
### APPENDIX I (cont.)

#### Special Revenue Funds

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<thead>
<tr>
<th>Fund Number</th>
<th>Fund</th>
<th>Statutory Reference</th>
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<tbody>
<tr>
<td>246</td>
<td>Community Preservation Fund</td>
<td>Ch. 44B</td>
</tr>
<tr>
<td>247</td>
<td>Law Enforcement Trust</td>
<td>Ch. 94C, §47</td>
</tr>
<tr>
<td>248</td>
<td>Weights and Measurers Fines</td>
<td>Ch. 98, §29A</td>
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<tr>
<td>249</td>
<td>Spay and Neuter Deposits</td>
<td>Ch. 140, §139A</td>
</tr>
<tr>
<td>250</td>
<td>Stabilization</td>
<td>Ch. 40, §5B</td>
</tr>
<tr>
<td>251</td>
<td>Education Fund (Supplementing School Appropriations)</td>
<td>Ch. 60, §3C</td>
</tr>
<tr>
<td>252</td>
<td>Use of School Property</td>
<td>Ch. 71, §71E</td>
</tr>
<tr>
<td>253 - 260</td>
<td>Grants and Gifts</td>
<td>Ch. 44, §53A</td>
</tr>
<tr>
<td>261 - 265</td>
<td>Offset Receipts</td>
<td>Ch. 44, §53E</td>
</tr>
<tr>
<td>266 - 270</td>
<td>Revolving Funds (Annual Authorization)</td>
<td>Ch. 44, §53E½</td>
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<tr>
<td>271</td>
<td>Unemployment Compensation</td>
<td>Ch. 40, §5E</td>
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<tr>
<td>272</td>
<td>Workers’ Compensation</td>
<td>Ch. 40, §13A</td>
</tr>
<tr>
<td>273</td>
<td>Multi-Community Yard Waste</td>
<td>Ch. 179 of 1993</td>
</tr>
<tr>
<td>274</td>
<td>Millennium/Centennial Celebration</td>
<td>Ch. 59 of 1998</td>
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<tr>
<td>275</td>
<td>School Bus Advertising</td>
<td>Ch. 184, §197 of 2002</td>
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<tr>
<td>276</td>
<td>Title 5 Betterment Loan Program</td>
<td>Ch. 29C</td>
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<tr>
<td>277</td>
<td>Receipts Reserved MWPAT Loans</td>
<td>Ch. 29C</td>
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<tr>
<td>278 - 299</td>
<td>Other Federal and State Grants</td>
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#### Capital Projects Funds

<table>
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<tbody>
<tr>
<td>300</td>
<td>Highway Improvement Fund (reimbursable highway grants on recap)</td>
<td>Ch. 44, §53</td>
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<tr>
<td>301 - 399</td>
<td>Other Capital Projects</td>
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<tr>
<td>400 - 449</td>
<td>Water Projects</td>
<td>Ch. 41, §69B</td>
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<tr>
<td>450 - 499</td>
<td>Sewer Projects</td>
<td>Ch. 83, §16</td>
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#### Permanent Funds

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<th>Fund</th>
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<tbody>
<tr>
<td>530</td>
<td>Cemetery Perpetual Care</td>
<td>Ch. 114, §25</td>
</tr>
<tr>
<td>540 - 599</td>
<td>Bequests</td>
<td>Ch. 44, §53A</td>
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#### Enterprise Funds

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<tr>
<td>650</td>
<td>Water Enterprise</td>
<td>Ch. 44, §53F½</td>
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<td>651</td>
<td>Sewer Enterprise</td>
<td>Ch. 44, §53F½</td>
</tr>
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<td>652 - 659</td>
<td>Other Enterprise</td>
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<td>660</td>
<td>Water Enterprise – Special Legislation</td>
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<td>661</td>
<td>Sewer Enterprise – Special Legislation</td>
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<td>662 - 669</td>
<td>Other Enterprise – Special Legislation</td>
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<tr>
<td>670</td>
<td>Electric Light Department</td>
<td>Ch. 164, §57</td>
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## APPENDIX I (cont.)

