New York State Comptroller
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# Accounting and Reporting Manual

## Counties, Cities, Towns, Villages, Libraries, Soil and Water Conservation Districts

**April 2024**
Prepared by the Division of Local Government and School Accountability

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# Chapter 1 - Introduction

The Office of the New York State Comptroller (OSC) has compiled this manual as a comprehensive accounting guide for local officials and others interested in accounting by local governments in New York State. It provides an overview of generally accepted governmental accounting and financial reporting principles, and OSC's interpretations of such principles, where the Governmental Accounting Standards Board's (GASB) pronouncements are silent or do not address problems common among jurisdictions within New York State.

The basic responsibility for oversight of local governments by the State Comptroller is contained in the State Constitution and Article 3 of the New York State General Municipal Law (GML). Among other things, the State Comptroller has authority to perform audits (GML, Sections 33, 34, 35), to prescribe information for annual financial reports (GML, Sections 30, 31, 32), to prescribe a uniform system of accounts (GML, Section 36) and to prepare an annual report to the State Legislature (GML, Section 37).

Since the late 1970's, there have been increasing demands on a national level for standardization of accounting and financial reporting practices. In recent years, the GASB has continued to exemplify this desire for standardization, releasing over 30 new accounting and reporting pronouncements in the last decade.

OSC is committed to prescribing an accounting system which generally conforms to generally accepted accounting principles (GAAP). OSC prescribes a Uniform Systems of Accounts pursuant to GML, Section 36. The System of Accounts provides for a standard chart of accounts and fund structure that is the basis for the uniform annual financial reports (the AFR) required to be filed with the State Comptroller pursuant to GML, Section 30. OSC's Uniform System of Accounts should not be considered an other comprehensive basis of accounting for external auditing purposes.

## Generally Accepted Accounting Principles for Governmental Units

GAAP are uniform minimum standards of and guidelines to financial accounting and reporting. They are the framework within which financial transactions are recorded and reported resulting in financial statements that provide comparability between governmental entities, consistency between accounting periods and reliability for internal and external users of financial statements.

Since GAAP for local governments is continually evolving, OSC is involved in such activities as monitoring and responding to proposed pronouncements; amending the accounting systems when appropriate in light of new or revised standards; and assisting local officials in understanding and implementing GAAP through accounting bulletins, webinars, conferences, etc. This updated manual is an example of this activity.

A brief historical overview of standard setting for private enterprises and public entities is helpful in understanding the sources of GAAP for local governments. The first formal efforts to establish GAAP for private enterprises began in 1930 in response to the financial difficulties experienced during the Great Depression. In the years that followed, the American Institute of Certified Public Accountants (AICPA) established GAAP. In 1973, the Financial Accounting Standards Board (FASB) was formed and was designated by the AICPA as the authoritative private-sector standard-setting body for commercial and nonprofit organizations. FASB remains in control of private-sector GAAP today and operates under the auspices of the Financial Accounting Foundation (FAF), an independent nonprofit foundation.

In 1934, the Municipal Finance Officers Association (MFOA), now known as the Government Finance Officers Association (GFOA), established the National Committee on Municipal Accounting (NCMA). It was at this time that the NCMA began to promulgate accounting standards for governments. In 1948, this committee was replaced by another MFOA committee, the National Committee on Governmental Accounting, which eventually expanded and was renamed the National Council on Governmental Accounting (NCGA). Each of these MFOA committees issued publication(s) of its guidance. In 1968, the NCGA issued the first edition of its publication, Governmental Accounting, Auditing, and Financial Reporting (GAAFR), which came to be known commonly as

the “blue book.” In 1974, the AICPA issued their accounting and auditing guide, Audits of State and Local Governmental Units, which stated that the AICPA deemed GAAFR to be GAAP for governmental entities.

In the late 1970’s, partly in response to the fiscal crisis in New York City and several other cities, the NCGA began issuing statements and interpretations. These statements and interpretations replaced the GAAFR as GAAP for governmental entities; however the GAAFR was and is still widely used as a common practice guide. In 1984, the responsibility of setting GAAP for state and local governments was transferred from the NCGA to the Governmental Accounting Standards Board (GASB). Like the FASB, the GASB functions under the auspices of the FAF.

In short, the following have been the standard setting bodies for GAAP for state and local governments:

| | |
|---|---|
| National Committee on Municipal Accounting | 1934-1948 |
| National Committee on Governmental Accounting | 1948-1974 |
| National Council on Governmental Accounting | 1974-1984 |
| Governmental Accounting Standards Board | 1984-Present |

The GASB is the most authoritative, but not the sole, source of GAAP for state and local governments. The following is the “hierarchy” of GAAP, as identified in GASB Statement 76, The Hierarchy of GAAP for State and Local Governments:

**GAAP Hierarchy**

| **Category A**<br>**GASB Statements** |
|---|
| • All GASB Interpretations previously issued and currently in effect. These interpretations apply until altered, amended, supplemented, revoked or superseded by subsequent GASB pronouncements.<br><br>• Category A standards are the subject of the Accounting Principles Rule of the AICPA Code of Professional Conduct. |

| **Category B**<br>**GASB Technical Bulletins, GASB Implementation Guides and AICPA Literature** |
|---|
| • Authoritative material from GASB Implementation Guides is incorporated periodically into the Comprehensive Implementation Guide and still retains its authoritative status.<br><br>• The AICPA literature must specify its applicability to state and local governmental entities and contain a statement that indicates that it has been cleared by the GASB in accordance with the GASB’s Rules of Procedure. |

# Chapter 2 - Basic Governmental Accounting Principles

## Governmental Accounting Principles

The following are basic principles of accounting and reporting applicable to fund-based accounting for local governments as integrated in the GASB Codification of Governmental Accounting and Financial Reporting Standards.

### 1. Accounting and Reporting Capabilities

| | |
|---|---|
| **Purpose** | Explains the requirements for accounting records and reporting |
| **Principle** | A governmental accounting system must make it possible both:<br>(a) To present fairly and with full disclosure the funds and activities of the governmental unit in conformity with GAAP, and<br>(b) To determine and demonstrate compliance with finance-related legal and contractual provisions. |
| **Guidance** | In New York State there are few, if any, provisions of general statutory law that conflict with GAAP. However, if conflict does exist, financial statements must be prepared in conformance with GAAP. This does not mean that two accounting systems should be maintained. Books of account should be maintained on a legal-compliance basis but should include sufficient additional reports to permit GAAP-based reporting. |

### 2. Fund Accounting Systems

| | |
|---|---|
| **Purpose** | Explains funds and their structure |
| **Principle** | Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. |

### 3. Fund Types

| | |
|---|---|
| **Purpose** | Explains the types of funds |
| **Principle** | For local governments, there are three categories of funds used in governmental accounting: governmental funds, proprietary funds and fiduciary funds. |
| **Guidance** | **Governmental funds account for most governmental functions.**<br><br>The general fund accounts for all financial resources except those accounted for in another fund.<br><br>Special revenue funds account for the proceeds of specific revenue sources that are restricted or committed to expenditures for a specific purpose.<br><br>Capital projects funds account for financial resources to be used for the acquisition or construction of capital facilities and other capital assets.<br><br>Debt service funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.<br><br>Permanent funds account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that benefit the government or its citizenry.<br><br>**Proprietary funds account for a government's ongoing activities that are similar to those found in the private sector.**<br><br>Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed and 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.<br><br>Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.<br><br>Self-Insurance funds account for insurance coverage when the governing body has decided to have a self-insurance program on an actuarial basis.<br><br>**Fiduciary funds account for assets held by a governmental unit in a trustee or custodial capacity.**<br><br>The private-purpose trust fund accounts for trust arrangements where the government itself is not a beneficiary and the assets are dedicated to providing benefits to recipients in accordance with the benefit terms and are legally protected from the creditors of the government.<br><br>The custodial fund accounts for any remaining fiduciary activities that are not required to be reported in a private-purpose trust fund. |

Supplemental schedules will be used in the AFR to account for non-current governmental assets and non-current governmental liabilities.

### 4. Number of Funds

| | |
|---|---|
| **Purpose** | Explains the criteria that determines the number of funds |
| **Principle** | Local governments should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established because unnecessary funds result in inflexibility, undue complexity and inefficient financial administration. |

### 5. Reporting Capital Assets

| | |
|---|---|
| **Purpose** | Clarifies requirements |
| **Principle** | At the fund financial statement level, capital assets are not reported in governmental funds but are reported in proprietary and fiduciary funds. Governmental fund capital assets will be accounted for and reported in the Schedule of Non-Current Governmental Assets. |

### 6. Valuation of Capital Assets

| | |
|---|---|
| **Purpose** | Explains the requirements for recording capital assets |
| **Principle** | Capital assets should be accounted for at historical (actual) cost or, if the cost is not practicably determinable, at estimated cost. The cost of the capital asset should include ancillary charges necessary to place the asset into use. Donated capital assets and capital assets acquired in a service concession arrangement should be recorded at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date, or the amount at which a liability could be liquidated with the counter party at the acquisition. |

### 7. Depreciation of Capital Assets (Fund Financial Statements)

| | |
|---|---|
| **Purpose** | Explains the purpose and basis for depreciation |
| **Principle** | Depreciation of capital assets should not be reported in the accounts of governmental funds. Accumulated depreciation may be recorded in the schedule of Non-Current Governmental Assets. Depreciation of capital assets and accumulated depreciation should be reported in proprietary and fiduciary funds. |

### 8. Reporting Long-Term Liabilities

| | |
|---|---|
| **Purpose** | Clarifies requirements |
| **Principle** | There are three categories of long-term liabilities:<br>1. Long-term liabilities related to proprietary funds should be reported in those funds.<br>2. Long-term liabilities related to fiduciary funds should be reported in those funds.<br>3. All other long-term liabilities not reported in 1 or 2 will be accounted for and reported in the Schedule of Non-Current Governmental Liabilities. |

### 9. Measurement Focus and Basis of Accounting

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|---|---|
| **Purpose** | Explains the accounting basis and its applicability to the various funds |
| **Principle** | For local governments, in the fund financial statements the modified accrual or accrual basis of accounting, as appropriate, should be used in measuring financial position and operating results. |
| **Guidance** | Governmental fund revenues and expenditures should be recognized on the modified accrual basis. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term liabilities, which should be recognized when due.<br>Proprietary fund statements of net position and revenues, expenses, and changes in fund net position should be presented using the economic resources measurement focus and the accrual basis of accounting.<br>Fiduciary fund revenues and expenses should be recognized using the economic resources measurement focus and the accrual basis of accounting.<br>Transfers should be recognized in the accounting period in which the interfund receivable and payable arise. |

### 10. Budgeting, Budgetary Control and Budgetary Reporting

| | |
|---|---|
| **Purpose** | Clarifies requirements for budgets and their relationship to the accounting records |
| **Principle** | An annual budget(s) should be adopted for every governmental unit.<br><br>The accounting system should provide the basis for appropriate budgetary control. |
| **Guidance** | In New York State, general statutory law requires political subdivisions to establish appropriations as a means of providing control over amounts that may be expended. In addition, revenues other than real property taxes must be estimated as a means of determining the amount of real property taxes to be levied. OSC requires budgets for funds classified as general, special revenue, capital projects, debt service and proprietary. At a minimum, revenues must be controlled by source and expenditures/ expenses by functional unit and basic object of expenditure/expense. The books of accounts must establish budgetary control at the level of detail contained in the original budget and as modified by the governing board during the fiscal year. A local government should control expenditures for each budget line that it has established. |

### 11. Transfers, Revenue, Expenditure and Expense Account Classification

| | |
|---|---|
| **Purpose** | Identifies the accounting classifications of transactions |
| **Principle** | Interfund transfers and proceeds of general long-term debt issues should be classified separately from fund revenues and expenditures. |
| **Guidance** | Governmental fund revenue should be classified by fund and source. Expenditures should be classified by fund, function (or program), organization unit, activity, character and principal classes of objects.<br><br>Proprietary fund revenues and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities. |

### 12. Common Terminology and Classification

| | |
|---|---|
| **Purpose** | Provides the ability to compare planned and actual activities for all funds |
| **Principle** | A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund. |

### 13. Interim and Annual Financial Reports

| | |
|---|---|
| **Purpose** | Clarifies financial reporting requirements |
| **Principle** | Appropriate interim financial statements and other pertinent information should be prepared to facilitate management control of financial operations, governing board oversight, and, where necessary or desired, for external reporting purposes. |
| **Guidance** | An annual comprehensive financial report (ACFR) should be prepared and published (optional in NYS).<br><br>The categories of statements and reports listed above establish national standards of financial reporting. They should not be confused with the legal requirement of municipal corporations reporting to OSC on the AFR as required by GML Sections 30, 31 and 32. |

# Chapter 3 – Measurement Focus and Basis of Accounting

Measurement focus refers to *what* is measured and reported in each fund's financial statements, while basis of accounting determines when the applicable transactions are recognized in these funds.

The basic fund level financial statements required for governmental funds (or the government's own money) are presented using the current financial resources measurement focus (i.e., cash and current assets) and the modified accrual basis of accounting.

The basic fund level financial statements required for proprietary funds (which are used to account for business-type activities such as activities supported at least in part, by fees or charges) and fiduciary funds (moneys held for outside parties that cannot be used to support the local government's own programs) are presented using the economic resources measurement focus (i.e., all assets) and the full accrual basis of accounting.

## MEASUREMENT FOCUS

A local government's measurement focus determines what is measured and reported in a fund's operating statement.

**Current Financial Resources Measurement Focus (Modified Accrual Basis):**

The aim of the financial statements is to report the near-term (current) inflows, outflows and balances of expendable financial resources.

**Economic Resources Measurement Focus (Accrual Basis):**

The aim of the financial statements is to report all inflows, outflows and balances affecting or reflecting a local government's net assets.

**MEASUREMENT FOCUS**

| Governmental Funds | Proprietary Funds |
|---|---|
| Are there more or less resources that can be spent in the near future as a result of events and transactions of the period? | Is the fund better or worse off economically as a result of events and transactions of the period? |
| Flow of current financial resources<br>• Modified accrual | Flow of economic resources<br>• Accrual |
| Increase in spendable resources<br>• Revenues or other financing sources | Events and transactions that improve the economic positions<br>• Revenues or gains |
| Decrease in spendable resources<br>• Expenditures and other financing uses | Events and transactions that diminish economic positions<br>• Expenses or losses |

Situations illustrating the difference between the two measurement focuses are as follows:

**1. Receipt of long-term debt proceeds:**

| Governmental Funds | Proprietary Funds |
|---|---|
| Increase in current resources available<br>DR Cash<br>CR Other Financing Sources | No economic improvement<br>DR Cash<br>CR Bonds Payable |

**2. Repayment of principal on long-term debt:**

| Governmental Funds | Proprietary Funds |
|---|---|
| Decrease in current spendable resources<br>DR Expenditure<br>CR Cash | Economic position not diminished<br>DR Bonds Payable<br>CR Cash |

In both instances, there would be an expenditure/expense for interest due on the debt.

**3. Capital acquisition:**

| Governmental Funds | Proprietary Funds |
|---|---|
| Decrease in current spendable resources<br>DR Expenditure<br>CR Cash | Economic position not diminished<br>DR Equipment<br>CR Cash |

**4. Exhaustion of capital assets:**

| Governmental Funds | Proprietary Funds |
|---|---|
| No effect on current spendable resources<br>Depreciation is not recognized | Economic position diminished<br>DR Depreciation Expense<br>CR Accumulated Depreciation |

**5. Deferrals and Amortization:**

| Governmental Funds | Proprietary Funds |
|---|---|
| Decrease in current spendable resources<br>DR Expenditure<br>CR Cash<br><br>(Entire disbursement recognized in current period.) | Economic position diminished only by the expense for the benefited period<br>DR Deferred Charge<br>CR Cash<br>DR Amortization Expense<br>CR Deferred Charge<br><br>(Expense allocated over entire period of benefit.) |

# BASIS OF ACCOUNTING

A local government's accounting basis determines when transactions and economic events are reflected in its financial statements.

**Cash Basis:**

The cash basis of accounting recognizes transactions when they affect cash. Financial transactions are not recorded in the accounting records unless cash has been received or disbursed. Revenues are recognized at the time cash is collected and expenditures are recognized at the time cash is disbursed. The balance sheet reflects a balance of cash and fund balance while activity statements are a summary of cash receipts and disbursements. The cash basis fails to recognize the existence of other available resources and/or other resources being consumed. As a result, a less accurate picture of the financial situation of the local government is presented.

**Accrual Basis:**

The accrual basis of accounting recognizes the financial effect of events that impact a local government during the accounting period, regardless of whether cash was received or disbursed. This basis of accounting focuses on the "when" – that is "when" the transaction occurs. All assets and liabilities are reported in the financial statements. Revenues are recognized when measurable and expenses are recognized when incurred (if measurable). Government-wide financial statements are presented using this method.

**Modified Accrual Basis:**

Under the modified accrual basis of accounting, revenues and other financial resources are recognized when they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the current period. Measurable refers to the ability to quantify in monetary terms the amount of the revenue, whereas available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. If the revenue meets the measurable criteria, but does not meet the availability criteria, it would be recorded as a deferred inflow of resources. A deferred inflow of resources is an acquisition of net assets by a local government that is applicable to a future reporting period. Each local government should adopt an availability period for all revenues, except real property taxes, which must have a 60-day availability period. An availability period is a specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized. Expenditures are recognized when the fund liability is incurred (if measurable), with certain exceptions, such as principal and interest on long-term debt which should be recognized when due.

| BASIS OF ACCOUNTING | | | |
|---|---|---|---|
| **Fund Type** | **Governmental Cash Basis** | **Governmental Modified Accrual Basis** | **Proprietary/Fiduciary Accrual Basis** |
| **Revenue** | • Earned and collected during the current period. | • When earned, if measurable and available.<br>• If collectible within the current period or soon thereafter to be used to pay liabilities of the current period. | • When earned. |
| **Expenditure/ Expense** | • Disbursed during the current period. | When liability incurred, except for:<br>• Unmatured debt<br>• Accrued interest<br>• Supplies inventories<br>• Prepaids, and<br>• Certain accrued liabilities normally not expected to be liquidated currently with expendable available financial resources. | • When liability incurred. |

# Chapter 4 – Funds and Supplemental Schedules

The following funds and supplemental schedules are available for use by local governments. Local governments should establish and maintain the minimum number of funds consistent with legal and operating requirements (See Chapter 2, Principle 4).

## Governmental Funds

**General Fund (A)** – the principal operating fund of a local government. It includes all financial resources not accounted for and reported in another fund and is used to account for the ordinary day-to-day operations financed through taxes and other general revenues.

**Special Revenue Funds** – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects). To meet the GASB's definition of a special revenue fund, the specific revenue sources must make up a **substantial portion**[1] of the inflows reported in the fund. Other resources, such as investment earnings and transfers, may also be reported in the fund.

For example, to substantiate the use of a special revenue fund for local government purposes, such as a city or village water fund, the substantial revenue sources must be restricted or committed to the purpose of the fund. Therefore, there must be an understanding with ratepayers that money collected will be used for the fund's operations as stated in a charter, local law, or other document in effect when the fund was initially created. A history of funds being used to finance the fund's operations is not enough.

Funds that are legally mandated to be kept separately (e.g., town highway, county road, county road machinery, town special districts, and sewer funds) should be reported as special revenue funds.

Those funds that do not meet the GASB's definition of a special revenue fund[2] should be included into the general fund (or another special revenue fund with a similar purpose that does meet the new definition, as long as the specific revenues would constitute a substantial portion of the inflows of the total reported fund) for AFR and financial reporting purposes.

For all major special revenue funds reported,[3] local governments need to disclose the purpose of the fund and the revenues and other resources reported in the fund in the notes to the financial statements.

**Special Revenue Funds include -**

> **General Fund Town-Outside-Village (B)** – used by towns which contain a village(s) to record **transactions which are required by statute** to be charged to the area of the town outside the village(s).
>
> **Special Grant Fund (CD)** – accounts for federal and State grants such as Community Development Block Grants, the Workforce Investment Act and the Section 8 Rental Assistance Program. Capital expenditures can be made directly from this fund and coded using the .2 object code. At the beginning of a new fiscal year, the appropriation of the previous year's fund balance does not have to go through the

[1] "Substantial portion" is not defined by GASB Statement 54, but 20 percent of expected inflows has become a commonly used threshold.

[2] GASB Statement 54

[3] Local governments may also adopt their own policy for accounting for special revenue funds internally.

normal budgetary process. The original authorization will not lapse since it is based on an application approved by local officials and the federal government.

**Miscellaneous Funds (C_) include Housing Authority (CB), Refuse and Garbage (CL), Miscellaneous (CM), Health Related Facilities (CN), Parking (CP), Recreation (CR), Transportation (CT) and Urban Renewal (CU)** – accounts for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.

**County Road Fund (County Only) (D)** – required by New York State Highway Law Section 114 and accounts for salaries and expenditures of the county highway superintendent's office, maintenance of county roads and bridges, snow removal and construction and reconstruction of county roads. This fund is not used to account for capital expenditures financed by borrowings; the capital projects fund (H) should be used.

**Highway Fund (Town Only) (DA/DB)** – established pursuant to Highway Law Section 141 and accounts for revenues and expenditures for highway purposes. The major areas of expenditures are repairs and improvements, bridges, machinery, snow removal and miscellaneous. **For towns without a village, all transactions would be recorded in the highway town-wide fund (DA). For those towns with villages, Highway Law Section 277 requires that expenditures for repairs and improvements be financed by the area outside the village (DB or also commonly referred to as the highway part-town fund)**. In addition, expenditures for machinery, snow removal and miscellaneous may be financed by the area outside the village, if the town board so elects. Therefore, a town with a village must maintain two highway funds, town-wide (DA) and part-town (DB).[4]

**Road Machinery Fund (County Only) (DM)** – required by Highway Law Section 133 and accounts for purchases, repairs and maintenance of highway machinery, tools and equipment; for the acquisition, construction, reconstruction or repair of buildings; for the housing or repair of highway machinery, tools and equipment; and for the purchase of materials and supplies to provide an adequate central stockpile for highway, snow removal and bridge purposes. The primary source of revenues for this fund is earnings from rentals of machinery to other funds and other governments, real property taxes and contributions from the general fund. *In lieu of this fund, an internal service fund (M) may be used for machinery.*

**Water Fund (FX)** – accounts for water operations as a governmental fund. Records of individual receivable accounts are essential and may be maintained in various forms. In addition, a control record summarizing postings to individual accounts should be maintained. Water operations may also be accounted for using an enterprise fund.

**Sewer Fund (G)** – accounts for sewer operations as a governmental fund. Sewer charges to the public constitute the basic source of revenue for this fund. Records of individual receivable accounts are essential and may be maintained in various forms. In addition, a control record summarizing postings to individual records should be maintained. Sewer operations may also be accounted for using an enterprise fund.

**Public Library Fund (L)** – accounts for transactions of a library established and supported, in whole or in part, by real property taxes. The use of this fund assures compliance with New York State Education Law Section 259, which provides that all moneys received from taxes or other public sources for library purposes shall be kept in a separate fund. The fiscal officer of the sponsoring local government shall serve as the treasurer of the library unless the library board appoints a separate treasurer. In addition to

[4] Expenditures of culverts and bridges spanning more than five feet must be accounted for in the DA fund per Highway Law §277.

the tax and other public moneys, the library may receive gifts and endowment funds. These funds will be accounted for in appropriate trust funds.

Library moneys appropriated for capital projects should be transferred to the capital projects fund (H) and expended upon authorization of the library trustees. Capital projects financed from the proceeds of obligations will be under the control of the governing board of the local government.

