MUNICIPAL ACCOUNTING & BUDGETING

Local Government Conference

March 31, 2025

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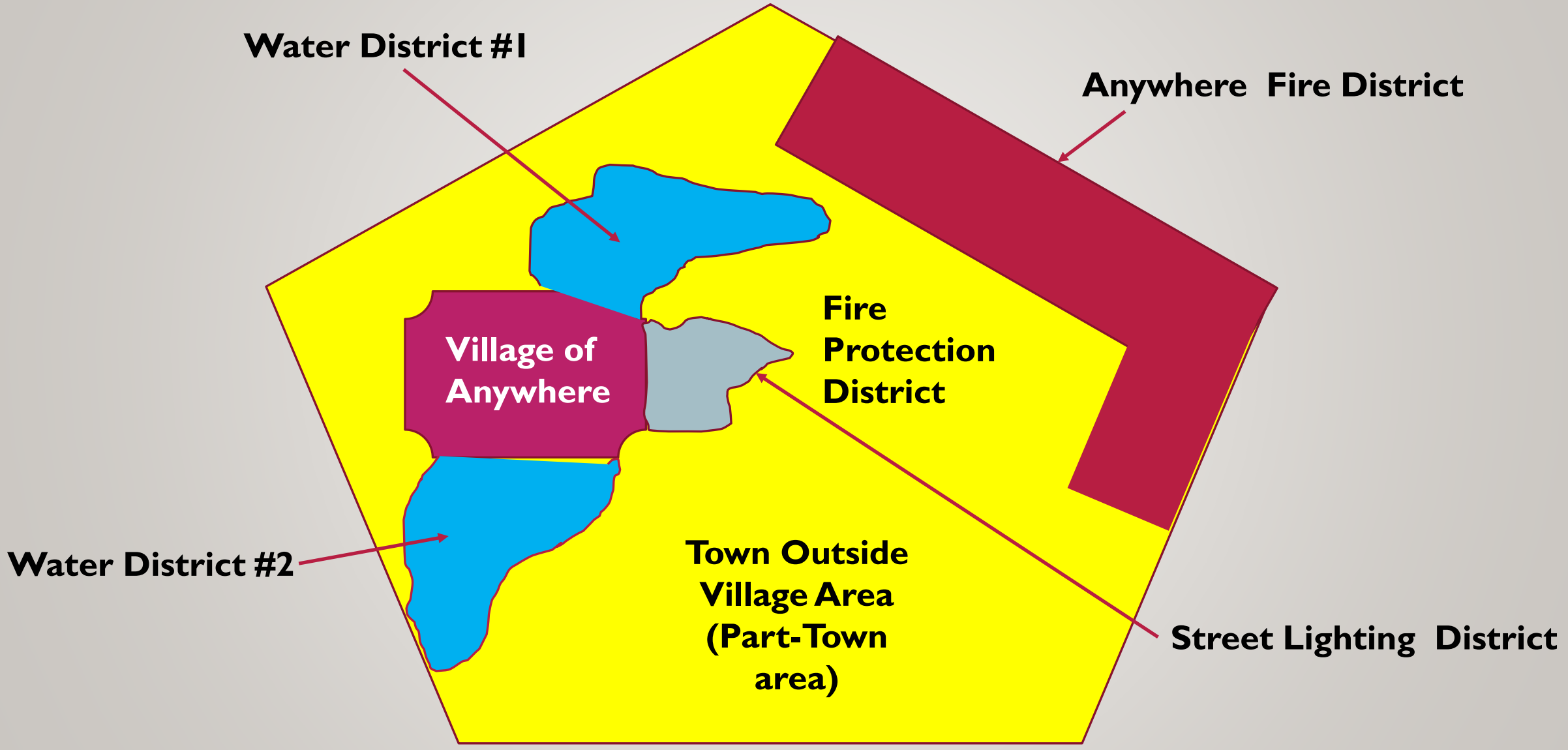
LEARNING OBJECTIVES

- Overview of Town and Village Government
- Government Accounting Records & Reports
- Developing Structurally Balanced Budgets
- Effective Fund Balance Management
- Reserve Funds
- Capital Project Accounting
- Other Issues

