

TECHNICAL PAPER SERIES

How to Appropriate Unanticipated Revenues

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NEW YORK STATE TUG HILL COMMISSION

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This paper was prepared in cooperation with Laird Petrie, municipal accounting consultant and retired associate examiner with the NYS Office of the State Comptroller.

The Tug Hill Commission Technical and Issue Paper Series are designed to help local officials and citizens in the Tug Hill region and other rural parts of New York State. The Technical Paper Series provides guidance on procedures based on questions frequently received by the Commission. The Issue Paper Series provides background on key issues facing the region without taking advocacy positions. Other papers in each series are available from the Tug Hill Commission. Please call us or visit our website for more information.



How to Appropriate Unrestricted Fund Balance and Unanticipated Revenues

Often during a budget year, a governing board may wish to use unrestricted fund balance or unanticipated revenues to increase existing appropriations or make supplemental appropriations. Unrestricted fund balance generally represents the portion of fund equity from the previous fiscal year that has not been legally reserved or utilized as a financing source for the current budget. Unanticipated revenues generally represent those additional revenues received in excess of budget estimates (other than grants-in-aid, gifts and insurance recoveries, as discussed on the next page). Boards are allowed to use these sources only to the extent that all revenues recognized or reasonably expected to be recognized in the current fiscal year, together with the actual unrestricted fund balance, exceed the total of all revenues and appropriated fund balance estimated in the budget (Town Law, Section 112 [1] and Village Law, Section 520 (4)).

Here is an example of how this would work:

While preparing its 2022 General Fund Budget Town A’s appropriated fund balance (A599) was \$10,000 and the town total estimated revenues in their 2022 budget of \$50,000 (A510), part of which (\$500) was an estimated amount for Fines and Penalties from Dog Cases (A2611). Due to an increase in the number of violations, as of July 1, 2022, the town had received \$850 from dog fines and penalties. The town board had to now decide whether they could appropriate these unanticipated revenues (no other modifications had been made to the Town Budget prior to July). Actual total revenues received (A980) as of July 1, 2022, were \$38,800 and the actual unappropriated, unrestricted fund balance (A912) was \$9,015. In order for the board to determine the amount of surplus fund balance that they could appropriate, the calculation below must be performed:

	Budget Estimate	Actual	Difference
Revenues	\$50,000	\$38,800*	(\$11,200)
Fund Balance, Unrestricted	\$10,000	\$9,015	(\$985)
	\$60,000	\$47,815	(\$12,185)

*Includes revenues reasonably expected to be received by year-end

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In this example, *no* portion of the additional dog violation revenues could be appropriated because the formula has computed a negative amount. However, in the above example, if actual total revenues (A980) had been \$53,800 and all other amounts remained the same, the town board would then have the opportunity to appropriate up to \$2,815 in additional fund balance, demonstrated as follows:

	Budget Estimate	Actual	Difference
Revenues	\$50,000	\$53,800*	\$3,800
Fund Balance, Unrestricted	\$10,000	\$9,015	(\$985)
	\$60,000	\$47,815	\$2,815

In this example the town board could appropriate up to \$2,815 to increase appropriations. The accounting entry would credit appropriations (A960) and debit estimated revenues (A510).

There are exceptions to using the formula outlined above. The following revenues can be appropriated by resolution of the governing board at any time for the stated object and purpose:

- 1) Federal or State grants-in-aid;
- 2) Gifts that must be spent for a particular object or purpose;
- 3) Insurance recoveries for loss, theft, damage or destruction of property that are used to repair or replace the item damaged, stolen, etc.

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