Grant or contract payments by the local government to a free association library or to a public library sponsored by another local government will **not** be recorded in the fund but will be made directly from the general fund.

For the purposes of financial reporting, a decision will have to be made as to whether the library meets the criteria for inclusion in the reporting entity.

**Special District Funds (S_) include Drainage (SD), Fire Protection (SF), Lighting (SL), Miscellaneous (SM), Park (SP), Refuse and Garbage (SR), Sewer (SS), Public Parking (ST) and Water (SW)** – account for those transactions for operation and maintenance of legally created special districts. A separate fund must be maintained for each special district. This **does not** include sewer or water improvements in towns subject to New York State Town Law Article 12-C.

**Permanent Fund (PN)** – used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that benefit the local government or its residents. For example, a library fund or a cemetery fund.

**Capital Projects Fund (H)** – used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets, such as equipment. A capital projects fund must be used if the acquisition or construction is financed in whole or in part from the proceeds of obligations, but may include funding from federal, State and local sources. This fund **should not** be used for those fixed assets financed by proprietary and fiduciary funds. The capital assets and capital improvements may be acquired by traditional financing sources such as special State and federal grants, borrowing, special assessments and installment purchase contracts authorized by the GML, Section 109-b. Because capital projects are budgeted on an individual project basis and the legal and contractual requirements will vary from one project or class of projects to another, an individual capital projects fund should be established for each authorized project.

There will be many instances in which the general fund or a special revenue fund will budget and expend its own resources for a capital purpose. As long as the resources are derived exclusively from the direct revenues of the particular fund and do not involve borrowing, such outlays may be accounted for in the fund involved without a separate capital projects fund.

The liability for long-term obligations issued to finance a project will **not** be recorded in the capital projects funds but will be accounted for in the Schedule of Non-Current Governmental Liabilities. This includes the proceeds of bonds and capital notes. Proceeds of State or federal aid received after completion of the project, which is restricted to payment of debt service, will be recorded in the debt service fund.

Capital assets acquired through a capital projects fund will be accounted for in the Schedule of Non-Current Governmental Assets.

The means of financing and the estimated cost of a project will be recorded in memorandum accounts similar to the entry for recording the annual budget in the general fund. These estimates will not be closed until the completion of the project and will not appear in the balance sheet.

The balance of obligations, accrued interest on obligations, earnings on investments and bond premiums (if the premiums are not used for the capital project) will be transferred to an operating or debt service fund for debt service payments.

**Debt Service Fund (V)** – used to account for and report the accumulation of resources that are restricted, committed or assigned to expenditures for the payment of principal and interest on long-term debt (debt from enterprise and internal service funds is excluded because long-term debt is recorded within these funds). Debt service funds are required when segregation of resources is legally mandated, including:

- Proceeds from the sale of property on which debt is outstanding.
- State and federal Aid received for a project on which debt is outstanding.
- Interest earned on the proceeds of long-term debt which was not budgeted as a source of financing for the project.
- Unexpended proceeds of long-term debt.
- Resources for a "Reserve Fund for Payment on Bonded Indebtedness" established pursuant to GML Section 6-h.

Taxes levied for debt service may be recorded directly to this fund or transferred from other funds. Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premium and accrued interest will be recorded here and held until appropriated for debt payments.

A single debt service fund will be maintained to account for and report the payment of long-term debt, however, subsidiary records must be maintained for individual debt issuances.

## Proprietary Funds

**Enterprise Funds (E_) include Airports (EA), Electric Utilities (EE), Health Related Facilities (EF), Hospitals (EH), Infirmaries (EI), Refuse and Garbage (EL), Miscellaneous (EM), Parking (EP), Recreation (ER), Sewer (ES) Transportation (ET) and Water (EW)** – used to account for operations (a) that are financed and operated in a manner similar to private business where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed and 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.

Enterprise funds may be used to account for and report fee-based activities for goods and services. The decision to use enterprise vs. governmental fund accounting is discretionary to a certain degree. However, certain types of operations have been widely accepted as requiring enterprise fund accounting, such as proprietary activities like hospitals, electric utilities, infirmaries, nursing homes and health-related facilities.

Once a decision is made to account for a particular service in a governmental or an enterprise fund, it should be followed consistently. Only a significant change in the nature of the activity would warrant a change in the basis of accounting.

**Internal Service Fund (M)** – used to account for and report any activity that provides goods or services to other funds, departments or agencies of the primary government, and its component units or to other governments on a cost reimbursement basis. The reimbursements and premiums are treated as operating revenues of the internal service fund and as expenditures/expenses of the reimbursing or insured fund.

Internal service funds should be used only if the reporting government is the predominant participant in the activity. While not required, once the decision is made to account for a particular service within an internal service fund, it should be followed consistently from year to year. Generally, the activities of these funds are confined to central stores for central purchasing and storage of materials and supplies and the servicing, garaging, and maintenance of a central equipment pool. Other examples of internal service funds include

central printing or duplicating services and central data processing services. A separate internal service fund should be maintained for each activity or service operation.

For these activities, the governing board should expressly indicate its intent by board action, similar to that for enterprise funds. Otherwise, such activities shall be accounted for within the appropriate governmental fund.

Charges for these services are intended to recoup the total cost of operations including depreciation. They are not designed to produce any significant profit. At the end of the year, fund revenues and expenses will be closed to the appropriate net position category.

**Self-Insurance (MS)** – accounts for insurance coverage when the governing body has decided to have a self-insurance program on an actuarial basis.

**Workers Compensation Fund (S)** – used to account for workers' compensation risk-sharing pools. This fund can only be used by counties and should be reported as an internal service fund.

## Fiduciary Funds

Fiduciary funds are provided to account for moneys received by the local government which must be held for purposes other than operation of the local government or which must be paid to other governments or persons.

**Private-Purpose Trust Fund (TE)** – used to account for trust arrangements where the government itself is not a beneficiary, and the assets are dedicated to providing benefits to recipients in accordance with the benefit terms and are legally protected from the creditors of the government.

**Custodial Fund (TC)** – used to account for any remaining fiduciary activities that are not required to be

reported in a private-purpose trust fund.

## Supplemental Schedules

**Non-Current Governmental Assets (K)** – used to account for capital assets of a government not accounted for through specific proprietary funds or fiduciary funds and their related accumulated depreciation. For example, capital assets such as buildings, automobiles, etc. of governmental funds would be recorded on this schedule. Capital assets of enterprise and internal service funds are recorded within the funds themselves and **not** within this schedule.

**Non-Current Governmental Liabilities (W)** – used to account for the unmatured general long-term debt and liabilities of a government which is not recorded as a liability in another fund. For example, bonds, compensated absences and other long-term obligations of governmental funds would be recorded on this schedule. Appropriations for principal and interest coming due during the fiscal year will be made from the general fund, other operating fund, or from a debt service fund. Long-term debt of enterprise and internal service funds are recorded within the funds themselves and **not** within this schedule.

# Chapter 5 – Classification and Coding

All local governments in New York State are required to use a standard system for classifying and coding accounting transactions.

## Classification

A classification of accounts is a systematic arrangement of accounts based upon a definite scheme. The purpose of classifying accounts is to provide a standard format for recording and reporting financial transactions which allows comparisons to be made with other local governments or other financial periods. The classification system serves as a basis for budgeting, accounting and reporting; administrative control; accountability to the OSC and the general public; cost accounting; and the compilation of financial statistical data at the State level.

## Coding

Coding of accounts facilitates the classification of data on source documents and the posting of entries in the accounting records. It enables identification of transactions quickly and provides consistency in reporting. The coding system used in New York State is an alphanumeric system - a letter or combination of letters followed by a series of digits.

The alpha portion of each code, consisting of one or two letters, identifies the fund. The following funds are provided for local governments in New York State:

**Governmental Funds:**

| Fund | Alpha Code |
|---|---|
| General | A |
| Special Revenue | |
| Town-Outside-Village | B |
| Miscellaneous | C_ |
| Housing Authority | CB |
| Special Grant | CD |
| Refuse and Garbage | CL |
| Miscellaneous | CM |
| Health Related Facility | CN |
| Parking | CP |
| Recreation | CR |
| Transportation | CT |
| Urban Renewal | CU |
| County Road | D |
| Highway-Town-Wide | DA |
| Highway-Part-Town | DB |
| Road Machinery | DM |
| Water | FX |
| Sewer | G |
| Public Library | L |

**Governmental Funds (continued):**

| Fund | Alpha Code |
|---|---|
| Special Districts | S_ |
| Drainage | SD |
| Fire Protection | SF |
| Lighting | SL |
| Miscellaneous | SM |
| Park | SP |
| Refuse and Garbage | SR |
| Sewer | SS |
| Public Parking | ST |
| Water | SW |
| Capital Projects | H |
| Permanent | PN |
| Debt Service | V |

**Proprietary Funds:**

| Fund | Alpha Code |
|---|---|
| Enterprise | E_ |
| Airports | EA |
| Electric Utilities | EE |
| Health Related Facilities | EF |
| Hospitals | EH |
| Infirmaries | EI |
| Refuse and Garbage | EL |
| Miscellaneous | EM |
| Parking | EP |
| Recreation | ER |
| Sewer | ES |
| Transportation | ET |
| Water | EW |
| Internal Service | M |
| Workers' Compensation | S |
| Self-Insurance | MS |

**Fiduciary Funds:**

| Fund | Alpha Code |
|---|---|
| Custodial | TC |
| Private-Purpose Trust | TE |

**Supplemental Schedules:**

| Fund | Alpha Code |
|---|---|
| Non-Current Governmental Assets | K |
| Non-Current Governmental Liabilities | W |

The numeric portion of each code which immediately follows the alpha portion identifies general ledger, revenue and expenditure/expense accounts. The same account code number, where applicable, is used in all funds.

**General ledger codes** have three digits and are arranged in balance sheet order; assets and deferred outflows of resources, liabilities and deferred inflows of resources and fund equity.

| Codes | Description |
|---|---|
| 100 – 499 | Assets and Deferred Outflows of Resources |
| 600 – 799 | Liabilities and Deferred Inflows of Resources |
| 800 – 999 | Fund Equity |

For example, general ledger code, 200 identifies the asset Cash. When combined with an alpha code, it refers to Cash in that specific fund. A200 identifies the asset Cash in the general fund.

**Revenue codes** have four digits and are arranged by source (where did the revenue come from):

| Codes | Description |
|---|---|
| 1000 – 2999 | Local Sources |
| 3000 – 3999 | State Sources |
| 4000 – 4999 | Federal Sources |
| 5000 – 5999 | Interfund Transfers and Proceeds of Obligations |

Each category is further subdivided to better identify the revenue source. For example, revenue code 2401 identifies Interest and Earnings from Local Sources (1000-2999). When combined with an alpha code, it refers to revenue in that specific fund. A2401 identifies Interest and Earnings from Local Sources within the general fund.

GAAP requires revenues to be classified by fund and source. Therefore, an alpha code will always precede the revenue code.

**Expenditure/Expense codes** have a minimum of 5 digits and are arranged by function and object of expenditure/expense. The term "function" refers to the primary classification and description as to purpose (what was the purpose of the expenditure/expense). The first four digits identify the function:

| Codes | Description |
|---|---|
| 1000 – 1999 | General Government Support |
| 2000 – 2999 | Education[5] |
| 3000 – 3999 | Public Safety |
| 4000 – 4999 | Health |
| 5000 – 5999 | Transportation |
| 6000 – 6999 | Economic Assistance and Opportunity |
| 7000 – 7999 | Culture and Recreation |
| 8000 – 8999 | Home and Community Service |
| 9000 – 9099 | Employee Benefits |
| 9700 – 9799 | Debt Service |
| 9900 – 9999 | Interfund Transfers |

Each function is further subdivided to better classify the expenditure/expense. For example, expenditure/ expense function code 1325 in general government support (1000-1999) identifies the Treasurer's Office of the local government. Like the revenue codes, GAAP requires an alpha character to precede an expenditure/expense code.

Expenditures/expenses are also classified by character, that is, on the basis of the fiscal period they are presumed to benefit. The major character classifications are current, capital outlay and debt service. Character classifications can be accomplished by grouping the object classifications, which are subdivisions of character classifications.

[5] Towns lack the authority to provide education services thus, the 2000-2999 function areas are generally not used in towns.

The object of the expenditure/expense (the fifth digit in the code) is a secondary classification, and identifies the item purchased or service obtained in order to carry out the function. The object is identified by the fifth digit:

| Object Code | Description |
|---|---|
| .1 | Personal Services |
| .2 | Equipment and Capital Outlay |
| .4 | Contractual and Other |
| .6 | Debt Service Principal |
| .7 | Debt Service Interest |
| .8 | Employee Benefits* |
| .9 | Interfund Transfers |

*Employee benefits, including such items as the local government's share of social security, retirement, and various types of insurance, may be recorded in two ways. The first method would be to use the "Undistributed" codes 9010 through 9089 with the .8 object of expenditure/ expense. The alternative method is to charge the employee benefits to the various functional units using the .8 object of expenditure/expense.

Expanding on our previous example, expenditure/expense code 1325 can be further classified as 1325.4 to charge Contractual Services of the Treasurer's Office. Therefore, A1325.4 identifies a general fund expenditure/expense for Contractual Services of the Treasurer's Office.

GAAP requires expenditures to be classified by fund, function, character and object.

Although not required by GAAP, the coding of expenditures/expenses may be expanded to include more detail such as department, location and/or accounting activity. This can be accomplished at the local government level by further expanding the object of expenditure code by adding additional digits. As an example, the Contractual and Other object code (.4) listed previously could be further refined as:

| Object Code | Description |
|---|---|
| .41 | Supplies and Material |
| .42 | Utilities |
| .43 | Insurance |
| .44 | Professional and Technical Services |
| .45 | Rent or Lease |
| .46 | Operation and Maintenance |
| .47 | Miscellaneous |

# Chapter 6 – Fund Balance Reporting and Governmental Fund Type Definitions

Current fund balance classifications are defined by GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement requires local governments to focus on the constraints imposed upon resources when reporting fund balance in governmental funds. Fund balance classifications indicate the level of constraints placed upon how resources can be spent and identify the sources of those constraints.

Constraints are broken down into five different classifications: nonspendable, restricted, committed, assigned and unassigned. The classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor constraints on the specific purposes for which resources in a fund can be spent.

**Fund Balance Classifications**

| Classification | Definition |
|---|---|
| Nonspendable | Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments. |
| Restricted | Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. |
| Committed | Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year. The committed amount cannot be used for any other purpose unless the same level of formal action that created the constraint, removes the constraint. |
| Assigned | Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. |
| Unassigned | Represents the residual classification for the government's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned. |

## Fund Balance Classification in New York State

Various State statutes allow most local governments to establish reserve funds for various purposes, e.g., capital, repair, debt, workers' compensation. These statutes regulate the establishment, funding and use of these reserves, but generally don't require local governments to establish or fund them. Because the statutes regulate the establishment, funding and use of these reserves, generally, reserves will be classified as restricted fund balance on financial statement balance sheets. Reserve funds that authorize transfers to other reserve funds as stated in the controlling statute (which may require board action and/ or voter approval) will still be classified as restricted, because even though the purpose for the restriction may change, the level of constraint on spending does not.

Reserves that allow for transfers back to the originating operating fund should be classified as assigned fund balance, **but only after** an action or determination has been made by the governing board that the reserve is no longer needed for the purpose for which the reserve fund was established, and **only** for the portion that is returnable to the operating fund.

Local governments are not required to report all five classifications of fund balance. OSC believes that in most cases, local governments in New York State will not have committed fund balance to report. If the governing body has not delegated the authority to assign amounts to be used for specific purposes to another body or official, in most instances, OSC believes that formal actions by governing boards (resolutions, ordinances, and local laws) constitute a similar level of constraint of resources, and these formal actions will result in an assignment of resources.

Some local governments may have a unique structure that provides for a clear distinction between formal actions, which may allow the local government to report both a commitment and an assignment of resources.[6] If the highest level of decision-making authority is permitted to delegate its authority to constrain resources reported in fund balance to a subordinate body or official, then the resources constrained by that body or official must be reported as assigned fund balance.

## Statutory Fund Balance Limitations

Pursuant to State law, counties, towns and villages have the authority[7] to carry over a "reasonable amount" of unappropriated unreserved fund balance from one year to the next (Chapter 528 of the Laws of 2000). GASB Statement 54 eliminated the unappropriated unreserved fund balance terminology. As a result, local governments should apply the "reasonable amount" calculation to the unrestricted portion of fund balance (defined as the total of the committed, assigned and unassigned fund balance classifications).

Counties, towns and villages can fund additional appropriations or increase existing appropriations from unrestricted fund balance or unanticipated revenues within a fund, if the total of all revenues recognized or reasonably expected to be recognized, together with unrestricted fund balance, exceeds the total of all revenues of such fund estimated in the budget, including appropriated fund balance.[8]

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[6] In some circumstances, a local government may have a level of decision-making with higher authority than a governing board. These circumstances and actions that result in reporting of committed and assigned fund balance should be disclosed in the notes to the financial statements.

[7] New York State County Law (Article 7), Town Law (Article 8) and New York State Village Law (Article 5).

[8] County Law Sections 363 and 366; Town Law Section 112; Village Law Section 5-520.

Counties, cities, towns and villages can also expend moneys from a contingency and tax stabilization reserve to reduce projected real property tax increases in excess of 2.5 percent, subject to certain limitations.[9]

## Determining a Reasonable Fund Balance Level

A fixed percentage (of fund operations) or a fixed dollar amount is not specified in statute because a fixed percentage might be insufficient for small local governments and excessive for large local governments, while a fixed amount might be excessive for small local governments and insufficient for large local governments. A "reasonable amount" of the unrestricted fund balance may be retained for each fund, consistent with prudent budgeting practices, necessary to ensure the orderly operation of the government and the continued provision of services. Each local government needs to assess what's "reasonable" for their situation considering various factors, including:

- Timing of receipts and disbursements - A cash flow projection for the following year should be prepared, as a good management practice and as part of the budget process, to plan for receipts, disbursements, investments and borrowings. If the local government receives reimbursements such as State and federal grants, disbursements may occur before receipts. This may result in the local government needing to borrow cash, or maintaining a larger cash balance sufficient to cover disbursements, to avoid the need to borrow. Therefore, a larger unrestricted fund balance may be justifiable.

- Volatility of revenues and expenditures - The uncertainty of some revenue estimates (e.g., sales tax) and some expenditure estimates (e.g., social services costs, pending labor contracts, etc.) may justify an increased need for more unrestricted fund balance.

- Contingency appropriations - Contingency appropriations in the ensuing year's budget may offset the amount needed in unrestricted fund balance.

- Reserves that have been established for various purposes - Local governments with established reserves (e.g., capital reserves), through effective long-range planning, may need less unrestricted fund balance.

The factors discussed above have an impact on the amount that is reasonable. A reasonable, stable fund balance is one element of effective long-range planning and can have several benefits including improving bond ratings, reducing reliance on short-term borrowings thereby reducing interest costs, stabilizing tax rates and preventing program reductions.

Each local government should adopt a policy that indicates how these factors will be applied in determining unrestricted fund balance. This policy can be used from year-to-year in preparing the budget to ensure that the unrestricted fund balance is consistently maintained at an adequate level.

[9] GML Section 6-e.

# Chapter 7 – Budgeting

The moneys to run local governments are raised in a budget prepared and adopted in the preceding fiscal year. Most local governments levy and collect real property taxes to assist in financing the local government during the fiscal year. Every expenditure or commitment of moneys must be within the provisions made in the annual budget.

GASB prescribes authoritative guidance on the budget and budgetary accounting in Section 1700 of its "Codification of Governmental Accounting and Financial Reporting Standards." The sources of this guidance are the NCGA Statement 1, NCGA Interpretation 10 and GASB Statement 34.

NCGA Interpretation 10 (State and Local Government Budgetary Reporting) defines the appropriated budget as the expenditure authority created by the appropriation bills or ordinances that are signed into law and related estimated revenues, including all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes.

Section 1700 sets forth the following statement of principles on budgeting and budgetary control:

1. An annual budget(s) should be adopted by every governmental unit.

2. The accounting system should provide the basis for appropriate budgetary control.

3. Budgetary comparisons should be included for funds which adopt an annual budget.

4. Common terminology and classification should be used consistently throughout the budget, the accounts and the financial reports of each fund or activity.

The budget is an essential ingredient in the financial planning, control and evaluation process of any local government. Every governmental unit in New York State is either required to, or should, prepare an annual operating budget. In the case of the capital projects fund, however, the budget is only for the period of the individual project, which may span more than one fiscal year.

Simply stated, the budget is the estimated financial plan of a government. It provides details of the spending authority for the various governmental purposes and the means of financing those proposed appropriations.

## Legal Level of Control

The legal level of control refers to the level at which management can reassign appropriations without governing board approval. The OSC requires budgets be adopted at a minimum level of function and object of expenditure. For example, assume the function of “Clerk” code 1410 includes the following objects of expenditure:

| Code | Amount |
|---|---|
| 1410.1 - Clerk Personal Services | $10,000 |
| 1410.2 - Clerk - Equipment | 500 |
| 1410.4 - Clerk - Contractual | 4,000 |
| **1410.0 Total** | **$14,500** |

Before any function and object appropriation can be exceeded, board approval must be obtained to modify the budget and make an appropriation available. For example, if there is a need to expend over $500 for equipment and there is a balance available in function and object code, 1410.4 Clerk-Contractual, board approval must be obtained before the appropriation can be increased, even if the transfer from Clerk-Contractual to Clerk-Equipment won't result in the total of code 1410 being exceeded.

## Budgetary Integration

Formal budgetary accounting is a management control technique used to assist in controlling expenditures and tracking revenues. Budgetary accounting techniques are important because the annual budget is a legal compliance standard used to evaluate the operations of government.

The statutory laws of the State of New York and many local government charters require staying within appropriated budgets. Therefore, budgetary accounting is designed to ensure and demonstrate compliance with the budget. To achieve this goal, appropriated budgets are integrated into the accounting system. This budgetary integration is specifically designed to provide ongoing and timely information to users about unrealized budgetary revenues and remaining uncommitted appropriation balances.

After their managerial control purpose has been served, the general ledger budgetary accounts are reversed during the year-end closing process. Therefore, the budgetary accounting process has no effect on the actual results of operations.

## Accounting for the Budget

The range and method of budgetary practices are outside the scope of financial reporting standards. However, budgetary compliance should be a significant factor in managing local governments. The budget should be prepared on a basis consistent with the measurement focus of the particular fund.

Preparation of the budget on a basis not consistent with GAAP, such as the cash basis, may complicate financial reporting when the actual accounts are maintained in accordance with GAAP. When legal statutes require another basis for the budget, governmental units should:

- Maintain the accounts and prepare budgetary reports on the legally prescribed budgetary basis; and

- Maintain sufficient supplementary records to permit presentation of financial statements in conformity with GAAP.

The system prescribed by OSC provides for the integration of the budget into the accounting records to aid local officials in ensuring that expenditures/expenses do not exceed the amounts appropriated in the budget. It does this by reporting on whether debits and credits equal within this self-balancing group of budgetary accounts. A journal entry will be made for the general ledger accounts.