TOWN OF ANYWHERE



OVERVIEW of TOWN & VILLAGE GOVERNMENT

OVERVIEW OF TOWN GOVERNMENT

- There are currently 933 towns in NYS and more than half contain one or more village.
- Town Law Provides for classifications of towns (Town Law §10)
  - "First Class" and
  - "Second Class"
  - "Suburban Towns"
- Many towns have also established multiple special improvement districts with defined boundaries.
- All Towns have January 1 to December 31 fiscal year

TOWN OFFICIALS

- Town Board
  - Includes the Town Supervisor
- Highway Superintendent
- Town Justice(s)
- Town Assessor(s)
- Town Clerk
- Town Tax Collector / Collector
- Town Comptroller (1st Class Towns)
- Town Attorney / Attorney For the Town

TOWN BOARD

(TOWN LAW §64)

- General control of all town finances
- Responsible for management and control of town property
- Adopts the annual budget,
- Sets wages and salaries for all town officials / employees,
- Awards and executes contracts (can delegate to Town Supervisor),
- Fills all vacancies in town offices
- Audits claims against the town (unless there is a Town Comptroller)

TOWN SUPERVISOR

(TOWN LAW §29)

- Has custody of all town monies (serves as CFO of the Town),
- Invests town money
- Generally pays all bills of the town upon audit and approval of town board (or comptroller)
- Signs town checks (with co-signature of town clerk if approved by town board)
- Must keep accounting records in manner prescribed by the State Comptroller (unless town board has delegated to the Town Comptroller)
- Must file monthly and annual reports with the Town Board and OSC.

TOWN COMPTROLLER

(TOWN LAW §34)

- Appointed by the Town Board in a "First Class" town or in a "second Class" town with a population of more than 40,000
- Approves and/or rejects claims against the town and certifies abstract sent to the Supervisor for payment
- Audits the books records of town officials that received or disbursed money during the year
- Town Board may (by local law) assign certain other duties such as being the accounting officer (Town Law §124)

TOWN CLERK (TOWN LAW §30)

- Official minute taker and record keeper of the town
- Issues certain licenses and permits and must maintain a cash book
- Must report and remit town monies to the Town Supervisor monthly
- Numbers and prepares town vouchers (claims) to be presented to the Town Board for audit and approval
- Certifies the abstract of audited claims sends the same to the Town Supervisor for payment (unless Town Comptroller exists)
- Can be appointed rather than elected pursuant to Home Rule Law §10 (mandatory referendum).

TOWN HIGHWAY SUPERINTENDENT

(HIGHWAY LAW §140, § 141)

- Care and superintendence of highways & bridges,
- Employ and manage highway workers,
- Responsible for inventories and reports,
- Enter into written agreements,
- Must approve highway fund capital reserve establishment and expenditures (GML §6-c),
- Can be made appointed (rather than elected) pursuant to Home Rule Law §10 (mandatory referendum),

TAX COLLECTOR / RECEIVER OF TAXES

(TOWN LAW §35, §36 AND §37)

- Towns of the "Second Class" have elected Tax Collectors,
  - Town Board can eliminate the position and assign the duties to the Town Clerk (Town Law §36).
- Towns of the "First Class" have a Receiver of Taxes that can either be elected or appointed.
- Both collect town, county and special district taxes.
- Receiver of Taxes also collects school taxes unless an agreement has been made with the school board to the contrary.

TOWN GOVERNMENT ACCOUNTING & BUDGETING

- Towns have the most complex accounting and budgeting requirements than other local governments.
  - Town Law and other municipal statutes require town officials to budget and account for part-town town operations separately in an effort to maintain taxpayer equity.
  - It is imperative for town officials to be aware of the legal requirements and demonstrate their compliance through town budgets and records.