**Internal Service Funds**

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<tr>
<td>691</td>
<td>Health Claims Insurance</td>
<td>Ch. 32B, §3A</td>
</tr>
<tr>
<td>692</td>
<td>Workers’ Compensation Insurance</td>
<td>Ch. 40, §13A</td>
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<tr>
<td>693</td>
<td>Municipal Liability Insurance</td>
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<tr>
<td>694</td>
<td>Municipal Building Insurance</td>
<td>Ch. 40, §13</td>
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<td>695</td>
<td>Motor Vehicle Pools</td>
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**Pension (Other Employee Benefit) Trust Funds**

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<th>Fund</th>
<th>Statutory Reference</th>
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<tbody>
<tr>
<td>700</td>
<td>Pension Reserve</td>
<td>Ch. 40, §5D</td>
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<tr>
<td>750</td>
<td>Other Post-Employment Benefits Liability Trust</td>
<td>Ch. 32B, §20</td>
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**Private Purpose Trust Funds**

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<th>Fund</th>
<th>Statutory Reference</th>
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<tr>
<td>850</td>
<td>Conservation</td>
<td>Ch. 40, §8C</td>
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<tr>
<td>851</td>
<td>Scholarship Trust Fund</td>
<td>Ch. 60, §3C</td>
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<td>852</td>
<td>Regional School Stabilization</td>
<td>Ch. 71, §16G½</td>
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<td>853</td>
<td>Educational/Instructional Materials</td>
<td>Ch. 71, §20A</td>
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<tr>
<td>854</td>
<td>Low Income Seniors and Disabled Tax Relief</td>
<td>Ch. 60, §3D</td>
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<tr>
<td>855</td>
<td>Education Fund (Adult Literacy)</td>
<td>Ch. 60, §3C</td>
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**Agency Funds**

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<th>Fund Number</th>
<th>Fund</th>
<th>Statutory Reference</th>
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<tr>
<td>900</td>
<td>Deferred Compensation</td>
<td>Ch. 4, §67</td>
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<tr>
<td>901</td>
<td>Performance Deposits</td>
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<tr>
<td>902</td>
<td>Funds Held for Electric Light Department</td>
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</tr>
<tr>
<td>903</td>
<td>Payroll Withholdings</td>
<td></td>
</tr>
<tr>
<td>904</td>
<td>Student Activity Agency Account</td>
<td>Ch. 71, §47</td>
</tr>
</tbody>
</table>
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
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.
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
4. The Town received $100,000 from the granting agency on September 10. The GAN was paid off on the same day.

### General Fund

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>100,000</td>
</tr>
<tr>
<td>001-1630</td>
<td>Due from Capital Projects Fund</td>
<td>100,000</td>
</tr>
</tbody>
</table>

To record repayment of advance to General Fund

### Capital Projects Fund

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>300-1040</td>
<td>Cash – Unrestricted</td>
<td>100,000</td>
</tr>
<tr>
<td>300-1720</td>
<td>Due from Commonwealth of Massachusetts</td>
<td>100,000</td>
</tr>
</tbody>
</table>

To record grant funds received

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>300-2670</td>
<td>Deferred Revenue – Intergovernmental</td>
<td>100,000</td>
</tr>
<tr>
<td>300-3910</td>
<td>Revenue</td>
<td>100,000</td>
</tr>
</tbody>
</table>

To recognize funds received as Revenue

### Subsidiary Ledger

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>300-4000</td>
<td>Subsidiary Revenue Control</td>
<td>100,000</td>
</tr>
<tr>
<td>300-4660</td>
<td>General Government Reimbursements and Distributions</td>
<td>100,000</td>
</tr>
<tr>
<td>300-2730</td>
<td>Grant Anticipation Notes Payable</td>
<td>100,000</td>
</tr>
<tr>
<td>300-1040</td>
<td>Cash – Unrestricted</td>
<td>100,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3593</td>
<td>Unreserved Fund Balance – Revenue Deficit</td>
<td>xxx</td>
</tr>
<tr>
<td>001-3590</td>
<td>Undesignated Fund Balance</td>
<td>xxx</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Total revenues</th>
<th>$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total appropriations</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Favorable/(Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>100,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Expenditures</td>
<td>100,000</td>
<td>95,000</td>
</tr>
<tr>
<td>Revenue Deficit</td>
<td>5,000</td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Favorable/(Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>100,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Expenditures</td>
<td>100,000</td>
<td>85,000</td>
</tr>
<tr>
<td>Revenue Surplus</td>
<td>5,000</td>
<td></td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Favorable/(Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>100,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Expenditures</td>
<td>100,000</td>
<td>97,500</td>
</tr>
<tr>
<td>Revenue Deficit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Favorable/(Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Revenue – Taxes</td>
<td>60,000</td>
<td>55,000</td>
</tr>
<tr>
<td>Expenditures</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Revenue Shortfall</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>350-3810</td>
<td>ESTIMATED REVENUE</td>
<td>6,000,000</td>
</tr>
<tr>
<td>350-3820</td>
<td>OTHER FINANCING SOURCES</td>
<td>4,000,000</td>
</tr>
<tr>
<td>350-3830</td>
<td>APPROPRIATIONS</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>