## Budgetary Accounts

Both the authorized financial plan, or budget, and the actual results realized during the fiscal year will be recorded. Accounts have been provided to record the budget and any modifications. The budgetary accounts are a self-balancing group of accounts. Control accounts will record the total of estimated revenues and the total amount authorized for expenditure (appropriations). Details of estimated revenues and appropriations will be maintained in subsidiary ledger accounts. An account has been provided to show the amount of the fund balance appropriated to finance the current year's budget. Actual revenues and expenditures will not affect these accounts. The budgetary accounts are as follows:

| Code | Description |
|---|---|
| 510 | Estimated Revenues |
| 511 | Appropriated Reserves and Restricted Fund Balance |
| 530 | Obligations Authorized |
| 595 | Appropriated Fund Balance, Part County |
| 599 | Appropriated Fund Balance |
| 960 | Appropriations |
| 962 | Other Budgetary Purposes |
| 990 | Unappropriated Revenues |

**The subsidiary revenue and expenditure/expense accounts support the totals in the general ledger. The budget will be posted to the subsidiary accounts directly from the actual budget. The following illustrates the entries for recording the budget in the general ledger:**

| Date | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| 1/1/XX | 510 Estimated Revenues | | XXX | |
| | A--------Various Revenues | XXX | | |
| | 599 Appropriated Fund Balance | | XXX | |
| | 960 Appropriations | | | XXX |
| | A--------Various Appropriations | XXX | | |
| | **To record the adopted budget.** | | | |

Throughout the year the budgetary control account, “Appropriations” (960) and the subsidiary appropriation accounts are used to control expenditures/expenses, keeping them within the authorized spending authority of the budget. The budgetary control account “Estimated Revenues” (510) and the subsidiary revenue accounts are used to record and summarize aggregated estimated revenues to ensure that revenues supporting the appropriations are received, or on track to be received. Analysis of the accounts on a continual basis will enable the budget officer to determine when the budget should be modified because original appropriations are insufficient or estimated revenues will not materialize.

## Encumbrances

Encumbrances are informally defined as “an appropriation that’s spoken for”. They are commitments related to unperformed executed contracts for goods or services. The encumbrance account does not represent a GAAP expenditure, only a commitment to expend resources. Likewise, the account, “Reserve for Encumbrances,” is not a true liability account since the liability is only recognized when the goods are received or the services are performed. Local governments should debit Encumbrance Account 521 and credit the Reserve for Encumbrance Account 821 when encumbering amounts during the year. These two accounts are not reported on the AFR.

The formal use of encumbrances as a continuous and integral part of the accounting system enhances budgetary control. However, unless a local government has implemented a formal purchase order system, encumbrance accounting can be difficult and cumbersome. While some small local governments may be able to function effectively without a formal system, at minimum, a listing of outstanding encumbrances must be compiled and recorded at year end in order to ensure a portion of the fund balance is available to meet these commitments.

In a formal encumbrance system, each appropriation account shall show the amount appropriated, the amount encumbered, the amount expended and the unencumbered balance. The principal purpose of this requirement is to guard against the creation of liabilities in excess of the appropriations approved by the governing board.

Before a purchase order or similar document is released to a supplier or contractor, it should be approved by the accounting officer and documented that appropriations are available. A copy should be filed with the accounting officer and with the department initiating the order. If an appropriation balance is available, the chief fiscal officer will enter the encumbrance against the proper appropriation account. In those instances where a proposed commitment exceeds the available balance, the encumbrance should not be entered and the purchase order should be returned to the originating department until appropriate action is taken to modify the budget.

At the end of the fiscal year, encumbrance account 521 is closed to and reported in unrestricted fund balance 912.[10] On the first day of the next fiscal year the entry closing the encumbrance account is reversed and the budget for the subsequent year is increased by the amount that was encumbered in the previous year. For example:

**General Journal Entry - Year One**

| Date | Account | Debit | Credit |
|---|---|---|---|
| 12/31/XX | A912 Fund Balance - Unrestricted | $1,500 | |
| | A521 Encumbrances | | $1,500 |
| | **To close out encumbrances at year end**. | | |

[10] Unrestricted Fund Balance, account code 912, is used for budgeting and accounting only, not for reporting purposes. Use of 912 will result in amounts being allocated to 913 Committed Fund Balance, 915 Assigned Unappropriated Fund Balance or 917 Unassigned Fund Balance for AFR reporting purposes, as appropriate.

**General Journal Entry - Year Two**

| Date | Account | Debit | Credit |
|---|---|---|---|
| 1/1/XX | A599 Appropriated Fund Balance | $1,500 | |
| | A960 Appropriations | | $1,500 |
| | **To increase the current budget for prior year encumbrances.** | | |

**General Journal Entry - Year Two**

| Date | Account | Debit | Credit |
|---|---|---|---|
| 1/1/XX | A521 Encumbrances | $1,500 | |
| | A912 Fund Balance, Unrestricted | | $1,500 |
| | **To reopen encumbrances from the prior year.** | | |

## Encumbrance Reporting

Only significant encumbrances should be disclosed in the notes to the financial statements in conjunction with disclosures of other significant commitments. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered should be considered assigned for the purpose of the expected expenditure, because the outstanding purchase orders are evidence of the local government's intent to spend the resources. Encumbered amounts should not be displayed separately within the restricted, committed or assigned classifications.

## Budget Modification

Since the budget is an estimate, situations inevitably will arise when it will be necessary to modify the budget. Generally, an appropriation can be increased or created by:

- Transferring from the unexpended balance of an existing appropriation(s) – also referred to as transferring between line items.
- Transferring from contingency appropriations (account code 1990.4), if any.
- Appropriating unrestricted fund balance or unanticipated revenues received or expected to be received.
- Grants in aid, insurance recoveries and gifts.
- Borrowing pursuant to the New York State Local Finance Law (Budget Notes, Deficiency Notes).

Budget modifications must be authorized by board resolution, AND the resolution must stipulate both the appropriation account(s) to be increased and financing source(s) to support the modification. All budgetary modifications, after approval by the governing board, are journalized and posted to the appropriate general ledger and subsidiary accounts.

**Transfers Between Line Items**

Transfers between line items can be one of the simplest options to use to modify the budget and should be the first option used. The budget of one or several line item(s) may be reduced to increase the budget of the line item(s) with insufficient balances.

**Contingency Line Items**

A contingency line item (account code 1990.4) may be included in the budget by the governing board to provide funding for unexpected events. Statutory law provides specific limits on the amount that can be budgeted in contingency line item(s). The following is a list of statutes that authorize appropriating funds for contingencies:

| | |
|---|---|
| Counties | County Law - Section 365 (1), (3) |
| Cities | See city charter |
| Towns | Town Law - Sections 107(2), 113, 202-a(3), 215(9-a) |
| Villages | Village Law - Section 5-506 (1)(a)(3) |

Expenditures may not be charged directly to the contingency appropriation. The governing board must first modify the budget by transferring from the contingency appropriation to the appropriation account needing funding. Using the contingency appropriation does not increase the original budget, it reallocates funding.

The following is a breakdown of contingency limits by type of local government:

**Counties**

1. General Fund (County Law, Section 365[1])

The allowable appropriation cannot exceed the sum of $35,000 unless the County budget for general purposes exceeds $500,000. If the total is greater than $500,000, the amount of the appropriation for contingencies shall not exceed $35,000 plus 3 percent of the estimated expenditures that exceed $500,000, exclusive of the amounts appropriated to pay debt service.

Example: Assume a total general fund appropriation of $750,000, which includes appropriations for debt service principal and interest of $65,000. The limitation on the appropriation for contingencies would be:

$750,000 – $65,000 – $500,000 = $185,000
$185,000 X 3% = $5,550
$35,000 + $5,550 = $40,550

The maximum amount of the appropriation for contingencies would be $40,550

2. Part-County Funds (County Law, Section 365[3])

Ten percent of the part-county fund's appropriations.

**Cities**

Pursuant to city charter or, in the absence of an express charter provision, generally an amount reasonable in relation to the size and character of the city and the total amount of the city's annual budget, to the extent not inconsistent with the charter.

**Towns**

1. General Fund – Town-Wide (Town Law, Section 107[2])

For general contingent purposes, no more than 10 percent of the total amount estimated as necessary to provide for the operation of town government (excluding debt service, judgments, estimates for special district purposes, estimates for highway repairs and improvements, and estimates for purposes for which real property taxes are required to be levied on an area less than the entire town).

2. General Fund – Town Outside Villages (Town Law, Section 107[2])

For special contingent purposes, no more than 10 percent of the total amount estimated as necessary to provide for the operation of town government and for which real property taxes are required to be levied on the area of the town outside of villages (excluding debt service, judgments, estimates for special district purposes, and estimates for highway repairs and improvements).

3. Highway Fund (Town Law, Section 113)

None, but transfers can be made from the town-wide or town-outside-villages contingency appropriations to an account within the highway fund of the same tax base.

4. Special Districts (Town Law, Sections 202-a[3], 215[9-a]

Ten percent of the amount estimated as necessary to meet the expense of maintaining the improvement (excluding debt service and judgments).

**Villages (Village Law, Section 5-506[1][a][3])**

Ten percent of appropriations (excluding debt service and judgments).

**Appropriation of Unrestricted Fund Balance or Unanticipated Revenues**

There are situations when it may be necessary to increase the original budget. Specific legal authority for budget modification to increase the original budget is contained in statutory laws of the State of New York or in the case of cities, authorized by provisions of the charter. The laws or charters should be reviewed for specific provisions that apply to any specific local government. The County, Town and Village Laws contain provisions for appropriating fund balance and/or an unanticipated revenue.

**Grants in Aid, Insurance Recoveries and Gifts**

There are provisions contained in the County, Town and Village Laws for increasing the budget at any time for the following purposes:

- Grants in aid received from the State and federal government. An example is disaster aid received from the Federal Emergency Management Agency (FEMA) or the State Emergency Management Office (SEMO). For FEMA and SEMO revenues and expenditures, the following accounting codes must be used:

  Revenue - SEMO - Emergency Disaster Revenue 3960
  Revenue - FEMA - Emergency Disaster Revenue 4960
  Expenditures - Emergency Disaster Work 8760.0

- Insurance proceeds received for loss due to theft, damages or destruction of real or personal property when proposed to be used or applied to repair or replace such property.

- Gifts received, which are required to be expended for particular objects or purposes.

## Borrowings Pursuant to Local Finance Law

### Budget Notes

- Budget notes may be issued pursuant to Local Finance Law, Section 29 to provide funding (up to 5 percent of the budget) for expenditures for which insufficient or no provision was made in the budget or necessary expenditures because of an unforeseen public emergency (no limit).
- The budget note resolution must detail the line-item appropriation(s) to be increased and the amount(s). The proceeds of the note can only be used for the purpose issued and any excess must be used to pay principal and interest on the note.

### Deficiency Notes

- Deficiency notes may be issued pursuant to Local Finance Law, Section 29.20 to finance a deficiency in any fund(s) arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may not exceed 5 percent of the amount of that same year's annual budget.
- A resolution that complies with Local Finance Law, Section 40.10 must be adopted in order for a deficiency note to be issued or renewed. The proceeds of the note must be used for the purpose issued. Any remaining proceeds must be used for the payment of the principal and interest on the notes.
- If deficiency notes are renewed or issued in two or more successive years, the local government must comply with additional reporting and monitoring requirements. Those requirements consist of preparing quarterly budget reports, submitting preliminary/tentative budgets to the OSC for review and recommendations, preparing three-year financial plans and notifying OSC prior to the issuance of most debt.[a] The local government must comply with these requirements for three years beginning with the fiscal year in which the deficiency notes were renewed, or for three years beginning with each second successive year in which they were issued. For additional information, please refer to our accounting bulletin entitled *Accounting for Deficiency Notes* issued in March 2012.

[a] See Local Finance Law, Section 10.10(c),(d),(e),(f) for the specific requirements.

# Chapter 8 – Defining the Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity* (and amended by numerous GASB Statements[11]), established the standards for defining and reporting on the financial reporting entity and for reporting participation in joint ventures. This statement and its subsequent amendments applies to financial reporting by primary governments, governmental joint ventures, jointly governed organizations and other stand-alone governments; it also applies to the separately issued financial statements of governmental component units.

## Financial Reporting Entity Concept

The concept underlying the definition of the financial reporting entity is that all functions of government are the responsibility of elected officials at the federal, State or local level and consequently should be reported as part of one of those levels of government. The precepts underlying our representative form of government are that elected officials are **accountable** to their constituents for their actions and for the actions of appointed officials.

## Basis for Reporting Entity Definition

The definition of the reporting entity is based primarily on the idea that the reporting entity should encompass all units for which the elected officials are **financially accountable**, as well as those organizations that do not meet the financial accountability test, but that management determines would be misleading to exclude.

## Definition of the Financial Reporting Entity

The **financial reporting entity** is defined as:

- The primary government (PG);
- Organizations for which the PG is financially accountable; and
- Other organizations for which the nature and significance of their relationship with the PG are such that exclusion would cause the reporting entity's financial statements to be misleading.

**Primary Governments**

The foundation of the PG is a separately elected governing body. As the "nucleus" of the financial reporting entity, the PG is usually the focal point for the users of financial statements. The financial reporting entity includes both the PG and its component units (CUs).

[11] A complete listing of subsequent GASB statements that have amended Statement 14 can be found on GASB's website.

A **PG** is defined as:

- Any State government.
- Any general purpose local government (e.g., county, city, town or village).
- A special-purpose government (e.g., school district or fire district) that meets all of the following criteria:
    - The members of the governing body are separately elected;
    - The government functions as a separate legal entity;[12] and
    - The government is fiscally independent.[13]

The financial reporting entity includes both the PG and its CUs. The flowchart on the last page of this chapter can be used as an aid to evaluate potential CUs.

**Component Units**

CUs are legally separate organizations for which the elected officials of the PG are financially accountable. In addition, CUs can be other organizations for which the nature and significance of their relationship with a PG are such that exclusion would cause the reporting entity's financial statements to be misleading.

Financial Accountability

The PG is accountable if it appoints a voting majority of the potential CUs governing board, but it may not be financially accountable.

A PG is *financially accountable* for a CU if it meets **one** of the following criteria:

- The PG appoints a voting majority of the CU's board **and** is able to impose its will on the CU.
- The PG appoints a voting majority of the CU's board **and** there is a potential for the CU to provide specific financial benefits to or impose specific financial burdens on the PG.
- The CU is fiscally dependent on the PG **and** there is a potential for the CU to provide specific financial benefits to or impose specific financial burdens on the PG (even if the PG does not appoint a voting majority of the CU's board).

[12] To be legally separate, a government must possess corporate powers such as the capacity to have its own name, the right to sue and be sued in its own name without recourse to another level of government and the ability to buy, sell, lease or mortgage property in its own name.

[13] To be fiscally independent, a government must be able to: 1) determine its own budget without another government having the authority to approve and/or modify that budget; 2) levy or cause to be levied its own taxes or set its user rates or charges without approval of another government; and 3) issue or cause to be issued debt without approval by another government.

Imposition of Will

Examples of situations that would give the PG the ability to impose its will on a CU:

- The PG may remove appointed CU governing board members at will.
- The PG may approve or modify the budget of the CU.
- The PG may approve or modify user rates or fee charges (e.g., water usage rate increases).
- The PG may veto, overrule or modify other types of decisions made by the CUs governing board.
- The PG may appoint, hire, reassign or dismiss management responsible for operations of the CU.

Financial Benefit or Burden

Examples of conditions that exist indicating a financial benefit or burden relationship[14] (any one of the following meets the financial benefit/burden criteria):

- The PG has the ability to access the CU's resources (not just a residual interest).
- The PG is legally obligated or has otherwise assumed the obligation to finance deficits, or to provide financial support to the CU.
- The PG is obligated in some manner for the CU's debt (either expressed or implied).
- The PG is obligated to make contributions to defined benefit pension or OPEB plans.

Fiscal Dependency

A CU is considered fiscally dependent on the PG if the CU does not have the authority to do **any** of the following:

- Determine its own budget without the PG having the authority to approve and/or modify that budget;
- Levy or cause to be levied its own taxes or set its user rates or charges without approval of the PG; or
- Issue or cause to be issued debt without approval by the PG.

[14] Exchange transactions between CUs and the PG should not be considered manifestation of financial benefit/ burden relationship.

Misleading to Exclude

The PG may decide to include a CU that does not meet the financial accountability criteria if, in management's professional judgment, the nature and significance of the relationship of the CU with the PG are such that exclusion would cause the PG's financial statements to be misleading.

The PG should include a CU if the CU is legally separate, tax-exempt and meets **all** of the following criteria:

- The economic resources received or held by the CU are entirely or almost entirely for the direct benefit of the PG, its CUs, or its constituents;
- The PG, or its CUs, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the CU; and
- The economic resources received or held by the CU are significant to the PG.

In addition, other organizations should be evaluated as potential CUs if they are closely related financially or financially integrated with the PG.[15]

**Display of CUs in Financial Statements**

If the CU meets the previously discussed criteria, it should be included in the financial statements of the reporting entity by blending or discrete presentation. In addition, the financial statements should allow users to distinguish between the PG and its CUs, by communicating financial information of the CUs without creating the impression that the PG and its CUs makeup one legal entity.

**Blending**

Blending means that the CU is combined with the PG to form a single financial reporting presentation. The CU is treated like a part of the PG and is included in the fund financial statements and the government-wide statements. **Blending should occur only** in the following scenarios:

- The CU's governing body is substantively the same as the governing body of the PG, **and** at least one of the following is applicable:
    - There is a financial benefit or burden relationship as discussed above; or
    - Management of the PG (below the level of the governing board) manages the CU as though it were a department of the PG.
- The CU provides services entirely, or almost entirely, to the PG or otherwise exclusively, or almost exclusively, benefits the PG even though it does not provide services directly to it. Examples include providing financing services or administering employee benefit programs.
- The CU's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the PG (even if the resources are passed through the CU). For example, there may be a continuing pledge of resources and appropriations by the PG.

**Absolutely no funds of the CU should be combined with the PG's general fund**. A CU's general fund becomes a special revenue fund within the reporting entity.

[15] Financial integration may be expressed in policies, practices or organizational documents of the PG or CU.

The assets and the debt of the blended CUs should be reported as the PG's assets and debt. Leases between the PG and the blended CUs should be eliminated. Resource flows between the PG and blended CUs should be reclassified as internal activity in the financial statements of the reporting entity. Transfers and interfund transactions should be presented separately from those of the PG itself and its discretely presented CUs.

**Discrete Presentation**

When blending is not applicable, discrete presentation is used. Discrete presentation involves reporting CU financial data in one or more column(s) separate from the financial data of the PG. For purposes of the annual financial report to OSC, local governments should include discretely presented CUs in a separate fund to distinguish the CU from the PG. CUs that are otherwise reported to OSC, either as a special purpose unit or through the Public Authorities Reporting Information System (PARIS), should not be reported as part of the PG.

**Note Disclosures**

The notes to the PG's financial statements should include a brief description of all CUs of the financial reporting entity and their relationships to the PG. These disclosures should include a discussion of the criteria for including the CUs and how they are reported (blended or discrete). Specifically, rationale for inclusion and method of reporting should be provided for each CU with the option for aggregation in common circumstances. The notes should also include information about how to obtain the separate financial statements of individual CUs.

**Different Fiscal Years for PG and CUs**

The PG and its CUs may have identical or different fiscal years. If a common fiscal year-end is impractical, the PG should incorporate financial statements for the CU's fiscal year ending during the PG's fiscal year. If the CU's fiscal year ends within the first quarter of the PG's subsequent fiscal year, it is acceptable to incorporate that fiscal year of the CU if the financial information is available in a timely manner.

**Related Organizations**

If an entity meets the definition of accountability (the PG appoints a voting majority of the governing board) but does not meet the additional criteria for financial accountability, it is considered a related organization and a summary of the relationship should be disclosed in the PG's notes to the financial statements.

**Intra-Entity Transactions and Balances**

Resource flows between the PG and any blended CUs should be reported as internal activity in the financial statements of the reporting entity. Similarly, receivables and payables between the PG and its blended CUs should be reported as amounts due to/from other funds. Balances owed between discretely presented CUs and the PG should be reported as "due to/from CUs/PG" separately from interfund balances. Any transactions between discretely presented CUs and the PG should be reported similarly to external transactions (revenues and expenses).

# Joint Ventures

A joint venture is a legal entity or other organization resulting from a contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain:

- An ongoing financial interest in the joint venture which includes an equity interest that causes a participating government to have access to the joint venture's resources; or

- An ongoing financial responsibility for a joint venture if a participating government is obligated in some manner for the debts of the joint venture or if the joint venture's continued existence depends on continued funding by the government.

**Financial Reporting**

For financial reporting purposes, there are two types of joint ventures: those in which the PG has an equity interest and those in which the PG does not have an equity interest.

Equity Interest – An equity interest is defined as a financial interest in a joint venture evidenced by the ownership of shares of the joint venture's stock or by otherwise having an explicit measurable right to the net resources of the joint venture that is usually based on an investment of financial or capital resources by a participating government.

Government-Wide Statements and Proprietary Funds – Participating governments should report their equity interest in the joint venture in the government-wide and propriety fund statements of net position, calculated in accordance with the joint venture agreement. Initially, the investment should be reported at cost. When appropriate, the equity interest should be adjusted for the participant's share of the joint venture's change in net position. The equity interest should be reported in the respective statement of net position as a single amount, and the share of the joint venture's change in net position should be reported in the respective operating statements.

Governmental Funds – Because the equity interest in a joint venture generally represents equity primarily in capital assets, it should not be reported on governmental fund balance sheets (except for amounts payable to, or receivable from, the joint venture). Governmental fund operating statements should report changes in a participating government's investment in joint ventures only to the extent that the amounts received or receivable from the joint venture or the amounts paid or payable to the joint venture satisfy modified accrual revenue and expenditure recognition criteria.

No Equity Interest – If a government participant does not have an equity interest in the joint venture, the participation in the joint venture should be reported in the notes to the financial statements.

**Note Disclosure**

Regardless of whether there is an equity interest, note disclosure is required by all participants in joint ventures. Such disclosure shall contain a general description of each joint venture, including:

- Description of the participating government's ongoing financial interest (including equity interest, if applicable) or ongoing financial responsibility. This disclosure should also include information to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden to the participating government in the future (e.g., material surpluses/deficits); and

- Information about the availability of separate financial statements of the joint venture.

## Jointly Governed Organizations

A jointly governed organization may appear similar to joint ventures, however, the difference is that participants do not maintain an ongoing financial interest or ongoing financial responsibility. Related-party transactions with jointly governed organizations must be disclosed in the notes to the financial statements.

## CUs and Related Organizations with Joint Venture Characteristics

A joint venture or jointly governed organization in which one participating government appoints a voting majority of the organization's governing body is either a CU or a related organization of that participating government. The PG would report the minority participants' equity interests, if applicable, as restricted net position, nonexpendable in the government-wide statement of net position.

The PG and all minority participants should make disclosures in the notes to the financial statements as discussed above.

## New York State Criteria for Entity Definition and Display

**Primary Governments**

New York State local governments are involved in providing a range of services to citizens. These services are provided in great part by PGs. PGs in New York State are:

- Counties
- Cities
- Towns
- Villages
- School districts
- Fire districts
- Other entities in New York State that may have elected officials.

In order to provide services, a multi-level range of administrative and service provider units have been developed at both the State and local level and require close scrutiny in order to properly report these activities.

In evaluating a potential CU, the first factor that should be considered is how the entity was established under the law. Generally, special districts created by counties and towns are administrative districts and not legal entities as envisioned in GAAP. For example, districts created by towns pursuant to Articles 12 and 12A of the Town Law and administered pursuant to Article 13 of the Town Law are not separate legal entities. Even those few districts with separately elected boards pursuant to Article 13 of the Town Law, while possessing some autonomous powers, are administrative districts of the PG.

The following is a list of administrative functions of local governments and OSC's opinion of the correct categorization for reporting purposes. The categorization provided in this section is based upon our understanding of the general structure and powers of the various entities and should only be used as a guide. Final determination must be made at the local level after considering the requirements of GAAP and the appropriate criteria as they may apply to both governmental and non-governmental entities. Local governments should be prepared to justify any deviation from OSC's recommended categorizations.