OVERVIEW OF VILLAGE GOVERNMENT

- A village is a municipality which, at the time of its incorporation, met statutory requirements then established as prerequisites to that incorporation (Village Law.) Although the Village Law now sets area and population criteria for initial village incorporation, a number of existing villages have populations smaller than the present statutory minimum
  - Currently there are approximately 532 villages*
  - 12 villages are Chartered Villages that are partially governed by their respective charters and partially governed by NYS Village Law
  - Villages are often confused with Hamlets

*This number is a moving target because many villages have been dissolved recently and a few new villages have been created

VILLAGE OFFICIALS

- Mayor
- Board of Trustees
- Treasurer
- Clerk
- Village Auditor
- Village Manager

VILLAGE MAYOR (VL §4-400)

- Appoints most non-elected officers and employees subject to approval of the Board
  - May appoint one trustee to Deputy Mayor without Board approval
- Executes all contracts in the Village name
- By default, serves as Budget Officer (unless Village Manager position exists).
  - Can appoint someone else to be Budget Officer
- Can cosign checks with the Treasurer if directed by the Board of Trustees.

BOARD OF TRUSTEES (VL §4-400)

- Management & control of Village property.
- May adopt wide range of local laws not inconsistent with the constitution or certain state laws.
- Designate financial institutions for deposits.
- Serves as Board of Fire Commissioners for VFD unless separate Board of Commissioners is appointed.
- Audits & approves claims unless Village Auditor position exists

VILLAGE TREASURER (VL §4-408)

- Appointed by Mayor with approval of Board of Trustees
- Chief Fiscal Officer of the Village –maintains custody of Village funds and keep accounting records
- Authorized signatory on Village checks.
  - Deputy can sign in Treasurer absence and Mayor can sign if Treasurer and Deputy are unavailable (if authorized by Board).
- Pays claims when authorized by certified abstract.
- Must file AUD with OSC
- Records required to be audited by Board, CPA or any Village employee.

VILLAGE CLERK (VL §4-402)

- Appointed by the Mayor
  - Can also be Tax Collector if designated by Board resolution.
- Custody of all Village books and records.
- Serves as clerk of all Boards (unless other designated) and is responsible for accurate minutes to be kept
- Certifies abstract presented to Treasurer after audit and approval of claims
- Must transmit money collected to Treasurer each month by the 10th.

VILLAGE MANAGER

- Created by Local Law and appointed by Board of Trustees in one of two ways:
  1. By Village Law Article 18 establishing a Commission to study and prepare a Local Law to create position and define responsibilities (subject to permissive referendum).
  2. By Municipal Home Rule Law §23 and/or §24 depending on duties defined in Local Law.
     - If a “public office” - requires permissive referendum.
     - If a “position of employment” – no referendum is required.

VILLAGE MANAGER

- Acts as Village Administrator responsible for implementing policies established by the Board of Trustees.
  - No statutory defined responsibilities – scope of responsibilities defined by Board of Trustees when position is created.
- Often acts as Budget Officer unless Mayor has appointed someone else
- Can be appointed by the Board of Trustees to serve as Village Clerk or Village Clerk-Treasurer.

VILLAGE AUDITOR

- Created by resolution of the Board of Trustees (VL §3-301[2](c))
- Appointed by the mayor with approval by the Board of Trustees
- Term of office is generally one year
- Audits and orders paid all claims against the village. by transmitting a certified abstract (warrant) directly to the village treasurer.

OTHER VILLAGE OFFICERS

- Village Justice (VL §3-301(12)(a))
  - Position created by Board of Trustees.
  - One or two elective positions (4-year terms).
  - Can be abolished by Board resolution subject to permissive referendum and then Town takes over the function.
- Attorney – not required by Law but can be created as a position of public office or a position of employment.
  - Some are appointed and others are “retained” on as needed basis.

OTHER VILLAGE OFFICIALS

- Street Commissioner or Supt. of Public Works (a.k.a DPW Supt.)
- Defined in VL prior to 1973 as a public officer but no longer included in VL.
- Some Villages still treat these as public officers while others treat them as positions of employment.
- Generally, remain as public officer unless Board expressly changes to a position of employment.