280
APPENDIX L (cont)

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>350-5000</td>
<td>Subsidiary Appropriation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>10,000,000</td>
</tr>
<tr>
<td>350-5820</td>
<td>Buildings</td>
<td>10,000,000</td>
</tr>
<tr>
<td>350-4625</td>
<td>MSBA Grant Revenue</td>
<td>6,000,000</td>
</tr>
<tr>
<td>350-4910</td>
<td>Bond Proceeds</td>
<td>4,000,000</td>
</tr>
<tr>
<td>350-4000</td>
<td>Subsidiary Revenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>

To record budget for the school building project

Memorandum Entry

2. The LGU records a memorandum entry to record the amount awarded from the MSBA.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>350-3710</td>
<td>MSBA GRANT AWARD</td>
<td>6,000,000</td>
</tr>
<tr>
<td>350-3720</td>
<td>MSBA GRANT AWARD – OFFSET</td>
<td>6,000,000</td>
</tr>
</tbody>
</table>

To record the award of the grant from MSBA

Activity Entries

3. 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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>350-1040</td>
<td>Cash – Unrestricted</td>
<td>4,000,000</td>
</tr>
<tr>
<td>350-2720</td>
<td>Bond Anticipation Notes Payable</td>
<td>4,000,000</td>
</tr>
</tbody>
</table>

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 900,000
        Control

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 4,000,000
        Control

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

13. 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:

1. Reserve the lump sum payment in the General Fund;
2. 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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1060</td>
<td>Cash – Restricted</td>
<td>2,500,000</td>
</tr>
<tr>
<td>001-3910</td>
<td>Revenue</td>
<td>2,500,000</td>
</tr>
<tr>
<td>001-3590</td>
<td>Unreserved Fund Balance</td>
<td>2,500,000</td>
</tr>
<tr>
<td>001-3280</td>
<td>Fund Balance Reserved for MSBA Debt Service</td>
<td>2,500,000</td>
</tr>
</tbody>
</table>

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-4000</td>
<td>Subsidiary Revenue Control</td>
<td>2,500,000</td>
</tr>
<tr>
<td>001-4625</td>
<td>MSBA Grant Revenue</td>
<td>2,500,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Debit</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-3930</td>
<td>Expenditures</td>
<td>602,000</td>
</tr>
<tr>
<td>001-1060</td>
<td>Cash – Restricted</td>
<td>602,000</td>
</tr>
</tbody>
</table>

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5910</td>
<td>Maturing Principal on Long Term Debt</td>
<td>450,000</td>
</tr>
<tr>
<td>001-5915</td>
<td>Interest on Long Term Debt</td>
<td>152,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>602,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>225,000</td>
</tr>
<tr>
<td>001-1060</td>
<td>Cash – Restricted</td>
<td>225,000</td>
</tr>
<tr>
<td>001-3280</td>
<td>Fund Balance Reserved for MSBA Debt Service</td>
<td>225,000</td>
</tr>
<tr>
<td>001-3590</td>
<td>Unreserved Fund Balance</td>
<td>225,000</td>
</tr>
</tbody>
</table>

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 Controls  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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-5966</td>
<td>Transfer to Special Purpose Stabilization Fund</td>
<td>2,500,000</td>
</tr>
<tr>
<td>001-5000</td>
<td>Subsidiary Appropriation Control</td>
<td>2,500,000</td>
</tr>
<tr>
<td>800-4000</td>
<td>Subsidiary Revenue Control</td>
<td>2,500,000</td>
</tr>
<tr>
<td>800-4971</td>
<td>Transfer from General Fund</td>
<td>2,500,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>800-1060</td>
<td>Cash – Restricted</td>
<td>6,250</td>
</tr>
<tr>
<td>800-3910</td>
<td>Revenue</td>
<td>6,250</td>
</tr>
</tbody>
</table>

Subsidiary Ledger

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>800-4000</td>
<td>Subsidiary Revenue Control</td>
<td>6,250</td>
</tr>
<tr>
<td>800-4820</td>
<td>Investment Income</td>
<td>6,250</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1040</td>
<td>Cash – Unrestricted</td>
<td>225,000</td>
</tr>
<tr>
<td>001-3920</td>
<td>Other Financing Sources</td>
<td>225,000</td>
</tr>
<tr>
<td>800-3970</td>
<td>Other Financing Uses</td>
<td>225,000</td>
</tr>
<tr>
<td>800-1060</td>
<td>Cash – Restricted</td>
<td>225,000</td>
</tr>
</tbody>
</table>
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
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 throughout 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.