**Part of Primary Government**

Administrative functions which are deemed part of the PG and consequently should be blended with the PG, for accounting purposes include:

- County Nursing Homes and Health-Related Facilities.[16]
- County Planning Boards.
- County Improvement Districts formed pursuant to Articles 5A, 5B, and 5D of the County Law.
- Town Special Districts established pursuant to Articles 11 (Fire Protection Districts), 12, 12-A and
- 13 of the Town Law.
- City or County Laboratories.
- Public General Hospitals.[17]
- Municipal Electric Utilities (unless an authority).
- Municipal Airports (unless an authority).
- Dependent School Districts in Buffalo, Rochester, Syracuse and Yonkers

**CUs - Discrete Presentation**

The following entities should **usually** be considered CUs and, if they are determined to be, should be discretely presented:

- Community Colleges (if sole sponsored).[18]
- Soil and Water Conservation Districts.
- Urban Renewal or Community Development Agencies.[19]
- Off-Track Betting Corporations (if sole sponsored).[20]
- Municipal Public Authorities created by the State Legislature.[21]

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[16] Although most nursing homes in New York are administrative units, there are several which are separate legal entities. When legally separate, they would be CUs and discretely presented.

[17] Although most public hospitals in New York are administrative units, there are several which are separate legal entities. When legally separate, they would be CUs and discretely presented.

[18] If not sole sponsored, these units would be joint ventures of the sponsoring PGs with no equity interest.

[19] Some agencies may have unique relationships with their respective PGs that meet the requirements for blending stated above.

[20] If not sole sponsored, these units would be joint ventures of the sponsoring PGs with no equity interest.

[21] There are no standard structures or powers granted to municipal public authorities. Composition of governing boards, financial accountability and potential financial benefit or burden relationships must be determined by the specific authorizing legislation.

- Industrial Development Agencies.
- County Nursing Homes and Health Related Facilities (if a separate legal entity).
- County Public Hospitals (if a separate legal entity).

**Joint Ventures and Jointly Governed Organizations**

The following entities normally would qualify as joint ventures:

- Jointly Sponsored Community Colleges.
- Regional Off-Track Betting Corporations.
- Regional Planning Boards.

Local governments are also empowered pursuant to Article 5-G of the GML to join together in inter-municipal cooperation agreements. This statute authorizes joint involvement in any undertaking that each participant has the power to perform on their own. In no instance does an Article 5-G agreement create a legal entity. However, such agreements may create a joint venture or jointly governed activity. Consequently, an analysis of these activities must be made applying the previously mentioned criteria.

**Other Entities**

Many organizations providing public services in New York State cannot be universally categorized into the types of units contained in GAAP, but must be individually evaluated. For example:

Public Libraries – If sponsored by counties, cities, towns, villages or school districts, in most circumstances public libraries would be considered CUs of the PG because of the existence of financial accountability. Financial accountability is evidenced by how the operation is funded, who has approval of and responsibility for the issuance and payment of debt and the ownership of real property. While this is the norm, situations do exist where the library is virtually autonomous and could be considered a special purpose government.

Fire Companies – In most instances, for accounting purposes, fire companies are considered special purpose units. However, in certain situations, they may constitute a CU or, as in the case of a village fire department, a blended unit.

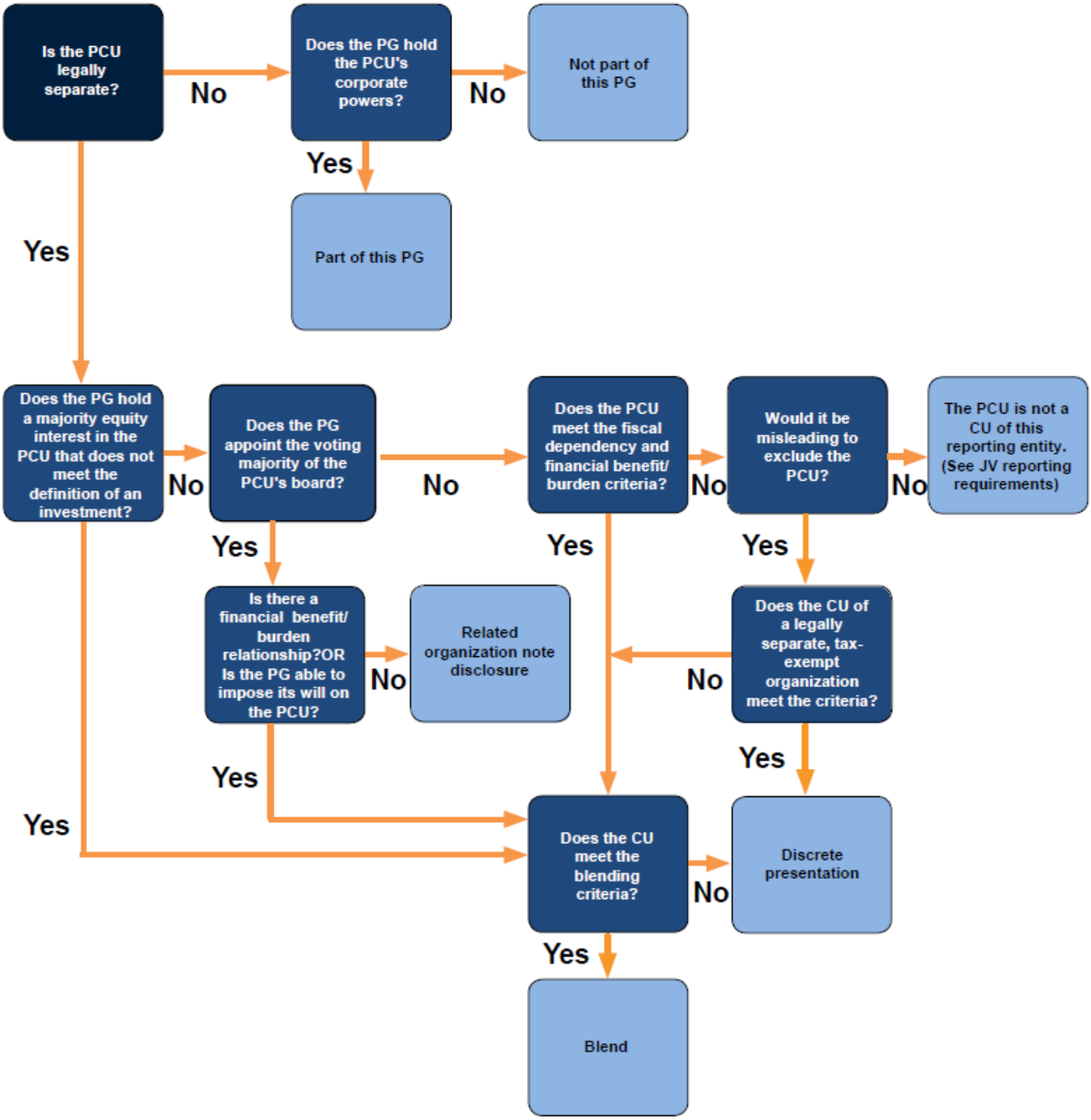
Local Development Corporations – Not-for-profit local development corporations (LDCs) are incorporated in many different ways with different levels of involvement by PGs. Although many LDCs may not seem to meet the financial accountability criteria at first glance, special care should be used to assess whether a financial benefit or financial burden exists, or whether it would be misleading to exclude them from the PG.

**Audits of Financial Statements**

Local officials and their independent auditors should note that for financial statements to be presented in accordance with GAAP, the statements must include all elements of the financial reporting entity. If a PG issues financial statements without adding CUs material to the presentation of the financial statements, the independent auditor would be required to issue a qualified or adverse opinion.

## Flowchart for Evaluating and Presenting CUs[22]

This flow chart is nonauthoritative and is intended to aid in the application of GASB CU standards. Refer to the various sections of this chapter to assist in completing the flow chart.




PCU = Potential component unit

CU = Component Unit

PG= Primary government

JV = Joint venture

[22] GASB Codification - Section 2100 paragraph .901.

# Chapter 9 – Financial Reporting

Governmental accounting is concerned with the collection and analysis of a government's finances. This information has very little value if it cannot be communicated in a timely and effective manner. Financial reporting serves as the link between a local government's financial information and the government's numerous, varied users that they are designed to serve. Some of these users include governing boards and oversight bodies, investors, creditors, taxpayers and OSC.

## Internal Reporting

Internal reporting typically is designed to accomplish two goals:

1. Allow management to monitor compliance with legal and contractual provisions applicable to the management of public funds.

2. Provide management with information on current performance that it needs to make future financial plans.

Because internal reports are designed expressly to serve the needs of management, management is free to select whatever format or content it believes most relevant. Interim reports usually are prepared on the budgetary basis and often do not include statements reporting general capital assets or general long-term debt. It is highly unusual for internal reports to be prepared in accordance with GAAP.

## External Reporting

The GASB codification states that every governmental entity should prepare and publish, as a matter of public record, an annual comprehensive financial report that encompasses all funds and account groups of the PG including its CUs. New York State statutes, however, do not address the preparation of such a report. GML Section 30 does require every municipal corporation (county, city, town and village, etc.) to annually report its financial condition to OSC. The annual financial report OSC collects and reviews under GML is called the Annual Financial Report (more commonly referred to as the "AFR") and is certified by the chief fiscal officer.

## AFR Reporting

The AFR is prepared focusing on major individual funds rather than on fund types. Each major fund is reported individually. Fiduciary funds will be reported separately. The reporting government's main operating fund (the general fund) should always be reported as a major fund. Other governmental and enterprise funds should be reported as major funds based on the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, revenues or expenditures/expenses) for all funds of that category, and

2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total (assets, liabilities, revenues or expenditures/expenses) for all governmental and enterprise funds combined.

In addition, any governmental or enterprise fund that the local officials believe is particularly important to the users of the financial statements *may* be reported as a major fund.

Library systems, library districts and municipal library financial operations that are not reported as a library fund (L) in a county, city, town or village annual report because tax moneys and/or other public source moneys have been paid over to the library treasurer are required to prepare and file an AFR.

For the latest AFR reporting requirements, be sure to frequently check our publications page and filter by accounting notices and bulletins.

## Annual Financial Report Deadlines

All cities and counties, and those towns or villages with populations of 20,000 or more according to the 2020 federal census, have up to 120 days after the close of the fiscal year to file their AFR. This is a firm deadline; there is no flexibility given to OSC to extend the filing date for these local governments beyond this period.

Towns and villages with populations between 5,000 and 19,999 according to the 2020 federal census have up to 90 days after the close of their fiscal year to file their AFR. An additional 30-day filing extension may be granted by OSC if a written request is received from the chief fiscal officer before the original 90-day filing period expires.

There is a 60-day filing deadline for towns and villages with populations below 5,000 according to the 2020 federal census. An additional 60-day filing extension may be granted by OSC if a written request is received from the chief fiscal officer before the original 60-day filing period expires. The incumbent officer is obliged to file the report without delay.

The report must be in the form prescribed by the Comptroller (GML, Section 31). Instructions for filing the report are sent out to all chief fiscal officers prior to the completion of the local government's fiscal year (GML, Section 32).

The report format is a fund-by-fund presentation following the information presented in other sections of this manual. Prior year financial information is presented in the first column on the right followed by its appropriate account code and a blank line for including the current year's financial information. Only the funds and account codes used in last year's report are included in the current year's report. New funds and account codes may be added to both formats as needed. Each fund in the report requires a balance sheet, statement of revenues and expenditures/expenses, and changes in fund equity. Summary budget information for selected funds is also required. Local governments are also required to complete the statement of indebtedness listing individual bonds and notes that remain outstanding and must also complete the schedules of supplemental information that pertain to their local government. Notes to the Financial Statements should also accompany the report when filed with OSC.

After receiving your local government's AFR, OSC reviews your report. If questions arise during the review, the local official responsible for preparing the report will be contacted.

## Federal Single Audits

The federal Single Audit Act as amended requires local governments who expend $1,000,000 or more in a year in federal awards to have a Single Audit. Local governments not subject to the Single Audit *may* also choose to have their financial statements audited by an independent certified public accountant or an independent public accountant. These audits should be conducted in accordance with generally accepted auditing standards (GAAS) issued by the AICPA, and Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States. The audited financial statements will include management's discussion and analysis (MD&A), basic financial statements, (which includes government-wide financial statements, fund financial statements, and notes to the financial statements) and other required supplementary information.

A copy of all audit reports prepared in conjunction with these audits **must** be filed with OSC within 10 days of the date of receipt. In addition, written responses to these audits and those issued by OSC should be filed with OSC within 90 days of receipt of the audit report.

# Chapter 10 – Sample Journal Entries

This chapter presents sample journal entries. Please keep in mind the following as you review these entries:

- The general fund (A fund) is predominantly used in the entries for illustration purposes; however, many of these entries may also be applicable across various funds.
- Some entries, such as the opening and closing entries, may happen behind the scenes in the financial software program and would not have to be entered. These entries are being illustrated to give a comprehensive picture of the required accounting and reporting needed.
- The sample entries illustrated do not represent all possible journal entries. If you are unable to find the necessary sample journal entry and have questions, please contact the regional office that serves your local government for assistance. A contacts page can be found at the end of this publication.

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## Opening Entry

**1. To record the opening entry for the general fund (as shown by records at the close of the preceding fiscal year):**

| | Account | | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| A220 | Cash from Obligations | | XXX | |
| A230 | Cash, Special Reserves | | XXX | |
| A231 | Cash in Time Deposits, Special Reserves | | XXX | |
| A260 | Taxes Receivable, Overdue | | XXX | |
| | A342 | Allowance for Uncollectible Taxes | | XXX |
| A380 | Accounts Receivable | | XXX | |
| | A389 | Allowance for Receivables Due from Other Funds | | XXX |
| A391 | Due from Other Funds | | XXX | |
| A440 | Due from Other Governments | | XXX | |
| A450 | Investment in Securities | | XXX | |
| A452 | Investment in Securities, Special Reserves | | XXX | |
| | A600 | Accounts Payable | | XXX |
| | A601 | Accrued Liabilities | | XXX |
| | A622 | Budget Notes Payable | | XXX |
| | A637 | Due to Employees Retirement System | | XXX |
| | A690 | Overpayments and Clearing Account | | XXX |
| | A691 | Deferred Inflows of Resources | | XXX |
| | A694 | Deferred Taxes | | XXX |
| | A912 | Unrestricted Fund Balance* | | XXX |

*NOTE: 912 Unrestricted Fund Balance may be used for budgeting and accounting purposes **only**. Account code 912 is not used for AFR reporting purposes. Use of account code 912 will result in amounts being allocated to account code 913 Committed Fund Balance, account code 915 Assigned Unappropriated Fund Balance or account code 917 Unassigned Fund Balance for AFR reporting purposes, as appropriate. Local governments may also prefer to simply use account codes 913, 915 or 917 directly for budgeting and accounting purposes instead of using account code 912.

## Budget Entry and Subsequent Modifications

(Journal entries 2a, 2b and 2c have been separated into multiple entries for illustration purposes, they would normally be one combined entry.)

**2a. To record the annual budget for the general fund (as adopted by the governing board):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A510 | Estimated Revenues | | XXX | |
| | A1001 Real Property Taxes | XXX | | |
| | A- - - - Various Revenues | XXX | | |
| A511 | Appropriated Reserves and Restricted Fund Balance | | XXX | |
| A599 | Appropriated Fund Balance | | XXX | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |
| | A962 Other Budgetary Purposes | | | XXX |
| | A- - - - Various Reserves | XXX | | |

**2b. To reopen encumbrances of the prior year:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A521 | Encumbrances | | XXX | |
| | A- - - - Various Appropriations | XXX | | |
| | A912 Unrestricted Fund Balance* | | | XXX |

*See note for entry 1 on page 53.

**2c. To increase the current budget for prior year's encumbrances:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A599 | Appropriated Fund Balance | | XXX | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

**3a. To record the appropriation of unanticipated revenues to increase existing or to meet additional appropriations:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A510 | Estimated Revenues | | XXX | |
| | A- - - - Various Revenues | XXX | | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

**3b. To record the appropriation of fund balance to increase existing or to meet additional appropriations:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A599 | Appropriated Fund Balance | | XXX | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

**4. To record authorized transfers between appropriations:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A960 | Appropriations | | XXX | |
| | A- - - - Various Appropriations - Decreased | XXX | | |
| A960 | Appropriations | | | XXX |
| | A- - - - Various Appropriations - Increased | XXX | | |

**5. To record reductions of appropriations and estimated revenues when the governing board determines that revenues will be less than the budget estimates:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A960 | Appropriations | | XXX | |
| | A- - - - Various Appropriations | XXX | | |
| A510 | Estimated Revenues | | | XXX |
| | A- - - - Various Revenues | XXX | | |

**6. To record the transfer from the contingent account to increase an appropriation:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A960 | Appropriations | | XXX | |
| | A1990.4 Contingent Account | XXX | | |
| A960 | Appropriations | | | XXX |
| | A- - - - Various Appropriations - Increased | XXX | | |

**7. To record a budgetary amendment for the payment of judgments and claims from the proceeds of obligations:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A510 | Estimated Revenues | | XXX | |
| | A5710 Serial Bonds | XXX | | |
| A960 | Appropriations | | | XXX |
| | A1930.4 Judgments and Claims | XXX | | |

**8. To record authorization of a budget note:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A530 | Obligations Authorized | | XXX | |
| A960 | Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

**9. To close the budgetary accounts at the end of the fiscal year. Since this group of accounts must always be in balance during the year, the closing entries simply reverse the existing balances:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A960 | Appropriations | | XXX | |
| | A- - - - Various Appropriations | XXX | | |
| A962 | Other Budgetary Purposes | | XXX | |
| A510 | Estimated Revenues | | | XXX |

| | | | |
|---|---|---|---|
| | A- - - - Various Revenues | XXX | |
| A511 | Appropriated Reserves and Restricted Fund Balance | | XXX |
| A530 | Obligations Authorized | | XXX |
| A599 | Appropriated Fund Balance | | XXX |

# Real Property Taxes

## Counties

**10. To record taxes levied for purpose of a county budget:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A250 | Taxes Receivable, Current | | XXX | |
| A430 | Towns and Cities (a) | | XXX | |
| | A280 Returned School Taxes Receivable | | | XXX |
| | A295 Delinquent Village Taxes Receivable | | | XXX |
| | A342 Allowance for Uncollectible Taxes | | | XXX |
| | A630 Due to Other Funds (County Road) | | | XXX |
| | A694 Deferred Taxes | | | XXX |
| | A980 Revenues | | | XXX |
| | A1001 Real Property Taxes | XXX | | |
| | A1002 Real Property Taxes – Part County (Police) | XXX | | |
| | A1062 Town Payments to Reduce Tax Levy (a) | XXX | | |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |

(a) Represents a payment from Town ABC to reduce the tax levy.

**11. To make an adjustment due to a correction of the equalization rate after the tax levy is made resulting in an incorrect apportionment of taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A430 | Towns and Cities (a) | | XXX | |
| | City of ABC | XXX | | |
| | A430 Towns and Cities | | | XXX |
| | All other Towns and Cities of the County | XXX | | |

**12. To record receipt of cash from a town to reduce the town share of the tax levy for county purposes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A430 Towns and Cities | | | XXX |
| | Town of XYZ | XXX | | |

**13. To record taxes levied for purposes other than a county budget:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A430 | Towns and Cities (a) | | | XXX | |
| A250 | Taxes Receivable, Current | | | XXX | |
| | A640 | Returned School Taxes Receivable | | | XXX |
| | A650 | Delinquent Village Taxes Receivable | | | XXX |
| | | Consolidated health districts | XXX | | |
| | | Supervisory district, Superintendent of Schools (b) | XXX | | |
| | | School hygiene district | XXX | | |
| | | Districts for assessment of river improvements | XXX | | |
| | | Districts for assessment of erosion-arresting improvement | XXX | | |
| | | Drainage districts | XXX | | |
| | A430 | Towns and Cities (c) | | | XXX |
| | A430 | Towns and Cities (d) | | | XXX |

(a) For deficit on extension of the rolls of Towns ABC and XYZ
(b) For additional salary.
(c) For excess of extension of other rolls.
(d) This represents the balance of the Towns and Cities account to be collected with the tax levy.

**14. To record collection of taxes from a public service corporation:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A250 | Taxes Receivable, Current | | | XXX |

**15. To record receipt of cash from town collectors:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A250 | Taxes Receivable, Current | | | XXX |

**16. To record payment by collectors to town supervisors as evidenced by signed receipt:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A640 | Due to Towns for Tax Levies | | | XXX | |
| | A250 | Taxes Receivable, Current | | | XXX |

**17. To record payment to town supervisors when collections by town collectors are insufficient to satisfy the warrant:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A640 | Due to Towns for Tax Levies | | | XXX | |
| | A200 | Cash | | | XXX |

**18. To record payments to special districts:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A650 | Due to Districts for Special Levies | | XXX | |
| | Consolidated health districts | XXX | | |
| | Districts for assessment of river improvements | XXX | | |
| | Districts for assessment of erosion-arresting improvement | XXX | | |
| | Drainage districts | XXX | | |
| | School hygiene district | XXX | | |
| | Supervisory district, Superintendent of Schools (b) | XXX | | |
| A200 | Cash | | | XXX |

NOTE: Internal records should be maintained to record payments and balances for special district(s) levies.

**19. To record settlement of the collector's account at time of expiration of the warrant, and the return of unpaid taxes together with percent added on such taxes. See New York State Real Property Tax Law (RPTL) Section 936 and taxes on wild and forest lands without 5 percent, RPTL Section 542.**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A260 | Taxes Receivable, Overdue | | XXX | |
| A270 | Taxes Receivable on State Lands | | XXX | |
| A250 | Taxes Receivable, Current | | | XXX |
| A980 | Revenues | | | XXX |
| A1090 | Interest and Penalties on Real Property Taxes | XXX | | |

**20. To record receipt of cash from the State for taxes on State lands:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| A270 | Taxes Receivable on State Lands | | | XXX |

**21. To record cash received by the county treasurer from delinquent taxpayers, including interest:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| A260 | Taxes, Receivable, Overdue | | | XXX |
| A980 | Revenues | | | XXX |
| A1090 | Interest and Penalties on Real Property Taxes | XXX | | |

NOTE: If the tax district has adopted a local law to allow taxpayers to enter into agreements to make installment payments of delinquent taxes, subsidiary records should be maintained to keep track of those paying installments. Additionally, subsidiary records should be maintained for partial redemptions when taxes are collected from a person who holds a partial interest in a tax delinquent parcel.

**22. To record refund of an erroneous tax and charge the town and district shares, which should be adjusted in the subsequent tax levy:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A430 | Towns and Cities | | XXX | |
| | A430 Town of ABC | XXX | | |
| | ABC Fire district | XXX | | |
| A342 | Allowance for Uncollectible Taxes | | XXX | |
| | A200 Cash | | | XXX |

NOTE: The county's share of the refund should be charged to A342 - Allowance for Uncollectible Taxes. This will necessitate an adjustment at year-end, if the "allowance" remaining is insufficient.