PRESCRIBED ACCOUNTING RECORDS & REPORTS

PRESCRIBED ACCOUNTING SYSTEM

- One of the basic principles of local governmental accounting is that ***it must follow the law***.
  - All local government accounting systems must be organized and operated on a fund basis which demonstrates compliance with legal restrictions placed on some revenues and expenditures that are required to be segregated for a specific purpose.
- Because the laws of NYS require all local governments to stay within budgeted appropriations, the accounting records must be designed to ensure an demonstrate compliance with the budget.
  - To achieve this the annual budget must be integrated into the accounting system.

PRESCRIBED ACCOUNTING SYSTEM

- Manual records vs. Computerized records:
  - OSC does not require accounting records of local governments to be either manual or computerized,
  - Computerized records can often streamline accounting functions but the user still needs to understand double entry accounting principles,
  - Governing Boards need to evaluate the internal risks associated with computerized systems and accounting software,
  - OSC does not recommend any municipal accounting software over another,

FUND ACCOUNTING PRINCIPLES AND REPORTS

Accounting records required to be maintained by local governments consist of accounts, ledgers and journals.

- An account is a formal record of a particular type of transaction expressed in money and kept in a ledger.
- A ledger is a chronological record of all the transactions related to a particular account
- A journal is a detailed account of all the financial transactions of a local government derived from invoices, purchase orders, receipts, processed payrolls and other data sources.

PRESCRIBED ACCOUNTING SYSTEM

- OSC Requirements:
  - Local governments are required to have accounting records that include accounts, ledgers and journals.
  - Accounting records must establish audit trails and generate required financial reports:
    - Balance sheet
    - Statement of Revenues and Expenditures (a.k.a., “income statement” or “operating statement”)
    - Change in Fund Balance

LOCAL GOVERNMENT FUNDS

- Accounting records of local governments are required to be organized by funds which are a self balancing set of accounts used to record assets, liabilities and equity balances which are separated based on function in compliance with laws and other restrictions.
- OSC has assigned an alpha code for each fund
- There are 3 basic types of funds used by local governments:
    - Governmental funds,
    - Proprietary funds,
    - Fiduciary funds.

GOVERNMENTAL FUNDS

- Consist of two categories:
  - General Fund
  - Special Revenue Funds

GOVERNMENTAL FUNDS

- General Fund – Known as the General Fund assigned the "A" alpha code.
  - Principal fund used by local governments include all receipts, disbursements and other transactions not required to be recorded in other funds.
  - Used to record ordinary the day-to-day operations of local governments financed through taxes and other general revenues.

GOVERNMENTAL FUNDS

- Special Revenue Funds
  - Accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes and the specific revenue sources continue to make up a substantial portion of the revenues of the fund (pursuant to GASB 54).
  - Some special revenue funds are mandated to be used by local governments that contain areas with different tax bases such as towns that contain villages or special districts while others are optional depending on the significance of the major revenue source.

SPECIAL REVENUE FUNDS FOR TOWNS

- General Part-Town (a.k.a., "General Outside Village") – required by law to be used by towns that contain one or more villages to account for activities that are a charge on the area of town outside of the villages (planning, zoning, code enforcement, etc.)
  - Assigned the "B" alpha code
- Highway Town-Wide Fund – used to account for revenues and expenditures for highway services outlined in Highway Law §141 that are provided to the entire town.
  - Assigned the "DA" alpha code.
  - Must be used in Towns that contain no villages.

SPECIAL REVENUE FUNDS FOR TOWNS

- Highway Part-Town Fund (a.k.a., "Highway Outside Village") Required by law to be used by towns that contain one or more villages to account for highway activities that are required to be a charge on the area of town outside of villages.
  - Assigned the "DB" alpha code.
- Road repairs and improvements are required to be budgeted and accounted in this fund (Highway Law §277)
  - Exception: A town that has a village that does not maintain their own street system
  - Machinery purchases, snow removal and miscellaneous items such as brush and weed services can be charged to either town-wide (DA) or part-town (DB) at the discretion of the town board (Highway Law §277).