**23. To cancel duplicate taxes and charge the towns, districts and county with the amounts thereof:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A430 | Towns and Cities | | XXX | |
| | Town of ABC | XXX | | |
| | ABC Fire district | XXX | | |
| | Town of XYZ | XXX | | |
| A342 | Allowance for Uncollectible Taxes | | XXX | |
| | A260 Taxes Receivable, Overdue | | | XXX |

**24. To record reclassification of taxes on imperfectly described property, which cannot be sold at a tax sale, RPTL, Section 557(2) (this asset will remain on the books until property is properly described or written off):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A300 | Taxes Receivable, Pending | | XXX | |
| | A260 Taxes Receivable, Overdue | | | XXX |

**25. To charge the towns with taxes on property, which cannot be identified:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A430 | Towns and Cities | | XXX | |
| | A300 Taxes Receivable, Pending | | | XXX |

**26. To record cash received after an advanced notice of List of Unpaid Taxes has been published:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A260 Taxes Receivable, Overdue | | | XXX |
| | A980 Revenues | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |
| | A1325 Charges for Tax Redemption | XXX | | |

**27. To record reduction of over $10,000 in assessed value by court order (if taxes have not been paid):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A342 | Allowance for Uncollectible Taxes | | XXX | |
| A430 | Town and Cities | | XXX | |
| | Town of ABC | XXX | | |
| | A330 Property Acquired for Taxes | | | XXX |

**28. To record reduction of less than $10,000 in assessed value by court order (if taxes have not been paid):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A430 | Town and Cities | | XXX | |
| | Town of ABC | XXX | | |
| | A330 Property Acquired for Taxes | | | XXX |

NOTE: The credit will depend on the account in which the tax item concerned is carried.

**29. To record refund to a taxpayer in accordance with court order when a reduction of over $10,000 has been made in an assessment (if taxes have been paid):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A430 | Towns and Cities | | XXX | |
| | Town of ABC | XXX | | |
| A980 | Revenues | | XXX | |
| | A1001 Real Property Taxes | XXX | | |
| | A200 Cash | | | XXX |

**30. To record disposal of property for less than the tax asset on the books:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| A342 | Allowance for Uncollectible Taxes | | XXX | |
| | A330 Property Acquired Taxes | | | XXX |

**31. To record disposal of property for more than tax asset on books:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A330 Property Acquired for Taxes | | | XXX |
| | A980 Revenues | | | XXX |
| | A1051 Gain from Sale of Tax Acquired Property | XXX | | |

**32. To record return of unpaid school taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A270 | Taxes Receivable on State Lands (a) | | XXX | |
| A280 | Returned School Taxes Receivable | | XXX | |
| | A660 Due to School Districts | | | XXX |

(a) Include herein 1 percent fee where collector is on a fee basis. Otherwise, no fees, interest or penalties are pay-able in connection with school taxes on State lands.

**33. To record cancellation of erroneous school taxes (after 5/1):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A440 | Due from Other Governments | | XXX | |
| | A280 Returned School Taxes Receivable | | | XXX |

NOTE: The erroneous item will be charged back to the school district at the time of a subsequent settlement for re-turned school taxes. That is, when written notice is given on or before May 1, the county will withhold the amount of the erroneous item from the next return of school taxes. The receivable (A440) should be classified as a reduction of the liability to the district at that time.

**34. To record receipt of payment from the State of school taxes on State lands:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A270 Taxes Receivable on State Lands | | | XXX |

**35. To record payment of taxes on State lands to school districts:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A660 | Due to School Districts | | XXX | |
| | A200 Cash | | | XXX |

**36. To record payment by a delinquent taxpayer prior to the re-levy:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A280 Return School Taxes Receivable | | | XXX |
| | A980 Revenues | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |

**37. To record settlement with school districts:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A660 | Due to School Districts | | XXX | |
| | A200 Cash | | | XXX |

**38. To record return of unpaid city school taxes to county treasurer:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A290 | City School Taxes Receivable | | XXX | |
| | A661 Due to City School Districts | | | XXX |

**39. To record payment of delinquent city school taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A290 City School Taxes Receivable | | | XXX |
| | A661 Due to City School District (a) | | | XXX |
| | A980 Revenues (b) | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |

(a) Interest due school district, RPTL, Sections 1328(3), 1332(5)
(b) Five percent fee due tax enforcing agency, RPTL, Section 1332(5)

**40. To record payments to city school districts:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A661 | Due to City School Districts | | XXX | |
| | A200 Cash | | | XXX |

**41. To record a reduction in deferred tax revenue when this account exceeds the amount of taxes receivable that are not "available":**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A694 | Deferred Taxes | | XXX | |
| | A980 Revenues | | | XXX |
| | A1001 Real Property Taxes | XXX | | |

## Cities and Villages

**42. To record taxes levied for purpose of the municipal budget:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A250 | Taxes Receivable, Current | | XXX | |
| | A342 Allowance for Uncollectible Taxes | | | XXX |
| | A630 Due to Other Funds | | | XXX |
| | Water Fund | XXX | | |
| | Sewer Fund | XXX | | |
| | A694 Deferred Taxes | | | XXX |
| | A980 Revenues | | | XXX |
| | A1001 Real Property Taxes | XXX | | |
| | A1710 Public Works Charges | XXX | | |

**43. To record payment to other funds of amounts placed on the tax roll for collections:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A630 | Due to Other Funds | | XXX | |
| | Water Fund | XXX | | |
| | Sewer Fund | XXX | | |
| | A200 Cash | | | XXX |

**44. To record collection of taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A250 Tax Receivable, Current | | | XXX |

**45. To record transfer of current taxes to overdue status:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A260 | Taxes Receivable, Overdue | | XXX | |
| | A250 Tax Receivable, Current | | | XXX |

**46. To record collection of overdue taxes and interest prior to the time of advertising for tax sale or returning to the county for enforcement:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A260 Taxes Receivable, Overdue | | | XXX |
| | A980 Revenues | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |

**47. To record taxes returned to the county by either a city or village for enforcement of collection:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A440 | Due from Other Governments | | XXX | |
| | County of XYZ | XXX | | |
| | A260 Taxes Receivable, Overdue | | | XXX |
| | A980 Revenue | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |

**Cities Only – School District Taxes Receivable**

**48. To record unpaid school district taxes returned to the city for enforcement of collection:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A290 | City School Taxes Receivable | | XXX | |
| | A661 Due to City School District | | | XXX |

**49. To record collection of school district taxes including penalties and the city's 5 percent collection fee:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A290 City School Taxes Receivable | | | XXX |
| | A661 Due to City School District | | | XXX |
| | A980 Revenues | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |

**50. To record cancellation or reduction of school district taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A661 | Due to City School District | | XXX | |
| | A290 City School Taxes Receivable | | | XXX |

**51. To record monthly payment of school taxes and penalties collected:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A661 | Due to City School District | | XXX | |
| | A200 Cash | | | XXX |

**Tax Enforcement, Certificates, Deeds and Property Acquired:**

**Cities**

**52a. To transfer overdue taxes, including accrued interest, penalties and tax advertising to the tax sale account on the date of tax sale, RPTL, Section 1166(1):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A310 | Tax Sale | | XXX | |
| | A260 Taxes Receivable, Overdue | | | XXX |
| | A261 County Taxes Receivable, Overdue | | | XXX |
| | A290 City School Taxes Receivable | | | XXX |
| | A661 Due to City School District | | | |
| | A980 Revenues | | | |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |
| | A1235 Charges for Tax Redemption | XXX | | |

**OR**

**Villages**

**52b. To transfer overdue taxes, including accrued interest, penalties and tax advertising to the tax sale account on the date of tax sale, RPTL, Section 1166(1):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| | | | XXX | |
| A310 | Tax Sale | | | |
| | A260 Taxes Receivable, Overdue | | | XXX |
| | A980 Revenue | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |
| | A1235 Charges for Tax Redemptions | XXX | | |

**Cities Only**

**53. To record redemption of municipal-owned tax sale certificates before the period of redemption expires:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A260 Taxes Receivable, Overdue | | | XXX |
| | A980 Revenue | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |

**54. To record cancellation of a tax sale certificate pursuant to a court order or action of the governing board:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A342 | Allowance for Uncollectible Taxes | | XXX | |
| | A320 Tax Sale Certificates | | | XXX |

**55. To record increase in tax assets as a collateral entry to disbursements for that purpose (charge to appropriation A1364.4):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A330 | Property Acquired for Taxes | | XXX | |
| | A694 Deferred Taxes | | | XXX |

**56. To record sale of property acquired for taxes for more than the book value:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A330 Property Acquired for Taxes | | | XXX |
| | A980 Revenue | | | XXX |
| | A1051 Gain from Sale of Tax Acquired Property | XXX | | |

**57. To record sale of property acquired for taxes for less than the book value:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| A342 | Allowance for Uncollectible Taxes | | XXX | |
| | A330 Property Acquired for Taxes | | | XXX |

**58. To record a reduction in deferred tax revenue when this account exceeds the amount of taxes receivable that are not "available":**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A694 | Deferred Taxes | | XXX | |
| | A980 Revenue | | | XXX |
| | A1001 Real Property Taxes | XXX | | |

**59. To charge the allowance for uncollectible taxes with the losses on the disposal of property acquired for taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A342 | Allowance for Uncollectible Taxes | | XXX | |
| | A330 Property Acquired for Taxes | | | XXX |

**Cities Only - County Taxes Receivable**

**60. To record the levy of county real property taxes on a separate tax roll. (Note: If county taxes are included with and made a part of the levy for taxes, the debit portion of this entry should be included in A250 - Taxes Receivable, Current. A251 - County Taxes Receivable, Current and A261 - County Taxes Receivable, Overdue will not be used.):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A251 | County Taxes Receivable, Current | | XXX | |
| | A663 Due to County for Tax Levy | | | XXX |
| | A980 Revenue | | | XXX |
| | A1070 Surplus on Extension of County Taxes | XXX | | |

**61. To record collections of current county taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A251 County Taxes Receivable, Current | | | XXX |

**62. To record cancellation or reduction of erroneous county taxes pursuant to court order or other authorization (or to record return of unpaid taxes when the county enforces collection of delinquent county taxes):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A663 | Due to County for Tax Levy | | XXX | |
| | A251 County Taxes Receivable, Current | | | XXX |

**63. To record payment of county taxes collected (or the balance of the levy due to the county):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A663 | Due to County for Tax Levy | | XXX | |
| | A200 Cash | | | XXX |

**64. To transfer current county taxes to an overdue status after the expiration of the tax warrant where the municipality enforces collection of delinquent county taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A261 | County Taxes Receivable, Overdue | | XXX | |
| | A251 County Taxes Receivable, Current | | | XXX |

**65. To record collection of overdue taxes and interest:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A260 Taxes Receivable, Overdue | | | XXX |
| | A261 County Taxes Receivable, Overdue | | | XXX |
| | A980 Revenue | | | XXX |
| | A1090 Interest and Penalties on Real Property Taxes | XXX | | |

## Towns

**66. To record taxes levied for purpose of the budget:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A250 | Taxes Receivable, Current | | XXX | |
| | A630 Due to Other Funds | | | XXX |
| | Water Fund | XXX | | |
| | Sewer Fund | XXX | | |
| | A980 Revenues | | | XXX |
| | A1001 Real Property Taxes | XXX | | |

**67. To record cancellation or reduction of erroneous taxes pursuant to court order or action of governing board:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A980 | Revenues | | XXX | |
| | A1001 Real Property Taxes | XXX | | |
| | A250 Taxes Receivable, Current | | | XXX |

**68. To record collection of taxes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A250 Taxes Receivable, Current | | | XXX |

**69. To record payment to other funds of amounts placed on the tax roll for collections:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A630 | Due to Other Funds | | XXX | |
| | Water Fund | XXX | | |
| | Sewer Fund | XXX | | |
| | A200 Cash | | | XXX |

## Revenues Other Than Real Property Taxes

### General Revenues

**70. To record the receipt of cash revenues:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A980 Revenue | | | XXX |
| | A- - - - Various Revenues | XXX | | |

**71. To accrue a revenue:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A380 | Accounts Receivable | | XXX | |
| | A980 Revenue | | | XXX |
| | A- - - - Various Revenues | XXX | | |

**72. To accrue "other" revenues:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A380 | Accounts Receivable | | XXX | |
| A410 | Due from State and Federal Government | | XXX | |
| A440 | Due from Other Governments | | XXX | |
| | A980 Revenue | | | XXX |
| | A- - - - Various Revenues | XXX | | |

**73. To record the receipt of cash for revenues, which had been previously accrued:**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A380 | Accounts Receivable | | | XXX |

**74. To record the receipt of cash for "other" revenues, which had been previously accrued:**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A380 | Accounts Receivable | | | XXX |
| | A410 | Due From State and Federal Government | | | XXX |
| | A440 | Due from Other Governments | | | XXX |

## State and Federal Aid

Entitlements - Typically these are grants based on pre-established formulas. A receivable and revenue should be recognized as soon as all eligibility requirements have been met. This is because the grant moneys are considered both measurable and available. It should be noted that constraints on how grant resources may be used (e.g., those with purpose requirements) **do not** constitute an eligibility requirement and as a result, **do not** impact revenue recognition.

**75. To record entitlement received by the local government during the current year and designated to fund a current fiscal year's activity:**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A980 | Revenue | | | XXX |
| | | A- - - - Various Revenues | XXX | | |

**76. To record an entitlement received that is restricted to be used in a subsequent fiscal year's activity:**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A691 | Deferred Inflow of Resources | | | XXX |

**77. To reclassify the deferred revenue noted in the previous entry in the subsequent fiscal year:**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A691 | Deferred Inflow of Resources | | | XXX | |
| | A980 | Revenue | | | XXX |
| | | A- - - - Various Revenues | XXX | | |

**78. To record the disallowance of federal aid to be received as a result of a change in the estimate on which the aid was calculated:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A980 | Revenue | | XXX | |
| | A4289 Federal Aid – Other | XXX | | |
| | A410 Due from State and Federal Government | | | XXX |

NOTE: Use A631 - Due to Other Government if aid was received and must be repaid.

Expenditure-Driven Grants - Typically these are grants received after a local government incurs qualifying expenditures that meet certain specified eligibility or criteria requirements. A receivable and revenue (or a deferred inflow for the unavailable portion) are recognized only when both conditions (qualifying expenditures meeting certain specified eligibility or criteria requirements) are met. It should be noted that administrative requirements (e.g., filing specific information with the grantor) **do not** impact revenue recognition.

**79. To record the receivable (accrual) for a State or federal grant:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A410 | Due From State and Federal Government | | XXX | |
| | A980 Revenues | | | XXX |
| | A- - - - Various Revenues | XXX | | |

**80. To record the receipt of cash for revenues, which had been previously accrued:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A410 Due From State and Federal Government | | | XXX |

**81. To record the disallowance of federal aid to be received as a result of not meeting eligibility or criteria requirements for the aid:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A522 | Expenditures | | XXX | |
| | A1989.4 Unclassified – Disallowed Aid | XXX | | |
| | A410 Due From State and Federal Government | | | XXX |

NOTE: Use A631 - Due to Other Government if aid was received and must be repaid.

## User Fees

**Example: Water Rents in a Water Fund**

**82. To record the billing of the user fees:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| FX350 | Water Rents Receivable | | XXX | |
| | FX980 Revenues | | | XXX |
| | FX2140 Metered Water Sales | XXX | | |

**83. To record the collection of user fees, including interest and penalties (interest may be accrued when imposed):**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| FX200 | Cash | | | XXX | |
| | FX350 Water Rents Receivable | | | | XXX |
| | FX980 Revenue | | | | XXX |
| | FX2148 | Interest and Penalties on Water Rents | XXX | | |

**84. To record the levy of delinquent user fees on the ensuing fiscal year's tax levy (interest may be recognized during the billing cycle):**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| FX391 | Due from Other Funds | | | XXX | |
| | FX350 Water Rents Receivable | | | | XXX |
| | FX980 Revenues | | | | XXX |
| | FX2148 | Interest and Penalties on Water Rents | XXX | | |

NOTE: A corresponding entry will be made in the general fund to recognize the interfund liability at the time of recording the real property tax levy.

**85. To record the receipt of cash from the general fund for the delinquent user fees levied on the tax roll:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| FX200 | Cash | | XXX | |
| | FX391 Due from Other Funds | | | XXX |

**86. To record the receipt of meter deposits from customers:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| FX235 | Cash - Customers Deposits | | XXX | |
| | FX615 Customers Deposits | | | XXX |

**87. To record the return of the deposits to the customers:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| FX615 | Customers Deposits | | XXX | |
| | FX235 Cash - Customers Deposits | | | XXX |

**88. To record the forfeiture of a customer's deposit due to a damaged meter:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| FX615 | Customers Deposits | | XXX | |
| | FX235 Cash - Customers Deposits (payable to local government) | | | XXX |

**89. A second entry must be recorded to recognize the forfeiture indicated above:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| FX200 | Cash | | | XXX | |
| | FX980 Revenues | | | | XXX |
| | FX2620 | Forfeiture of Deposits | XXX | | |

**90. To record other services provided to the water customers:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| FX380 | Accounts Receivable | | | XXX | |
| | FX980 Revenue | | | | XXX |
| | FX2144 | Water Service Charges | XXX | | |

**91. To record the collection of service charges:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| FX200 | Cash | | XXX | |
| | FX380 Accounts Receivable | | | XXX |

## Investments

**92. To record the purchase of certificates of deposit or time-open accounts (permitted by GML, Section 11):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A201 | Cash in Time Deposits | | XXX | |
| | A200 Cash | | | XXX |

**93. To record the redemption of certificates of deposit or time-open accounts and any interest earned:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A201 | Cash in Time Deposits | | | XXX |
| | A980 | Revenue | | | XXX |
| | | A2401 Interest and Earnings | XXX | | |

**94. To record the purchase of investments at cost, including commissions:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A450 | Investment in Securities - U.S. Treasury Bills | | XXX | |
| | A200 Cash | | | XXX |

**95. To record a sale of investments (at a gain):**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A450 | Investments in Securities - U.S. Treasury Bills | | | XXX |
| | A980 | Revenue | | | XXX |
| | | A2401 Interest and Earnings | XXX | | |

**96. To record a sale of investments (at a loss):**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| A522 | Expenditures | | | XXX | |
| | | A1995 Loss on Disp of Fixed Asset | XXX | | |
| | A450 | Investment in Securities - U.S. Treasury Bills | | | XXX |

## Departmental Income

**97. To record the monthly transfer of funds from the Office of the Clerk and various departments:**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A980 | Revenue | | | XXX |
| | | A- - - - Various Revenues | XXX | | |

# Encumbrances and Expenditures – Governmental Funds

As a reminder, 912 Unrestricted Fund Balance may be used for budgeting and accounting purposes **only**. Account code 912 is not used for AFR reporting purposes. Use of account code 912 will result in amounts being allocated to account code 913 Committed Fund Balance, account code 915 Assigned Unappropriated Fund Balance or account code 917 Unassigned Fund Balance for AFR reporting purposes, as appropriate. Local governments may also prefer to simply use account codes 913, 915 or 917 directly for budgeting and accounting purposes instead of using account code 912.

Additionally, account code 821 Reserve for Encumbrances is used for budgeting and accounting only. Account code 821 is **not** used for AFR reporting purposes. For AFR reporting, outstanding encumbrances will be reported in the appropriate fund balance category (restricted, committed and/or assigned).

**98. To record the issuance of a purchase order for various goods and/or services:**

| | | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A521 | Encumbrances | | | XXX | |
| | | A- - - - Various Expenditures | XXX | | |
| | A821 | Reserve for Encumbrances | | | XXX |

**99a. To liquidate the encumbrance when a purchase order is filled or the encumbrance is no longer needed:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A821 | Reserve for Encumbrances | | XXX | |
| | A521 Encumbrances | | | XXX |
| | A- - - - Various Expenditures | XXX | | |

**99b. At the same time a collateral entry is made to record the expenditure when the purchase order is filled:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A522 | Expenditures | | XXX | |
| | A- - - - Various Expenditures | XXX | | |
| | A600 Accounts Payable | | | XXX |

**100. To record payment of invoice:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A600 | Accounts Payable | | XXX | |
| | A200 Cash | | | XXX |

**101. To record the closing of open encumbrances at the end of the fiscal year:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A912 | Unrestricted Fund Balance* | | XXX | |
| | A521 Encumbrances | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

*See note for entry 1.

**102. To reopen encumbrances on the first day of the fiscal year that were closed to fund balance at the end of the previous fiscal year:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A521 | Encumbrances | | XXX | |
| | A- - - - Various Appropriations | XXX | | |
| | A912 Unrestricted Fund Balance* | | | XXX |

*See note for entry 1.

**103. At the same time a collateral entry is made to reopen appropriations for spending authority on the first day of the fiscal year:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A599 | Appropriated Fund Balance | | XXX | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

## Expenses – Proprietary Funds

The enterprise hospital fund (or EH fund) is used in the example entries; however, many of these entries may also be applicable across various funds.

**104. To record operating expenses:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| EH522 | Expenses | | XXX | |
| | EH- - - - Various Expenses | XXX | | |
| | EH600 Accounts Payable | | | XXX |

**105. To record purchase of materials and supplies:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| EH445 | Inventory of Materials and Supplies | | XXX | |
| | EH600 Accounts Payable | | | XXX |

**106. To record cost of materials used:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| EH522 | Expenses | | XXX | |
| | EH- - - - Various Expenses | XXX | | |
| | EH445 Inventory of Materials and Supplies | | | XXX |

**107. To record annual depreciation charges:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| EH522 | Expenses | | XXX | |
| | EH- - - - Various Expenses | XXX | | |
| | EH112 Accumulated Depreciation, Buildings (a) | | | XXX |

(a) Change as appropriate to account for the related asset type.

## Interfund Advances (Due To/Due From)

Typically, interfund advances are required to be repaid as soon as available and no later than the close of the fiscal year in which the advance was made. If money is advanced between two funds with different tax bases, then the repayment must include the estimated amount of interest the moneys would have earned had they been retained in the original fund.

**The following entries are used to account for interfund advances, regardless of whether or not cash is comingled.**

**108. To record the temporary advance of moneys from one fund to another (in this example, the general fund is advancing money to the capital projects fund):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A391 | Due From Other Funds | | XXX | |
| | A200 Cash | | | XXX |

NOTE: When repaid, this entry will be reversed. In instances where repayment includes interest to account for the additional amount that would have been earned on the investment of moneys had the advance not been made, a revenue should also be recorded in account A2401 Interest and Earnings.

**109. To record the receipt of the temporary advance of moneys from one fund to another (in this example, the general fund is advancing money to the capital projects fund):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | H630 Due to Other Funds | | | XXX |

NOTE: When repaid, this entry will be reversed. In instances where repayment includes interest to account for the additional amount that would have been earned on the investment of moneys had the advance not been made, an expenditure should also be recorded in account H9795.7 Interfund Loans.

## Accrued Liabilities

The general fund is used in the example entries; however, many of these entries may also be applicable across various governmental and proprietary funds.

**110. To record accrued liabilities:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| EH522 | Expenditures/Expenses | | XXX | |
| | EH- - - - Various Expenditures/Expenses | XXX | | |
| | A601 Accrued Liabilities | | | XXX |

**111. To record payment of liability:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A601 | Accrued Liabilities | | XXX | |
| | A200 Cash | | | XXX |

## Prepaid Expenses

The use of the prepaid expenditures/expenses account is reserved for instances when items or services are paid for and a portion of the payment will benefit a future period. Insurance premiums and rent payments often cover periods beyond the current fiscal year and are examples of prepaid expenditures/expenses. The general fund is used in the example entries; however, many of these entries may also be applicable across various governmental and proprietary funds.