SPECIAL REVENUE FUNDS FOR TOWNS

- Special District Funds
  - A separate fund must be used to account for revenues and expenditures relating to the operation of special districts within the town.
  - The two letter “S_” alpha code is assigned to these funds.
    - For example: SW for Water Districts, SS for Sewer Districts, SL for Street Lighting Districts, SF for Fire Protection Districts.
    - Each special district has a defined boundary and all properties located within the boundary are responsible for financing expenditures through a various revenues including property taxes, special assessments, user charges, etc.

SPECIAL REVNUE FUNDS
(ALL LOCAL GOVERNMENTS)

- Capital Project Funds - Used to account for major improvements to capital assets belonging to the town and for the acquisition (purchase) or construction of capital assets such as buildings, equipment and machinery.
  - Financing sources generally include proceeds of debt, state and federal aid and interfund transfers.
  - Recommended when a project spans more than one fiscal year.
  - The “H” alpha code has been assigned to this fund.

SPECIAL REVNUE FUNDS
(ALL LOCAL GOVERNMENTS)

- Debt Service Fund – used to account for and report financial resources that are restricted, committed or assigned to the payment of principal and interest on long-term debt. The “V” alpha code is assigned to this fund.
- Miscellaneous Special Revenue Funds – used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for a specific purpose. This fund is assigned a two letter alpha “C_”
    - Refuse (CL), Parking (CP), Recreation (CR), Transportation (CT) Urban Renewal (CU) and Miscellaneous (CM)

SPECIAL REVENUE FUNDS
(ALL LOCAL GOVERNMENTS)

- Water and Sewer Funds
  - In villages used to account for revenues and expenditures associated with a village's water and sewer operations
    - Assigned the alpha code FX for water and G for Sewer
    - Water and Sewer operations can also can be accounted for in proprietary funds using alpha codes EW for water and ES for sewer.
  - In Suburban Towns who have dissolved water and/or sewer districts and made it a townwide function (pursuant to TL §57) or other towns that have established water and sewer improvement districts (pursuant to TL §209-q).

PROPRIETARY FUNDS
(ALL LOCAL GOVERNMENTS)

- Proprietary Funds: - To account for a local government's ongoing activities that are similar to those found in the private sector. They include…
  - Enterprise Funds,
  - Internal Service Funds,
  - Self Insurance Funds.

PROPRIETARY FUNDS
(ALL LOCAL GOVERNMENTS)

- Enterprise Fund – "May" be used to account for any activity for which a fee is charged to external users for goods and services, and "Must" be used when required by State statute or regulation.
    - Mandatory use include Electric Utilities, Nursing Homes, Airports and Health Related Facilities.
    - Permitted use in Towns include water and sewer operations after discontinuing the use of water and sewer districts making these activities a town-wide function. However, towns may not use these for special districts such as water and sewer districts.
    - Assigned the two letter alpha code "E_" such Electric Utility (EE), Airports (EA), Hospital (EH), Recreation (ER), Miscellaneous (EM)

OTHER PROPRIETARY FUNDS
(ALL LOCAL GOVERNMENTS)

- Internal Service - Used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the local government, or to other governmental units, on a cost-reimbursement basis.
  - Used when the local government is the predominant participant in the activity.
  - Assigned the “M” alpha code.
- Self-Insurance - This fund will be used when the local government has established a self-insurance program on an actuarial basis similar to an insurance enterprise.
  - Assigned the “MS” alpha code.

FIDUCIARY FUNDS
(ALL LOCAL GOVERNMENTS)

- To account for assets held by the local government in a trustee or agent capacity.
  - Private Purpose Trusts - Used to account for trust arrangements where the government itself is not a beneficiary,
  - These funds are assigned the “TE” alpha code.
  - Custodial - Used to account for fiduciary activities that are not required to be reported in a private-purpose trust fund.
    - These funds are assigned the “TC” alpha code.

SCHEDULES

- Supplemental Schedules- A self-balancing group of accounts (not funds) to account for noncurrent governmental assets and non-current governmental liabilities.
  - Non-Current Governmental Assets. - Used to record a local government's capital assets such as land and, buildings, equipment, etc., of *Governmental Funds.*
  - Assigned the "K" alpha code.
  - Non-Current Governmental Liabilities. Used to record information on long-term obligations that have been issued by the local government such as bonds, compensated absences, and other long-term obligations of *Governmental Funds*.
  - This schedule has been assigned the "W" alpha code.