**112. To record prepaid expenses:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A480 | Prepaid Expenses | | XXX | |
| | A200 Cash | | | XXX |

**113. To record amortization of prepaid expenses:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| EH522 | Expenditures/Expenses | | XXX | |
| | EH- - - - Various Expenditures | XXX | | |
| | 480 Prepaid Expenses | | | XXX |

## Judgments and Claims

**114. To record budgetary amendment for payment of judgments and claims from the proceeds of obligations:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A510 | Estimated Revenues | | XXX | |
| | A5710 Serial Bonds | XXX | | |
| | A960 Appropriations | | | XXX |
| | A1930.4 Judgments and Claims | XXX | | |

**115. To record issuance of a Bond Anticipation Note to pay a court ordered judgment:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A220 | Cash From Obligations | | XXX | |
| | A626 Bond Anticipation Notes Payable | | | XXX |

**116. To record payment of the judgment from the operating fund:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A522 | Expenditures | | XXX | |
| | A1930.4 Judgments and Claims | XXX | | |
| | A220 Cash From Obligations | | | XXX |

**117. To record issuance of bonds:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A220 | Cash From Obligations | | XXX | |
| | A980 Revenues | | | XXX |
| | A5710 Serial Bonds | XXX | | |

**118. An entry will be made in the Schedule of Non-Current Governmental Liabilities:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| W129 | Total Non-Current Government Liabilities | | XXX | |
| | W628 Bonds Payable | | | XXX |

**119. To record payment of Bond Anticipation Note (principal and interest):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| EH522 | Expenditures | | XXX | |
| | A9730.7 BAN Interest | XXX | | |
| | A200 Cash | | | XXX |
| A626 | Bond Anticipation Notes Payable | | XXX | |
| | A220 Cash From Obligations | | | XXX |

**120. To record payment of the bonds from appropriations:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| EH522 | Expenditures | | XXX | |
| | A9710.6 Serial Bonds - Principal | XXX | | |
| | A9710.7 Serial Bonds - Interest | XXX | | |
| | A200 Cash | | | XXX |

**121. An entry will be made in the Schedule of Non-Current Governmental Liabilities to reduce the bond liability:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| W628 | Bonds Payable | | XXX | |
| | W129 Total Non-Current Governmental Liabilities | | | XXX |

## Capital Projects Fund

Many journal entries for the capital projects fund transactions are similar to those shown in the general fund. For transactions not illustrated here, refer to the general fund journal entries and the Capital Projects Fund Local Government Management Guide.

**122. To record the authorization of Capital Project #1 and the manner in which it will be financed:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H510 | Estimated Revenues | | XXX | |
| | H5710 Serial Bonds | XXX | | |
| | H5031 Interfund Transfer | XXX | | |
| | H3397 State Aid, Public Safety - Capital Projects | XXX | | |
| | H4397 Federal Aid, Public Safety - Capital Projects | XXX | | |
| H960 | Appropriations | | | XXX |
| | H- - - -.2 Various Expenditures/Expenses | XXX | | |

**123. To record the amount appropriated in the operating fund:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H391 | Due From Other Funds | | XXX | |
| H980 | Revenues | | | XXX |
| | H5031 Interfund Transfer | XXX | | |

**124. To record the transfer from the operating fund:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H200 | Cash | | XXX | |
| H391 | Due From Other Funds | | | XXX |

**125. To record the receipt of a temporary transfer of moneys from another fund to pay some of the preliminary project cost (prior to the issuance of any obligations):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H200 | Cash | | XXX | |
| H630 | Due To Other Funds | | | XXX |

**126. To record the payment of project costs such as engineering fees:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H522 | Project Expenditures | | XXX | |
| | H8130.2 Engineering Fees | XXX | | |
| H200 | Cash | | | XXX |

**127. To record the receipt of the proceeds (issuance) of Bond Anticipation Notes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H200 | Cash | | XXX | |
| H626 | Bond Anticipation Notes Payable | | | XXX |

**128. To record the repayment of the amount previously advanced from the operating fund:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H630 | Due To Other Funds | | XXX | |
| | H200 Cash | | | XXX |

**129. To record the issuance of Revenue Anticipation Notes for the State and federal share of project cost:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H200 | Cash | | XXX | |
| | H621 Revenue Anticipation Notes Payable | | | XXX |

**130. To record payments to contractors for construction-in-progress. Agreements require 10 percent to be retained pending final approval of the capital project:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H522 | Project Expenditures – Construction (90%) | | XXX | |
| | H1620.2 Operation of Plant, Equipment and Capital Outlay | XXX | | |
| | H200 Cash | | | XXX |
| H521 | Encumbrances (a) (10%) | | XXX | |
| | H1620.2 Operation of Plant, Equipment and Capital Outlay | XXX | | |
| | H821 Reserve for Encumbrances (10%) | | | XXX |

(a) Encumbrances represent the retained amount. Using encumbrances restricts the use of the available appropriation until the retained amount becomes a payable.

**131. To record the retained amount on the Schedule of Non-Current Governmental Liabilities:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| W129 | Total Non-Current Governmental Liabilities | | XXX | |
| | W605 Retained Percentages, Contracts Payable | | | XXX |

**132. To record the amount due from the State and federal governments based on project expenditures:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H410 | Due from State and Federal Government | | XXX | |
| | H980 Revenues | | | XXX |
| | H- - - - (State) | XXX | | |
| | H- - - - (Federal) | XXX | | |

**133a. To record payment of BAN – principal and interest (paid out of the operating fund responsible for the project, general fund in our example below):**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A522 | Project Expenditures | | | XXX | |
| | A9730.6 | Bond Anticipation Notes – Debt Principal | XXX | | |
| | A9730.7 | Bond Anticipation Notes – Debt Interest | XXX | | |
| | A200 Cash | | | | XXX |

**133b. To record the collateral entry in the Schedule of Non-Current Governmental Liabilities:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| W129 | Total Non-Current Governmental Liabilities | | XXX | |
| | W628 Bonds Payable | | | XXX |

**134. Because BAN principal is paid from appropriations in the operating fund responsible for the project, the entry in the capital projects fund is:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H626 | Bond Anticipation Notes Payable | | XXX | |
| | H980 Revenues | | | XXX |
| | H5731 Bond Anticipation Notes Redeemed from Appropriations | XXX | | |

**135a. To record the issuance of serial Bonds to redeem outstanding BANs.**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H200 | Cash | | XXX | |
| | H980 Revenues | | | XXX |
| | H5710 Serial Bonds | XXX | | |
| H626 | Bond Anticipation Note Payable | | XXX | |
| | H200 Cash | | | XXX |

**135b. To record the collateral entry in the Schedule of Non-Current Governmental Liabilities:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| W129 | Total Non-Current Governmental Liabilities | | XXX | |
| | W628 Bonds Payable | | | XXX |

**136. To record the release of amounts due to contractors after completion of the construction work (in this example, 10 percent of the total project cost):**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| H522 | Expenditures – Construction (10%) | | | XXX | |
| | H- - - -.2 | Various Expenditures | XXX | | |
| | H200 Cash (10%) | | | | XXX |
| H821 | Reserve for Encumbrances (10%) | | | XXX | |
| | H521 Encumbrances (10%) | | | | XXX |
| | H- - - -.2 | Various Expenditures | XXX | | |

**137. To reduce the long-term liability of retained percentages because it is now due and payable:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| W605 | Retained Percentages, Contracts Payable | | XXX | |
| | W129 Total Non-Current Governmental Liabilities | | | XXX |

**138. To modify the capital project budget at project's completion:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H960 | Appropriations | | XXX | |
| | H- - - - Various Expenditures | XXX | | |
| | H960 Appropriations | | | XXX |
| | H9901.9 Interfund Transfer | XXX | | |

**139. To transfer the remaining residual balance back to the originating fund:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H522 | Expenditures | | XXX | |
| | H9901.9 Interfund Transfer | XXX | | |
| | H200 Cash | | | XXX |

**140. To close project expenditures at year-end:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H912 | Unrestricted Fund Balance* | | XXX | |
| | H522 Project Expenditures Various | | | XXX |
| | H - - - -.2 Various Expenditures | XXX | | |

*See note for entry 1.

**141. To close project and other revenues at year-end:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H980 | Revenues | | XXX | |
| | H- - - - Various Revenues | XXX | | |
| | H912 Unrestricted Fund Balance* | | | XXX |

*See note for entry 1.

**142. To close the capital project budget at project's completion:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H960 | Appropriations | | XXX | |
| | H- - - - Various Appropriations | XXX | | |
| | H510 Estimated Revenues | | | XXX |
| | H- - - - Various Revenues | XXX | | |

**143. To record the resulting project asset:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| K106 | Infrastructure | | XXX | |
| | K159 Total Non-Current Governmental Assets | | | XXX |

**144. To record payment of principal and interest on NYS Revolving Loan:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| V522 | Expenditures | | | XXX | |
| | V9790.6 | State or Authority Loans – Debt Principal | XXX | | |
| | V9790.7 | State or Authority Loans – Debt Interest | XXX | | |
| | V200 Cash | | | | XXX |

The payments can be made through either an operating fund responsible for firefighting services or a debt service fund.

## Capital Assets

To record capital assets in the local government's accounting records.

**145. To record the acquisition of land and building donated for the use as a park:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| K101 | Land – Park | | XXX | |
| K102 | Building – Park | | XXX | |
| | K159 Total Non-Current Governmental Assets | | | XXX |

**146. To record a new truck:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| K104 | Equipment | | XXX | |
| | K159 Total Non-Current Governmental Assets | | | XXX |

## Indebtedness

### Tax Anticipation Notes

**147. To record the issuance of notes for which taxes are pledged (tax anticipation notes):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A620 Tax Anticipation Notes Payable | | | XXX |

**148. To record the collection of pledged taxes required to be deposited in a separate bank account and held for payment of tax anticipation notes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A221 | Cash for Tax Anticipation Notes | | XXX | |
| | A620 Tax Anticipation Notes Payable | | | XXX |

(a) The credit depends on the general ledger account where the tax item is carried.

**149. To record the redemption of tax anticipation notes from pledged cash and the associated interest:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A522 | Expenditures | | XXX | |
| | A9760.7 Tax Anticipation Notes – Interest | XXX | | |
| A620 | Tax Anticipation Notes Payable | | XXX | |
| | A200 Cash | | | XXX |
| | A221 Cash for Tax Anticipation Notes | | | XXX |

## Budget Notes

**150. To record the authorization for the issuance of budget notes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A530 | Obligations Authorized | | XXX | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

**151. To record the receipt of budget note proceeds:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A220 | Cash From Obligations | | XXX | |
| | A622 Budget Notes Payable | | | XXX |

**152. To record the payment of the budget note interest:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A522 | Expenditures | | XXX | |
| | A9750.7 Budget Notes – Interest | XXX | | |
| A622 | Budget Notes Payable | | XXX | |
| | A200 Cash | | | XXX |

## Revenue Anticipation Notes

**153. To record the issuance of a revenue anticipation note:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A220 | Cash | | XXX | |
| | A621 Revenue Anticipation Notes Payable | | | XXX |

**154. To record receipt of pledged revenues required to be deposited in a separate bank account and held for payment of revenue anticipation notes:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A222 | Cash for Revenue Anticipation Notes | | XXX | |
| | A980 Revenues | | | XXX |
| | A- - - - Various Revenues | XXX | | |

The revenue sub account(s) will be the revenue(s) being borrowed against.

**155. To record the redemption of revenue anticipation notes from pledged cash and the associated interest:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A522 | Expenditures | | XXX | |
| | A9770.7 Revenue Anticipation Notes – Debt Interest | XXX | | |
| A621 | Revenue Anticipation Notes Payable | | XXX | |
| | A200 Cash | | | XXX |
| | A222 Cash for Revenue Anticipation Notes | | | XXX |

## Bond Anticipation Notes

For entries relating to the issuance and payment of Bond Anticipation Notes issued for capital purposes, please see entries listed in the Capital Fund portion of this section and refer to additional entries in OSC's Capital Projects Funds Local Government Management Guide.

**156a. To record the issuance of Bond Anticipation Notes (liability considered short-term, liability to be recorded in the capital project fund):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H200 | Cash | | XXX | |
| | H626 Bond Anticipation Notes Payable | | | XXX |

**OR**

**156b. To record the issuance of Bond Anticipation Notes (liability considered long-term, collateral entry must be recorded in the Schedule of Non-Current Governmental Liabilities):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| H200 | Cash | | XXX | |
| | H980 Revenues | | | XXX |
| | H5730 Bond Anticipation Notes | XXX | | |
| W129 | Total Non-Current Governmental Liabilities | | XXX | |
| | W626 Bond Anticipation Notes Payable | | | XXX |

**BAN Redemption**

**157. To record payment of principal and interest on Bond Anticipation Notes when the liability is considered short-term:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A626 | Bond Anticipation Notes Payable | | | XXX | |
| A522 | Expenditures | | | XXX | |
| | A9730.7 | BAN – Interest | XXX | | |
| | A200 Cash | | | | XXX |

**OR**

**158. To record payment of principal and interest on Bond Anticipation Notes when the liability is considered long-term:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A522 | Expenditures | | | XXX | |
| | A9730.6 | BAN – Principal | XXX | | |
| | A9730.7 | BAN – Interest | XXX | | |
| | A200 Cash | | | | XXX |

## Bonds – Governmental Funds

**159. To record the issuance of Serial Bonds in a governmental fund:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A200 | Cash | | | XXX | |
| | A980 Revenues | | | | XXX |
| | A5710 Serial Bonds | | XXX | | |

**160. An entry will be made in the Schedule of Non-Current Governmental Liabilities:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| W129 | Total Non-Current Governmental Liabilities | | XXX | |
| | W628 Bonds Payable | | | XXX |

**161. To record payment of interest and the principal of matured bonds if a debt service fund is not used:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A522 | Expenditures | | | XXX | |
| | A9710.6 | Serial Bonds – Principal | XXX | | |
| | A9710.7 | Serial Bonds – Interest | XXX | | |
| | A200 Cash | | | | XXX |

**162. An entry will be made in the Schedule of Non-Current Governmental Liabilities:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| W628 | Bonds Payable | | XXX | |
| | W129 Total Non-Current Governmental Liabilities | | | XXX |

## Bonds – Enterprise Funds

**163. To record the sale of bonds at premium and accrued interest:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| E220 | Cash From Obligations | | XXX | |
| | E628 Bonds Payable | | | XXX |
| | E651 Accrued Interest Payable | | | XXX |
| | E688 Other Liabilities | | | XXX |

NOTE: If the amount of the premium on securities is material, the premium should be amortized over the life of the bond issued.

**164. To record accrued interest on Serial Bonds as of the end of the year:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| E522 | Expenses | | XXX | |
| | E9710.7 Debt Interest, Serial | XXX | | |
| | E651 Bonds Accrued Interest Payable | | | XXX |

NOTE: The Statement of Non-Current Governmental Liabilities should report the new debt, but not the old debt.

**165. To record payment of principal and interest on bonds:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| E628 | Serial Bonds Payable | | XXX | |
| E651 | Accrued Interest Payable | | XXX | |
| | E200 Cash | | | XXX |

## Advanced Refunding Bonds

In an advance refunding, bonds are refinanced (paid off) by issuing new bonds. Typically, the proceeds of the new bonds are placed in an escrow account (in a bank or trust company located and licensed to do business in New York State). After payment of issuance costs, the proceeds are used by the escrow agent to purchase special United States Treasury securities (generally directly from the Bureau of Public Debt, Division of the U.S. Treasury Department). The escrow agent uses the principal and interest collected on these to pay the outstanding "refunded" bonds. The refunded bonds, if they are callable, are subsequently (on their call date) "called" for early maturity prior to their stated maturity date. If the bonds are not callable, they can still be advance refunded, but the escrow account is established to pay debt service on the refunded bonds on each bond maturity date rather than an earlier "call date".

**166a. To record the issuance and payment of advance refunding bonds:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| V522 | Expenditures | | | XXX | |
| | V9991.4 | Repayments To Esc Agent Adv Ref Bonds | XXX | | |
| V980 | Revenues | | | | XXX |
| | V5791 | Advance Refunding Bonds | XXX | | |

The Statement of Non-Current Governmental Liabilities should report the new debt, but not the old debt.

**166b. To record the use of interfund moneys to pay closing costs:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| V522 | Expenditures | | | XXX | |
| | V1380.4 | Fiscal Agent Fees | XXX | | |
| V980 | Revenues | | | | XXX |
| | V5031 | Interfund Transfer | XXX | | |

**OR**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| V522 | Expenditures | | | XXX | |
| | V9991.4 | Repayments to Escrow Agent Adv Ref Bonds | XXX | | |
| V980 | Revenues | | | | XXX |
| | V5031 | Interfund Transfer | XXX | | |

# Petty Cash and Departmental Cash

**167. To record the establishment or increase of a petty cash fund:**

| | Account | | Sub Account | Debit | Credit |
|---|---|---|---|---|---|
| A210 | Petty Cash | | | XXX | |
| | Various Departments | | XXX | | |
| A200 | Cash | | | | XXX |

**168. To record the reimbursement of a petty cash fund for audited expenditures:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A522 | Expenditures | | XXX | |
| | A- - - - Various Expenditures | XXX | | |
| | A200 Cash | | | XXX |

**169. To record the return of petty cash when a petty cash fund is abolished or reduced, or is returned:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A200 | Cash | | XXX | |
| | A210 Petty Cash | | | XXX |
| | Various Departments | XXX | | |

## Reserves

**170a. To budget for moneys to fund (or increase) a reserve (in this example, the Reserve for Repairs is used):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A510 | Estimated Revenues | | XXX | |
| | A1001 Real Property Taxes | XXX | | |
| | A962 Other Budgetary Purposes - Reserve for Repairs | | | XXX |

Money for the reserve is part of the tax levy. Revenue is closed to restricted fund balance. No expenditure is reported.

**170b. To budget for appropriation of funds from a reserve fund (in this example, the Reserve for Repairs is used):**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A511 | Appropriated Reserves – Reserve for Repairs | | XXX | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

**171. To increase funds in the Reserve for Repairs using fund balance during the year or at fiscal year-end:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A912 | Unrestricted Fund Balance* | | XXX | |
| | A882 Reserve for Repairs** | | | XXX |

*See note for entry 1.
**The account code here (A882 in our example) will vary based on the reserve being increased.

**172. To close revenues to reserves (restricted fund balance, reserve for repairs) at year-end:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A980 | Revenues | | XXX | |
| | A1001 Real Property Taxes - Reserve for Repairs | XXX | | |
| | A882 Reserve for Repairs | | | XXX |

Closed to Reserve for Repairs (A882) at year-end. If the fund does not have real property taxes, then some other revenue would be reclassified. For example, water sales in a water fund. **This entry is made along with entries 168A or 168B.**

**173. To classify reserve assets as restricted:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A230 | Cash, Special Reserves | | XXX | |
| | A200 Cash | | | XXX |

A separate bank account is not required (Chapter 309, Laws of 1996). **This entry is made along with entries 168A or 168B.**

**174a. To appropriate reserve funds in the adopted budget:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A510 | Estimated Revenues | | XXX | |
| | A1001 Real Property Taxes | XXX | | |
| A511 | Appropriated Reserves - Reserve for Repairs | | XXX | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

**174b. To appropriate reserve funds during the year:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A511 | Appropriated Reserves - Reserve for Repairs | | XXX | |
| | A960 Appropriations | | | XXX |
| | A- - - - Various Appropriations | XXX | | |

**175. To record interest earned by reserves and restricted cash:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A230 | Cash, Special Reserves | | XXX | |
| | A980 Revenues | | | XXX |
| | A2401 Interest and Earnings | XXX | | |

Closed to Reserve for Repairs (A882) at year-end.

## Closing Entries

**176. To record the closing of operating expenditures at the end of the fiscal year:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A912 | Unrestricted Fund Balance* | | XXX | |
| | A522 Expenditures | | | XXX |

*See note for entry 1.

**177. To record the closing of operating revenues at the end of the fiscal year:**

| | Account | Sub Account | Debit | Credit |
|---|---|---|---|---|
| A980 | Revenues | | XXX | |
| | A912 Unrestricted Fund Balance* | | | XXX |

*See note for entry 1.

# Chapter 11 – Soil and Water Conservation Districts

Soil and Water Conservation Districts (Districts) provide for the conservation and improvement of soil and water resources of the State. Every county in New York State has a District run by a county-appointed board and funded primarily by county, State and federal funds. New York City also has a District, comprising its five counties. The New York State Soil and Water Conservation Committee (Committee), under the Department of Agriculture and Markets, provides oversight and maintains standards for the Districts and their programs; the Committee also distributes State aid based upon annual financial reports submitted by the Districts.

In most cases, Districts are a component unit of a county, and the appropriate basis of accounting is the modified accrual basis (see Chapter 3). Districts should follow the Classification and Coding Structure (see Chapter 5) and should also refer to Chapter 7 on Budgeting. The Chart of Accounts that follows shows the balance sheet, revenue and expenditure accounts available for Districts. The codes provided in column 1 of the chart below are the codes that are most likely to be used by Districts. Column 2 lists the various internal subcodes that are used by the Districts to provide more detailed income and cost allocations for reporting to the Committee, such as reporting to grant providers, tracking project costs, etc.

Similar to municipal corporations, GML Section 30 requires every special district (including Soil and Water Conservation Districts) to annually make a report of financial condition to the Comptroller.[23] Generally, the annual report must be filed with the Comptroller within 60 days following the close of the special district's fiscal year.[24] This report, commonly referred to as the "Annual Report of the Treasurer," is submitted using an electronic spreadsheet from the Department of Agriculture and Markets. Districts submit this spreadsheet to both agencies to satisfy the reporting requirement.

**Balance Sheet**

| Description | 1<br>OSC<br>USA[a] Code | 2<br>Committee<br>Report Code |
|---|---|---|
| Assets | | |
| Cash | 200 | 200 |
| Cash in Time Deposits and CDs | 201 | 201 |
| Petty Cash | 210 | 210 |
| Cash Special Reserves (Dedicated Funds) | 230 | 230 |
| Accounts Receivable | 380 | 380 |
| Due From Other Funds | 391 | 391 |
| State and Federal Aid Receivables, Other | 410 | 410 |
| Due From Other Governments | 440 | 440 |
| Lease Receivable | 454 | 454 |
| Prepaid Expenses | 480 | 480 |
| Miscellaneous Current Assets | 489 | 489 |
| Deferred Outflow of Resources | 495 | 495 |
| Liabilities | | |
| Accounts Payable | 600 | 600 |
| Accrued Liabilities | 601 | 601 |
| Due to Other Funds | 630 | 630 |
| Due To Other Governments | 631 | 631 |

[23] See also, New York State Soil and Water Conservation Districts Law (SWCDL) Section 5 regarding the creation of Districts.

[24] See, GML Section 30(5).

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| Compensated Absences | 687 | 687 |
| Other Liabilities | 688 | 688 |
| Deferred Inflow of Resources | 691 | 691 |
| Consolidated Payroll | 710 | 710 |
| Individual Retirement Account | 716 | 716 |
| Deferred Compensation | 717 | 717 |
| State Retirement | 718 | 718 |
| Disability Insurance | 719 | 719 |
| Group Insurance | 720 | 720 |
| NYS Income Tax | 721 | 721 |
| Federal Income Tax | 722 | 722 |
| Income Executions | 723 | 723 |
| Association and Union Dues | 724 | 724 |
| US Savings Bonds | 725 | 725 |
| Social Security Tax | 726 | 726 |
| NYC Income Tax | 728 | 728 |
| Employees Annuities | 729 | 729 |
| Guaranty and Bid Deposits | 730 | 730 |
| Fund Equity | | |
| Fund Balance – Other Restricted | 899 | 899 |
| Fund Balance – Assigned Appropriated | 914 | 914 |
| Fund Balance – Assigned Unappropriated | 915 | 915 |
| Fund Balance – Unassigned | 917 | 917 |

[a] USA stands for Comptroller's Uniform System of Accounts.

**Revenues**

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| From Cooperators and Others | | |
| For Construction | 1289 | 2160A |
| For Tree Planting Service | 1289 | 2160B |
| For Woodland | 1289 | 2160C |
| Other (Itemize) | 1289 | 2160D |
| State Tree and Shrub Program | 1289 | 2160E |
| District Tree and Shrub Program | 1289 | 2160F |
| Fish Stocking Program | 1289 | 2160G |
| Pond Treatment | 1289 | 2160H |
| Interest and Earnings | 2401 | 2401 |
| Rental of Equipment | 2414 | 2414A |
| Rental of No Till Equipment | 2414 | 2414B |
| Lease Payments Collected | 2421 | 2421A |
| Sale of Supplies | | |
| Tile | 2655 | 2655A |
| Topo Maps | 2655 | 2655B |
| Grass Seed | 2655 | 2655C |
| Other (Books, Flags, etc.) | 2655 | 2655D |
| Sale of Equipment | 2665 | 2665 |
| Insurance Recoveries | 2680 | 2680 |

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| Gifts and Donations (Itemize) | 2705 | 2705 |
| Miscellaneous Revenues | | |
| Ag Value - Soil Group Worksheet | 2770 | 2770A |
| Copies, GIS | 2770 | 2770B |
| Field Conservation Days | 2770 | 2770C |
| Other (Itemize) | 2770 | 2770D |
| County Appropriations and/or Grants | 2706 | 2771 |
| State Aid, Grants or Reimbursements | 3898 | 3989 |
| Federal Aid, Grants or Reimbursements | 4989 | 4989 |
| Leases | 5788 | 5788 |

[a] USA stands for Comptroller's Uniform System of Accounts.

**Other Non-Revenue Items**

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| Refund of Prior Years Expenditures | 2701 | 2701 |
| Refund of Expenditures, Current Year | Reduce Expenditure | Reduce Expenditure |

[a] USA stands for Comptroller's Uniform System of Accounts.

**Expenditures**

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| Personal Services | | |
| Directors (per diem for meetings) | 8790.1 | 8790.11 |
| Secretaries | 8790.1 | 8790.12 |
| Managers | 8790.1 | 8790.13 |
| Field Technicians[b] | 8790.1 | 8790.14 |
| Other Employees | 8790.1 | 8790.15 |
| Equipment | | |
| Furniture and Fixtures | 8790.2 | 8790.21 |
| Office Equipment | 8790.2 | 8790.22 |
| Motor Vehicles (exclude gas, oil, etc.) | 8790.2 | 8790.23 |
| Field Equipment | 8790.2 | 8790.24 |
| Other Equipment | 8790.2 | 8790.25 |
| Contractual Expenditures | | |
| Expenditures for Cooperators & Others | | |
| Construction | 8790.4 | 8790.401 |
| Reforestation | 8790.4 | 8790.402 |
| Woodland | 8790.4 | 8790.403 |
| Other | 8790.4 | 8790.404 |
| District Trees | 8790.4 | 8790.405 |
| State Trees | 8790.4 | 8790.406 |
| Fish and Pond Stocking | 8790.4 | 8790.407 |
| Pond Treatment | 8790.4 | 8790.408 |
| No Till | 8790.4 | 8790.409 |

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| State Drainage Program | 8790.4 | 8790.410 |
| Purchase of Tile and Pipe | 8790.4 | 8790.411 |
| Purchase of Maps | 8790.4 | 8790.412 |
| Purchase of Flags and Stakes | 8790.4 | 8790.413 |
| Misc. Supplies for Use in Cons. Practices | 8790.4 | 8790.416 |
| Payments to NRCS (Soil Survey, etc.) | 8790.4 | 8790.420 |
| Payments to Cornell | 8790.4 | 8790.421 |
| Payments to Others | 8790.4 | 8790.422 |
| Water Quality Coordinating Committee | 8790.4 | 8790.425 |
| Travel/Training Expenditures (Directors) | 8790.4 | 8790.430 |
| Travel/Training Expenditures (Employees) | 8790.4 | 8790.431 |
| Rent Expense | 8790.4 | 8790.440 |
| Light and Heat | 8790.4 | 8790.441 |
| Telephone/Internet | 8790.4 | 8790.442 |
| Office Supplies | 8790.4 | 8790.443 |
| Information and Education | 8790.4 | |
| Newsletter, Cons. Field Days, Envirothon | 8790.4 | 8790.444 |
| Insurance[c] | 8790.4 | |
| Auto and Field | 8790.4 | 8790.451 |
| Liability | 8790.4 | 8790.452 |
| Inland Marine | 8790.4 | 8790.453 |
| Professional Liability | 8790.4 | 8790.454 |
| Surety Bonds | 8790.4 | 8790.455 |
| Other (Itemize) | 8790.4 | 8790.456 |
| Other Contractual (Itemized) | 8790.4 | 8790.460 |
| Repairs to Equipment (Field) | 8790.4 | 8790.461 |
| Gas and Oil | 8790.4 | 8790.463 |
| Small Tools | 8790.4 | 8790.464 |

[a] USA stands for Comptroller's Uniform System of Accounts.
[b] Column 2: Includes secretary's time if field work.
[c] Column 2: Includes all insurance except Employee Benefits.

### Other Disbursements

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| Employee Benefits | 8790.8 | 8790.8 |

[a] USA stands for Comptroller's Uniform System of Accounts.

### Lease Expenditures

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| Leases, Principal | 9788.6 | 9788.6 |
| Leases, Interest | 9788.7 | 9788.7 |

[a] USA stands for Comptroller's Uniform System of Accounts.

## Custodial Fund

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| Assets | | |
| Cash | 200 | 200 |
| Cash in Time Deposits | 201 | 201 |
| Due From Other Funds | 391 | 391 |
| Due From Other Governments | 440 | 440 |
| Deferred Comp Plan Assets | 460 | 460 |
| Miscellaneous Current Assets | 489 | 489 |
| Deferred Outflows of Resources | | |
| Deferred Outflows of Resources | 495 | 495 |
| Liabilities | | |
| Individual Retirement Account | 716 | 716 |
| Deferred Compensation | 717 | 717 |
| State Retirement | 718 | 718 |
| Disability Insurance | 719 | 719 |
| Group Insurance | 720 | 720 |
| Employees Annuities | 729 | 729 |
| Other Liabilities | 688 | 688 |
| Due to Other Funds | 630 | 630 |
| Due to Other Governments | 631 | 631 |
| Deferred Inflows of Resources | | |
| Deferred Inflows of Resources | 691 | 691 |
| Net Assets | | |
| Net Assets - Restricted for Other Purposes | 923 | 923 |
| Net Assets - Unrestricted | 924 | 924 |
| Revenues | | |
| Interest and Earnings | 2401 | 2401 |
| Gifts and Donations | 2705 | 2705 |
| Unclassified | 2770 | 2770 |
| Expenditures | | |
| Other Custodial Activities (Itemize) | 1935 | 1935 |
| Other Employee Benefits (Itemize) | 9089.8 | 9089.8 |

[a] USA stands for Comptroller's Uniform System of Accounts.

## Non-Current Governmental Schedules

| Description | 1 OSC USA[a] Code | 2 Committee Report Code |
|---|---|---|
| Non-Current Governmental Assets | | |
| Machinery and Equipment | 104 | 104 |
| Other Capital Assets | 107 | 107 |
| Net Pension Asset - Proportionate Share | 108 | 108 |
| Intangible Lease Asset - Machinery and Equipment | 124 | 124 |
| (Accumulated Depreciation) | | |
| (Accumulated Depreciation, Machinery and Equipment) | 114 | 114 |
| (Accumulated Depreciation, Other Capital Assets) | 117 | 117 |
| (Accumulated Amortization, Intangible Lease Asset - Machinery and Equipment) | 134 | 134 |

| Description | 1<br>OSC<br>USA[a] Code | 2<br>Committee<br>Report Code |
|---|---|---|
| Non-Current Governmental Liabilities | | |
| Retained Percentages, Contract Payable | 605 | 605 |
| Other Post Employment Benefits | 683 | 683 |
| Compensated Absences | 687 | 687 |
| Net Pension Liability - Proportionate Share | 638 | 638 |
| Lease Liability | 682 | 682 |

[a] USA stands for Comptroller's Uniform System of Accounts.

# Chapter 12 – Terminology

The following explanations are presented to aid in understanding the terminology generally used in governmental accounting, auditing, financial reporting and budgeting.

**Abatement:** A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments and service charges.

**Accountability:** The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used.

**Accounting System:** The methods and records established to identify, assemble, analyze, classify, record and report a government's transactions and to maintain accountability for the related assets and liabilities.

**Accounts Receivable:** An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

**Accredited Value:** A valuation basis for certain investments and debt instruments that report on the balance sheet only that portion of their face value that reflects principal and interest accrued to date.

**Accrual Basis:** A fund's basis of accounting having the measurement of changes in total economic resources as its measurement focus. Revenues are recognized in the periods in which they are earned, and expenses are recognized as soon as liability is incurred.

**Accumulated Depreciation:** A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of fixed assets.

**Activity:** A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible. For example, police are an activity within the public safety function.

**Activity Classification:** An expenditure classification according to the specific type of work performed by organizational units. For example, sewage treatment and disposal, waste collection, waste disposal and street cleaning are activities performed in carrying out the function of sanitation.

**Actuarial Basis:** A basis used in computing the amount of contributions to be made periodically to a fund or account so that the total contributions plus the compounded earnings thereon will equal the required payments to be made out of the fund or account. The factors considered in arriving at the amount of these contributions include the length of time over which each contribution is to be held and the rate of return compounded on such contribution over its life.

**Ad Valorem Tax:** A tax based on value (e.g., a property tax).

**Advance Refunding Bonds:** Bonds issued to refinance an outstanding bond issue before the date the outstanding bonds become due or callable. Proceeds of the advance refunding bonds are deposited in escrow with a fiduciary, invested in U.S. Treasury Bonds or other authorized securities and used to redeem the underlying bonds at their maturity or call date, to pay interest on the bonds being refunded, or to pay interest on the advance refunding bonds.

**Allotment:** A part of an appropriation that may be encumbered or expended during a given period.

**Amortization:** (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

**Amortization Schedule:** A schedule of debt service payments separating the portions of payments attributable to principal and interest.

**Annual Budget:** A budget applicable to a single fiscal year.

**Annual Comprehensive Financial Report:** The official annual report of a local government prepared in conformity with GAAP.

**Annual Financial Report (AFR):** A financial report of a local government applicable to a single fiscal year filed with OSC. Previously called the annual update document or AUD.

**Annuity:** A series of equal payments made or received at equal intervals over a designated period.

**Appraise:** To estimate the value, particularly the value of property. If the property is valued for taxation, the narrower term “assess” is substituted.

**Appropriation:** A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and in the time it may be expended.

**Appropriation Account:** A budgetary account set up to record spending authorizations for specific purposes. The account is credited with the original appropriation and any supplemental appropriations and is charged/debited with expenditures and encumbrances.

**Appropriation Ledger:** A subsidiary ledger containing an account for each appropriation. Each account usually includes the amount originally appropriated, transfers to or from the appropriation, amounts charged against the appropriation, the available balance and other related information.

**Arbitrage:** Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

**Assess:** To establish an official property value for taxation.

**Assessed Valuation:** A valuation set upon real estate or other property by a government as a basis for levying taxes.

**Assessment:** (1) The process of making the official valuation of property for taxation. (2) The valuation placed upon property as a result of this process.

**Assessment Roll:** With real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner usually are listed. With personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property and its assessed value.

**Asset:** A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events. Resources with present service capacity that the government presently controls.

**Audit:** A systematic collection of the sufficient, appropriate evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities.

**Audit Committee:** A group of individuals, selected by the governing body, having specific responsibility for addressing all issues related to financial reporting and disclosure. Ideally, audit committees form a direct communications link between the auditor and the governing body. Therefore, the majority of the committee's members normally would be expected not to have management responsibilities within the entity under audit.

**Audit Finding:** A weakness in internal controls or an instance of noncompliance with applicable laws and regulations that is presented in the audit report in conformity with GAGAS.

**Audit Procurement:** The process used to obtain auditing services from independent public accountants.

**Auditor's Report:** In the context of a financial statement audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

> **An Unqualified Opinion** states that the financial statements present fairly the financial position, results of operations and (when applicable) changes in financial position in conformity with GAAP only when the auditor has formed such an opinion on the basis of an examination.
>
> **A Qualified Opinion** states that "except for" the effect of the matter to which the qualification relates, the financial statements present fairly the financial position, results of operations and (when applicable) changes in financial position in conformity with GAAP. Such an opinion is expressed when a lack of sufficient, competent evidential matter or restrictions on the scope of the auditor's examination have led the auditor to conclude that an unqualified opinion cannot be expressed, or when the auditor believes, on the basis of his examination, that (1) the financial statements contain a departure from GAAP, the effect of which is material (2) there has been a material change between periods in accounting principles or in the method of their application or (3) there are significant uncertainties affecting the financial statements and the auditor has decided not to express an adverse opinion or to disclaim an opinion.
>
> **An Adverse Opinion** states that the financial statements do not present fairly the financial position, results of operations or changes in financial position in conformity with GAAP.
>
> **A Disclaimer Opinion** states that the auditor does not express an opinion on the financial statements. The disclaimer of opinion is appropriate when the auditor has not performed an audit sufficient in scope to form an opinion on the financial statements. A disclaimer of opinion should not be expressed because the auditor believes, on the basis of the examination, that there are material departures from GAAP. In such circumstances, an adverse opinion is appropriate.

**Authority:** A government or public agency created to perform a single function or a restricted group of related activities. Usually, such units are financed from service charges, fees and tolls, but in some instances they also have taxing powers. An authority may be completely independent of other governments or be partially dependent upon other governments for its financing or the exercise of certain powers.

**Availability Criterion:** Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collected within the period or soon enough after to be used to pay liabilities of the current period.

**Availability Period:** A specific period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue recognition in accordance with availability of modified accrual accounting.

**Balance Sheet:** The financial statement disclosing the assets, liabilities and equity of an entity at a specified date in conformity with GAAP.

**Bank Balance:** In the context of GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, the amount credited by a financial institution to the government's account as opposed to the government's own ledger balance for the account. For example, if checks have been written against an account, but have not yet cleared the bank, the ledger balance would be lower than the bank balance.

**Basic Financial Statements:** Those financial statements, including notes thereto, necessary for the fair presentation of the financial position and results of operations of an entity in conformity with GAAP.

**Basis of Accounting:** A term used to refer to when revenues, expenditures, expenses and transfers - and the related assets and liabilities - are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement, on the cash, the accrual or modified accrual basis.

**Basis Point:** Equal to 1/100 of one percent. If interest rates rise from 7.50 percent to 7.75 percent, the difference is referred to as an increase of 25 basis points.

**Benefits**: Payments to which participants may be entitled including pension benefits, death benefits and benefits due on termination of employment.

**Biennial Budget:** A budget applicable to a two-year fiscal period.

**Bill:** A term used to denote a law or statute passed by certain legislative bodies. A bill has greater legal formality and standing than a resolution.

**Blending (Blended):** The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government.

**Bond:** Most often, a written promise to pay a specified sum of money (called the face value or principal amount), at a specified date or dates in the future, the maturity date(s), together with periodic interest at a specified rate. Sometimes, however, all or a substantial portion of the interest is included in the face value of the security. The difference between a note and a bond is that the latter is issued for a longer period and requires greater legal formality.

**Bond Anticipation Notes (BANs):** Short-term interest-bearing notes issued by a government in anticipation of bonds to be issued at a later date. The notes are often retired from proceeds of the bond issue to which they are related.

**Bond Covenant:** A legally enforceable promise made by an issuer of bonds to the bondholders normally contained in the bond resolution or indenture (e.g., pledged revenues).

**Bond Discount:** The difference between the present value and the face amount of bonds when the former is less than the latter. In common usage, the term also includes issuance costs withheld from the bond proceeds by the underwriter.

**Bonded Debt:** The portion of indebtedness represented by outstanding bonds.

**Bond Indenture:** A formal agreement, also called a deed of trust, between an issuer of bonds and the bondholder.

**Bond Ordinance or Resolution:** An ordinance or resolution authorizing a bond issue.

**Bond Premium:** The difference between the present value and the face amount of bonds when the former is greater than the latter.

**Bonds Authorized and Unissued:** Bonds that have been authorized legally but not issued and that can be issued and sold without further authorization.

**Bonds Issued:** Bonds sold by the government.

**Bonds Payable:** Generally, the face value of bonds issued and unpaid. In the case of deep-discount and zero-coupon bonds, however, only the accreted value of the security is reported as bonds payable on the balance sheet.

**Books of Original Entry:** The record in which various transactions are recorded formally for the first time (e.g., cash journal, check register or general journal). With automated bookkeeping methods, one transaction may be recorded simultaneously in several records, one of which may be regarded as the book of original entry. Memorandum books, check stubs, files of duplicate sales invoices, etc., on which first or prior business notations may have been made, are not books of original entry in the accepted meaning of the term, unless they also are used as the media for direct posting to the ledgers.

**Book Value:** Value as shown by the books of account. In the case of assets subject to reduction by valuation allowances, book value refers to cost or stated value less the appropriate allowance. Sometimes a distinction is made between gross book value and net book value, the former designating value before deduction of related allowances and the latter the value after the deduction. In the absence of any modifiers, however, book value is understood to be synonymous with net book value.

**Budget:** A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term “budget” is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes the plan finally approved by that body.

**Budgetary Accounts:** Accounts used to enter the formally adopted annual operating budget into the general ledger as part of the management control technique of formal budgetary integration.

**Budgetary Comparisons:** Statements or schedules presenting comparisons between approved budgetary amounts (as amended) and actual results of operations on the budgetary basis.

**Budgetary Control:** The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**Budget Document:** The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating governing body. The budget document usually consists of three parts. The first part contains a message from the budget-making authority, together with a summary of the proposed expenditures and the means of financing them. The second consists of schedules supporting the summary. These schedules show in detail the past year’s actual revenues, expenditures and other data used in making the estimates. The third part is composed of drafts of the appropriation, revenue and borrowing measures necessary to put the budget into effect.

**Budget-GAAP Basis Differences:** Differences arising from the use of a basis of accounting for budgetary purposes that differs from the basis of accounting applicable to the fund type when reporting on operations in conformity with GAAP. For example, a cash-basis budget would produce a budget-GAAP basis difference.

**Business-Type Activities:** Those activities of a government carried out primarily to provide specific services in exchange for a specific user charge.

**Callable Bond:** A type of bond with a feature that permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in a manner specified in the bond contract.

**Capital Budget:** A plan of proposed capital outlays and the means of financing them.

**Capital Expenditures:** Expenditures resulting in the acquisition of or addition to the government's general fixed assets.

**Capital Grants**: Grants restricted by the grantor for the acquisition and/or construction of fixed assets.

**Capital Program:** A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or other capital needs. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the resources estimated to be available to finance the projected expenditures.

**Capitalization Threshold:** The dollar value at which governments elect to capitalize assets used in operations and that have an initial useful life extending beyond a single reporting period.

**Cash Basis:** A basis of accounting under which transactions are recognized only when cash is received or disbursed.

**Cash Discount:** An allowance received or given if payment of an account is completed within a stated period of time.

**Cash Equivalent:** Short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

**Cash Flows Statement:** One of the basic financial statements required in proprietary funds that reports the inflows and outflows of cash.

**Certificate of Achievement for Excellence in Financial Reporting Program:** A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable annual comprehensive financial reports/component unit financial reports and to provide technical assistance and peer recognition to the finance officers preparing them.

**Certified Public Accountant:** An accountant who has met all the statutory and licensing requirements of a given state for use of that designation. All U.S. states require accountants, at a minimum, to complete successfully a uniform national examination before being allowed to designate themselves as CPAs.

**Claim:** (1) Potential losses that rise from (a) employment (e.g., worker compensation and unemployment), (b) contractual actions (e.g., delays or inadequate specifications), (c) actions of government personnel (e.g., medical malpractice, damage to privately owned vehicles by government-owned vehicles, improper police arrest) and (d) governmental properties (e.g., personal injuries, property damage). (2) In the context of insurance, a demand for payment of a policy benefit because of the occurrence of an insured event, such as the destruction or damage of property and related deaths or injuries.

**Clearing Account:** An account used to accumulate total charges or credits so that they can be distributed later among the accounts to which they are allocable or so that the net differences can be transferred to the proper account(s).

**Collateral:** Assets pledged to secure deposits, investments or loans.

**Commitments:** In the context of note disclosure, contingent obligations at the balance sheet date arising from the terms of executory contracts.

**Compensated Absences:** Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, post-retirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

**Compliance Auditing:** Auditing for compliance with applicable laws and regulations. Tests of compliance with laws and regulations are substantive tests; therefore, the term "compliance auditing" should not be confused with the similar term "compliance testing" which usually refers to testing for compliance with internal control procedures.

**Component Unit:** Legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Component Unit Financial Report:** A report covering all fund and account groups of a component unit including introductory section; appropriate combined, combining and individual fund statements; notes to the financial statements; required supplementary information; schedules; narrative explanations and statistical tables.

**Component Unit Financial Statements:** Financial statements of a component unit that may be issued separately from the component unit financial report. Such statements should include the financial statements and notes to the financial statements that are essential to the fair presentation of financial position and results of operations (and changes in financial position of proprietary funds and similar trust funds).

**Consumption Method:** The method under which inventories are recorded as expenditures/expenses when used.

**Contingent Liability:** Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

**Control Account:** An account in the general ledger where the aggregate of debt and credit postings is recorded to related accounts called subsidiary accounts; e.g., taxes receivable is a control account supported by the aggregate of individual balances in individual property taxpayers' subsidiary accounts.

**Control Environment:** The collective effect of various factors on establishing, enhancing, or mitigating the effectiveness of specific policies and procedures. Such factors include (1) management philosophy and operating style, (2) organizational structure, (3) the function of the legislative body and its committees, (4) methods of assigning authority and responsibility, (5) management control methods, (6) the internal audit function, (7) personnel policies and procedures and (8) external influences concerning the entity.

**Control Procedures:** The policies and procedures (in addition to the control environment and accounting system) that management has established to provide reasonable assurance that specific entity objectives will be achieved.

**Corrective Action Plan:** A plan State and local officials are required to submit to appropriate officials. The plan details how material noncompliance or weaknesses found in the audit will be eliminated or why corrective action is not necessary.

**Cost:** The amount of money or other consideration exchanged for goods or services.

**Cost Accounting:** The method of accounting that provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

**Coupon Rate:** The interest rate specified on interest coupons attached to a bond. The term “nominal interest rate” is also used in this sense.

**Current:** As applied to budgeting and accounting, designates the operations of the present fiscal period as opposed to past or future periods. It usually indicates items likely to be used up or converted into cash within one year.

**Custodial Agreement:** A written contract establishing the responsibilities of a custodian who holds collateral for deposits with financial institutions, investment securities or securities underlying repurchase agreements.

**Debt:** An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds and notes.

**Debt Limit:** The maximum amount of outstanding gross or net debt legally permitted.

**Debt Proceeds:** The difference between the face amount of debt and the issuance discount or the sum of the face amount and the issuance premium. Debt proceeds differ from cash receipts to the extent issuance costs, such as underwriters’ fees, are withheld by the underwriter.

**Debt Ratios:** Comparative statistics illustrating the relation between the issuer’s outstanding debt and such factors as its tax base, income or population. These ratios often are used as part of the process of determining the credit rating of an issue, especially with general obligation bonds.

**Deep-Discount Debt:** Debt issued with a stated interest rate significantly less than the effective interest rate (e.g., less than 80 percent of the effective interest rate).

**Defeasance:** The legal release of a debtor from being the primary obligor under the debt, either by the courts or by the creditor. Also referred to as a legal defeasance. See *In-Substance Defeasance*.

**Deferred Inflow of Resources:** An acquisition of net assets by the government that is applicable to a future reporting period.

**Deferred Outflow of Resources:** A consumption of net assets by the government that is applicable to a future reporting period.

**Deficit:** (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

**Delinquent Taxes:** Taxes remaining unpaid on and after the date on which a penalty for nonpayment is attached. Even though the penalty may be subsequently waived and a portion of the taxes may be abated or canceled, the unpaid balances continue to be delinquent taxes until abated, canceled, paid or converted into tax liens.

**Demand Bonds:** Long-term debt issuances with demand (“put”) provisions that require the issuer to repurchase the bonds upon notice from the bondholder at a price equal to the principal plus accrued interest. To ensure their ability to redeem the bonds, the issuers of demand bonds frequently enter into short-term standby liquidity agreements and long-term “takeout” agreements.

**Depletion:** The allocation of the cost of natural resources (e.g., timber, oil, coal) to the periods benefited by their use. Similar to depreciation and amortization, depletion is a non-cash expense that lowers the cost value of the asset over time.

**Deposits:** In the context of required note disclosures, cash and near cash items placed on account with a financial institution or fiscal agent. Some deposits (e.g., checking accounts) are subject to withdrawal upon demand without notice or penalty (demand deposits) and others (e.g., certificates of deposit) can only be withdrawn without penalty upon completion of a fixed period (time deposits).

**Depreciation:** (1) Expiration in the service life of fixed assets, other than natural resources attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a fixed asset, other than a natural resource, charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged as an expense.

**Disbursements:** Payments in cash.

**Discount:** In the context of bonds payable and investments, the amount by which par value exceeds the price paid for a security. The discount generally represents the difference between the nominal interest rate and the actual or effective rate of return to the investor.

**Discount Rate:** The rate used to adjust a series of future payments to reflect the time value of money. For the purpose of calculating the pension benefit obligation defined by the GASB, this rate is equal to the estimated long-term rate of return on current and future investments of the pension plan. For leases, the discount rate used by the lessee is the lessee's incremental borrowing rate unless the lessee is aware of the lessor's implicit rate and that rate is less than the lessee's incremental borrowing rate.

**Discrete Presentation (Discretely Presented):** The method of reporting financial data of component units in a column(s) separate from the financial data of the primary government.

**Double Entry:** A system of bookkeeping requiring that for every entry made to the debit side of an account or accounts, an entry or entries be made for an equal amount to the credit side of another account or accounts.

**Economic Gain/Loss:** In the context of an advance refunding, the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid.

**Effective Interest Rate:** The rate of earning on a bond investment, based on the actual price paid for the bond, the coupon rate, the maturity date and the length of time between interest dates, in contrast with the nominal interest rate.

**Eminent Domain:** The power of a government to acquire private property for public purposes. It is used frequently to obtain real property that cannot be purchased from owners in a voluntary transaction. When the power of eminent domain is exercised, owners normally are compensated by the government in an amount determined by the courts.

**Encumbrances:** Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

**Endowment:** Funds or property donated with either a temporary or permanent restriction as to the use of principal.

**Entitlement:** The amount of payment to which a State or local government is entitled pursuant to an allocation formula contained in applicable statutes. See *Grants*.

**Entity:** (1) The basic unit upon which accounting and/or financial reporting activities focus. (2) That combination of funds that constitutes the reporting entity for financial reporting purposes.

**Entry:** The record of a financial transaction in the appropriate book of account.

**Equity Accounts:** Those accounts presenting the difference between assets and liabilities of the fund.

**Equity Interest:** A financial interest in a joint venture evidenced by the ownership of shares of the joint venture's stock or by otherwise having an explicit, measurable right to the net resources of the joint venture that is usually based on an investment of financial or capital resources by a participating government.

**Escheat:** The reversion of private property to a government because there is no one to inherit or because of a breach of condition.

**Estimated Current Costs of Closure and Post-Closure Care:** The total current cost of equipment, facilities and services expected to result in disbursements near or after the date a municipal solid waste landfill stops accepting solid waste.

**Estimated Life:** The expected economic useful life of an asset from the date it was placed in service to the projected retirement date.

**Exchange Transactions:** Transactions in which each party receives and gives up essentially equal value.

**Expenditures:** Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays and intergovernmental grants, entitlements and shared revenues.

**Expenses:** Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

**Exposure Draft:** A proposed statement or interpretation issued for public comment by the GASB or the FASB.

**Face Value:** As applied to securities, the amount of the issuer's liability stated in the security document.

**Federal Deposit Insurance Corporation (FDIC):** A federal institution that insures deposits of federally chartered banks.

**Fidelity Bond:** A written promise to indemnify against losses from theft, defalcation and misappropriation of public moneys by government officers and employees.

**Financial Advisor:** In the context of bond issuances, a consultant who advises the issuer on any of a variety of matters related to the issuance. The financial advisor sometimes also is referred to as the fiscal consultant.

**Financial Statement Audit:** An audit made to determine whether the financial statements of a government are presented fairly in conformity with GAAP.

**Financial Reporting Entity(s):** A primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

**Financial Resources:** Cash and other assets that, in the normal course of operations, will become cash.

**Fiscal Agent:** A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

**Fiscal Period:** Any period at the end of which a government determines its financial position and the results of its operations.

**Fiscal Year:** A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations.

**Fixed Budget:** A budget setting forth dollar amounts that are not subject to change based on the volume of goods or services to be provided.

**Fixed Costs:** Costs of providing goods or services that do not vary proportionately to the volume of goods or services provided.

**Flexible Budget:** A budget whose dollar amounts vary according to the volume of goods or services to be provided.

**Flow of Current Financial Resources:** A measurement focus that recognizes the net effect of transactions on current financial resources by recording accruals for those revenue and expenditure transactions which have occurred by year end that are normally expected to result in cash receipt or disbursement early enough in the following year either (a) to provide financial resources to liquidate liabilities recorded in the fund at year end or (b) to require the use of available expendable financial resources reported at year end.

**Flow of Economic Resources:** The measurement focus used in the commercial model and in proprietary and similar trust funds to measure economic resources, the claims to those economic resources and the effects of transactions, events and circumstances that change economic resources and claims to those resources. This focus includes depreciation of fixed assets, deferral of unearned revenues and prepaid expenses, and amortization of the resulting liabilities and assets. Under this measurement focus, all assets and liabilities are reported on the balance sheet, whether current or non-current. Also, the accrual basis of accounting is used, with the result that operating statements report expenses rather than expenditures.

**Foreclosure:** The seizure of property as payment for delinquent tax or special assessment obligations. Ordinarily, property foreclosed is resold to liquidate delinquent tax or special assessment obligations, but, on occasion, governments retain possession for their own needs.

**Forfeiture:** The automatic loss of cash or other property as a penalty for not complying with legal provisions and as compensation for the resulting damages or losses. This term should not be confused with confiscation. The latter term designates the actual taking over of the forfeited property by the government. Even after property has been forfeited, it cannot be said to be confiscated until the government claims it.

**Franchise:** A special privilege granted by a government, permitting the continued use of public property, such as city streets, and usually involving the elements of monopoly and regulation.

**Full Faith and Credit:** A pledge of the general taxing power for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds or full-faith- and-credit bonds.

**Function:** A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety).

**General Journal:** A journal in which all entries are recorded that are not recorded in special journals.

**General Ledger:** A record containing the accounts needed to reflect the financial position and the results of operations of a government. In double-entry bookkeeping, the debits and credits in the general ledger are equal (i.e., the debit balances equal the credit balances).

**General Obligation Bonds Payable:** Bonds backed by the full faith and credit of government.

**Generally Accepted Accounting Principles (GAAP):** Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the GASB.

**Generally Accepted Auditing Standards (GAAS):** Standards established by the AICPA for the conduct and reporting of financial audits. There are ten basic GAAS, classed into three broad categories: general standards, standards of field work and standards of reporting. The Auditing Standards Board of the AICPA publishes Statements of Auditing Standards (SAS) to comment and expand upon these basic standards. These SAS, together with the 10 basic standards, constitute GAAS. These GAAS set forth the objectives of an audit and establish measures that can be applied to judge the quality of its performance.

**Generally Accepted Government Auditing Standards (GAGAS):** Standards established by the GAO in its publication Government Auditing Standards ("Yellow Book") for the conduct and reporting of all financial and performance audits. GAGAS set forth general standards applicable to all types of audits and separate standards of field work and reporting for financial and performance audits.

**Governmental Accounting:** The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments.

**Governmental Accounting Standards Board (GASB):** The authoritative accounting and financial reporting standard-setting body for government entities.

**Grants:** Contributions or gifts of cash or other assets from another government or entity to be used or expended for a specified purpose, activity or facility. See *Entitlements*.

**Impact Fees:** Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

**Imposition of Will**: The ability to significantly influence the programs, projects, activities or level of services performed or provided by an organization.

**Imprest Account:** An account into which a fixed amount of money is placed for minor disbursements or disbursements for a specific purpose (e.g., payroll).

**Independent Audit:** An audit performed by an independent auditor.

**Independent Auditor:** An auditor meeting the independence criteria set forth in GAAS or GAGAS.

**Infrastructure Assets:** Public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the government unit.

**In-Substance Defeasance:** An advance refunding in which the government is not legally released from being the primary obligator on the refund bonds, but the possibility of the government having to make additional payments is considered remote under criteria provided by SFAS No. 76. See *Advance Refunding Bonds*.

**Internal Control Structure:** Policies and procedures established to provide reasonable assurance that specific government objectives will be achieved.

**Inventory:** (1) A detailed list showing quantities, descriptions and values of property and, frequently, units of measure and unit prices. (2) An asset account reflecting the cost of goods held for resale or for use in operations.

**Joint Venture:** A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

**Journal:** A book of original entry.

**Judgment:** An amount to be paid or collected by a government as the result of a court decision, including a condemnation award in payment for private property taken for public use.

**Lapse:** As applied to appropriations, the automatic termination of an appropriation. At the end of a financial period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**Ledger:** A group of accounts where the financial transactions of an entity are recorded.

**Legal Opinion:** (1) The opinion, as to the legality, of an authorized official, such as an attorney general or city attorney. (2) In the case of government bonds, the opinion of a specialized bond attorney as to the legality of the bond issue.

**Letter of Credit:** A financial institution's written guarantee of a customer's drafts, up to a specified amount, for a certain period of time.

**Levy:** (1) (Verb) To impose taxes, special assessments or service charges for the support of government activities. (2) (Noun) The total amount of taxes, special assessments or service charges imposed by a government.

**Liabilities:** Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. Present obligations to sacrifice resources that the government has little or no discretion to avoid.

**Liquidity:** The ability to convert assets to cash quickly, without significant losses.

**Long-Term Budget:** A budget prepared for a period longer than a fiscal year. Long-term budgets concerned with capital outlay plans and capital improvement programs are referred to as capital budgets.

**Long-Term Debt:** In the context of the General Long-Term Debt Account Group, any unmatured debt that is not a fund liability.

**Maintenance:** The act of keeping capital assets in a state of good repair. It includes preventive maintenance; normal periodic repairs; replacement of parts, structural components and so forth and other activities needed to maintain the asset so that it continues to provide normal services and achieves its optimum life.

**Measurement Focus:** The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported there, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

**Modified Accrual Basis:** A fund's basis of accounting having the measurement of changes in current financial resources as its measurement focus. Used for governmental funds, the modified accrual basis of accounting recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows and outflows of cash.

**Municipal:** In its broadest sense, an adjective denoting the State and all subordinate units of government.

**Municipal Corporation:** A political and corporate body established pursuant to State statutes to provide government services and regulations for its inhabitants. A municipal corporation has defined boundaries and a population and usually is organized with the consent of its residents. It usually has a seal and may sue and be sued (e.g., cities and villages).

**Municipal Solid Waste Landfill (MSWLF):** A discrete area of land or an excavation that receives household waste. The term "municipal" does not indicate ownership.

**Net Income:** The proprietary fund excess of operating revenues, non-operating revenues and operating transfers over operating expenses, non-operating expenses and operating transfers out.

**Nominal Interest Rate**: The contractual interest rate shown on the face and in the body of a bond and used to compute the amount of interest to be paid, in contrast to the effective interest rate.

**Non-Exchange Transaction:** A transaction in which a government either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange.

**Non-Operating Expenses:** Proprietary fund expenses not directly related to the fund's primary activities (e.g., interest).

**Non-Operating Revenues:** Proprietary fund revenues incidental to, or by-products of, the fund's primary activities.

**Notes to the Financial Statements:** The disclosures required for a fair presentation of the financial statements of a government in conformity with GAAP and not included on the face of the financial statements themselves. The notes to the financial statements are an integral part of the financial statements.

**Obligations:** The amounts a government may be legally required to meet out of its resources. They include not only actual liabilities, but also unliquidated encumbrances.

**Obsolescence:** The decrease in the value of fixed assets, resulting from economic, social, technological or legal changes.

**Official Statement:** A document published by a government planning to issue bonds that provides information on the proposed bond issue, including the purpose of the issue and the means of servicing the indebtedness, as well as information about the issuer that may be helpful in evaluating creditworthiness.

**Ongoing Financial Interest:** An equity interest or any other arrangement that allows a participating government to have access to a joint venture's resources.

**Ongoing Financial Responsibility:** (1) A participating government is obligated in some manner for the debts of the joint venture or (2) a joint venture's existence depends on continued funding by the participating government.

**Operating Budget:** Plans of current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled. The use of annual operating budgets is usually required by law. Even when not required by law, however, annual operating budgets are essential to sound financial management and should be adopted by every government.

**Operating Expenses:** Proprietary fund expenses related directly to the fund's primary activities.

**Operating Income:** The excess of proprietary fund operating revenues over operating expenses.

**Operating Revenues:** Proprietary fund revenues directly related to the fund's primary activities. They consist primarily of user charges for goods and services.

**Overdraft:** (1) The amount by which checks, drafts or other demands for payment on the treasury or on a bank exceed the amount of the credit against which they are drawn. (2) The amount by which requisitions, purchase orders or audited vouchers exceed the appropriation or other credit to which they are chargeable.

**Overhead:** Those elements of cost necessary in the production of a good or service which are not directly traceable to the product or service. Usually, these costs relate to objects of expenditure that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management and supervision.

**Overlapping Debt:** The proportionate share that property within each overlapping government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

**Par Value:** In the case of bonds, the amount of principal that must be paid at maturity. Par value is also referred to as the face value of the security.

**Paying Agent:** An entity responsible for payment of bond principal and interest on behalf of the government.

**Performance Auditing:** A systematic process of objectively obtaining and evaluating evidence regarding the performance of an organization, program, function or activity. Evaluation is made in terms of its economy and efficiency of operations, effectiveness in achieving desired regulations, for the purpose of ascertaining the degree of correspondence between performance and established criteria and communicating the results to interested users. The performance audit function provides an independent, third-party review of management's performance and the degree to which the performance of the audited entity meets pre-stated expectations.

**Perpetual Inventory:** A system whereby the inventory of units of property at any date may be obtained directly from the records, without resorting to an actual physical count, for each item or group of items to be inventoried. This system provides an ongoing record of goods ordered, received and withdrawn and the balance on hand, in units and, frequently, also in value.

**Posting:** The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book or document of original entry.

**Potential Component Unit:** A separate government unit, agency or nonprofit corporation that needs to be evaluated to determine if it is to be included with other component units and the oversight unit to constitute the reporting entity.

**Premium:** The excess of the price of a security over its face value, excluding any amount of accrued interest bought or sold.

**Present Value:** The discounted value of a future amount or amounts of cash, assuming a given rate of interest.

**Primary Government:** A state government or general-purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments.

**Principal:** In the context of bonds other than deep-discount debt, the face value or par value of a bond or issue of bonds payable on stated dates of maturity.

**Principle:** A standard or guideline. See *Generally Accepted Accounting Principles*.

**Purchase Order:** A document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

**Purchases Method:** The method under which inventories are recorded as expenditures when acquired.

**Quasi-External Transactions:** Interfund transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the government unit (e.g., payments in lieu of taxes from an enterprise fund to the general fund; internal service fund billings to departments; routine employer contributions to a pension trust fund and routine service charges for inspection, engineering, utilities or similar services provided by a department financed from one fund to a department financed from another fund). These transactions should be accounted for as revenues, expenditures or expenses in the funds involved.

**Ratings:** In the context of bonds, normally an evaluation of creditworthiness performed by an independent rating service.

**Receipts:** Cash (or cash equivalents) received.

**Refund:** (1) (Noun) An amount paid back or credit allowed because of an over-collection or because of the return of an object sold. (2) (Verb) To pay back or allow credit for an amount because of an over-collection or because of the return of an object sold. (3) (Verb) To provide for the payment of an obligation through cash or credit secured by a new obligation.

**Refunding Bonds:** Bonds issued to retire bonds already outstanding. The refunding bonds may be used to provide the resources for redeeming outstanding bonds, or the refunding bonds may be exchanged with the holders of the outstanding bonds.

**Reimbursements:** (1) Repayments of amounts remitted on behalf of another party. (2) Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund (e.g., an expenditure properly chargeable to a special revenue fund is initially made from the general fund, and is subsequently reimbursed.) These transactions are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund reimbursed.

**Related Organization:** An organization for which a primary government is not financially accountable (because it does not impose its will or have a financial benefit or burden relationship) even though the primary government appoints a voting majority of the organization's governing board.

**Replacement Cost:** The amount of cash or other consideration that would be required today to obtain the same asset or its equivalent.

**Repurchase Agreement:** A generic term for an agreement in which a government entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker- dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities or for different securities.

**Revenues:** (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds and residual equity transfers. General long-term debt proceeds and operating transfers in are classified as “other financing sources” rather than as revenues. (2) Increases in the net total assets of a proprietary fund type from other than expense refunds, capital contributions and residual equity transfers. Operating transfers in are classified separately from revenues.

**Reverse Repurchase Agreement:** An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a government entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same securities or different securities.

**Revolving Fund:** (1) An internal service fund. (2) An imprest account accounted for as an asset of a fund.

**Securities:** A negotiable or nonnegotiable instrument that signifies an ownership interest, the right to an ownership interest or creditor status.

**Segment Information:** In the context of governmental financial reporting, the presentation within the “liftable” general purpose financial statements (GPFS) of selected information on certain individual enterprise funds. Such disclosures are required by GAAP if (1) material long-term liabilities are outstanding, (2) the disclosures are essential to ensure the GPFS are not misleading or (3) they are necessary to ensure inter-period comparability.

**Self-Insurance:** A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

**Self-Supporting or Liquidating Debt:** Debt obligations whose principal and interest are payable solely from the earnings of the enterprise for whose construction or improvement the bonds were originally issued.

**Serial Bonds**: Bonds whose principal is repaid in periodic installments over the life of the issue.

**Short-Term Debt:** Debt with a maturity of one year or less after the date of issuance. Short- term debt usually includes variable-rate debt, bond anticipation notes, tax anticipation notes and revenue anticipation notes.

**Single Audit:** An audit performed in accordance with the Federal Single Audit Act (as amended) and Office of Management and Budget (OMB) Circular, Audits of States and Local Governments. Single audits allow governments to have one audit performed to meet the needs of all federal grantor agencies.

**Special Assessment:** A compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

**Special District:** An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, sewer districts and fire protection districts.

**State and Local Government Series (SLGS, "slugs"):** Direct obligations of the U.S. government that the U.S. Treasury issues specifically to provide state and local governments with required cash flows at yields that do not exceed Internal Revenue Service arbitrage limits.

**Statement of Cash Receipts and Disbursements:** A financial presentation summarizing an entity's cash transactions in an accounting period. This statement is not currently required by GAAP.

**Statue:** A written law enacted by a duly organized and constituted legislative body.

**Subsidiary Account:** One of a group of related accounts supporting in detail the debit and credit summaries recorded in a control account (e.g., the individual property taxpayers' accounts for the taxes receivable control account in the general ledger).

**Subsidiary Ledger:** A group of subsidiary accounts, the sum of the balances of which should equal the balance of the related control account.

**Surety Bond:** A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or through defalcation (e.g., a surety bond may be required of an independent contractor). Surety bonds also include fidelity bonds covering government officials and employees.

**Suspense Account:** An account carrying charges or credits temporarily pending the determination of the proper account or accounts to which they are to be posted.

**Tax Anticipation Notes (TANs):** Notes (or warrants) issued in anticipation of the collection of taxes.

**Tax Deed:** A written instrument by which title to property sold for taxes is transferred unconditionally to the purchaser. A tax deed is issued upon foreclosure of the tax lien and is obtained by the purchaser at the tax sale. The tax lien cannot be foreclosed until the expiration of the period during which the owner may redeem the property by paying the delinquent taxes and other charges.

**Taxes:** Compulsory charges levied by a government to finance services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits, such as special assessments. Neither does the term include charges for services rendered only to those paying such charges (e.g., sewer service charges).

**Tax-Exempt Bonds:** State and local government securities whose interest is exempt from taxation by the federal government or within the jurisdiction issued.

**Tax Liens:** Claims governments have upon properties until the taxes levied against them have been paid. This term is sometimes limited to those delinquent taxes that the government has taken legal action to collect through the filing of liens.

**Tax Rate:** The amount of tax stated in terms of a unit of the tax base (e.g., 25 mills per dollar of assessed valuation of taxable property).

**Tax Roll:** The official list showing the amount of taxes levied against each taxpayer or property. Frequently, the tax roll and the assessment roll are combined, but even in these cases the two can be distinguished.

**Term Bonds**: Bonds that mature, in total, on one date.

**Trial Balance:** A list of the balances of the accounts in a ledger kept by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or if their net balance agrees with a control account, the ledger from which the figures are taken is said to be in balance.

**Trustee:** A fiduciary holding property on behalf of another.

**Underwriter:** In the context of bonds, a dealer who purchases a new issue for resale.

**Value:** As used in governmental accounting, (1) the act of describing anything in terms of money or (2) to measure in terms of money. The term should not be used without further qualification.

**Variable Interest Rate:** A rate of interest subject to adjustment (e.g., the rate of interest specified may be a percentage of the prime rate on certain set dates).

**Vested Benefit:** A benefit for which the employer has an obligation to make payment even if an employee terminates; thus, the benefit is not contingent on an employee's future service.

**Voucher:** A written document that shows the propriety of transactions and usually indicates the accounts in which they are to be recorded.

**Warrant:** An order drawn by the legislative body or an officer of a government upon its fiscal officer, directing the latter to pay a specified amount to the person named or to the bearer.

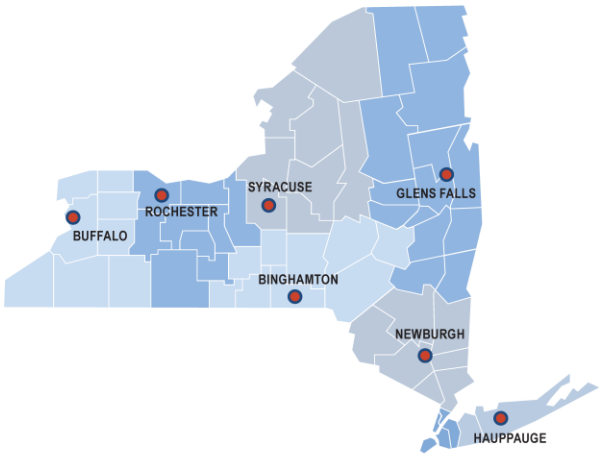
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