FUND ACCOUNTING PRINCIPLES

- Governmental funds have a different measurement focus and basis of accounting (MFBA) than proprietary and fiduciary funds (that are similar commercial businesses).
- 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.

GOVERNMENTAL FUND ACCOUNTING PRINCIPLES

- The Measurement focus of governmental funds is “current assets and current liabilities” whereas proprietary and fiduciary funds measure “total economic resources”;
- The Basis of Accounting for governmental funds is “modified accrual” while proprietary and fiduciary funds employ a “full accrual” basis of accounting.

GOVERNMENTAL FUND ACCOUNTING PRINCIPLES

Modified Accrual Basis

- For governmental funds, expenditures should be recognized in the accounting period in which the fund liability is incurred with some modifications and alternatives, if measurable. Some of the modifications and alternatives include:
  - Principal and interest on long-term debt
  - Inventory
  - Prepaid items
  - Capital acquisitions

GOVERNMENTAL FUND ACCOUNTING PRINCIPLES

- For governmental funds utilizing the modified accrual basis of accounting, the revenue and receivable recognition criteria are similar to that for proprietary funds and fiduciary funds, except that such revenues and receivables must be both "measurable" and "available".
  - Measurable refers to the ability to quantify in monetary terms the amount of the receivable and corresponding revenue.
  - Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

GOVERNMENTAL FUND ACCOUNTING PRINCIPLES

- Governmental funds and commercial accounting are **similar** in that both:
  - Use double-entry accounting
  - Follow the same basic generally accepted accounting principles (GAAP)
- Governmental fund and commercial accounting **differ** with regard to:
  - Treatment of depreciation
  - Accounting for Capital Assets
  - Statutory requirements
  - Fund accounting requirements

PROPRIETARY AND FIDUCIARY FUND ACCOUNTING PRINCIPLES

- The Measurement focus of proprietary and fiduciary funds "total economic resources"
  - All assets are reported on a balance sheet
  - All liabilities (short-term and long-term) are reported on the balance sheet
- The Basis of Accounting for proprietary and fiduciary funds is "full accrual".

FUND ACCOUNTING REPORTING

- For governmental funds, the basic fund level financial statements required are generally:
  - The Balance Sheet
  - The Statement of Revenues and Expenditures
  - The Statement of Changes in Fund Balance.
- For proprietary and fiduciary funds, the basic fund level financial statements required are generally:
  - The Balance Sheet
  - The Statement of Revenues and Expenses
  - The Statement of Changes in Net Assets
  - The Cash Flow Statement.

The Balance Sheet

- Summarizes all the assets (what is owned), all the liabilities (what is owed) and the fund balance, which accounts for the difference between what is owned and what is owed.
- Every financial transaction that occurs has some effect on the data shown on the balance sheet.
- The balance sheet can be expressed in an algebraic equation:

ASSETS MINUS LIABILITIES = FUND BALANCE

OR

A – L = FB

General Town-Wide Fund

Balance Sheet

12/31/2022

Governmental Fund

		Debit	*Credit*
	Assets		
A200	Cash	12,764	
A201	Cash In Time Deposits	562,781	
A231	Cash In Special Reserves	365,890	
A391	Due Fro Other Funds	25,800	
	Total Assets	**$967,235**	
	Liabilities		
A600	Accounts Payable		12,766
A630	Due to Other Funds		75,550
	Total Liabilities		$88,316
	Fund Equity		
A878	Capital Reserve		246,987
A886	Repair Reserve		118,903
A914	Assigned, Appropriated Fund Balance		35,000
A917	Unassigned Fund Balance		478,029
	Total Fund Balance		**$878,919**
	Total Liabilities and Fund Balance		**$967,235**

The Statement of Revenues and Expenditures

- Often referred to as the “Operating Statement”
- Supplementary to the balance sheet since it accounts for two of the major changes in fund balance: revenues (which increase fund balance) and expenditures (which decrease fund balance).
- Operating deficits happen when revenues are less than expenditures.
  - Unplanned operating deficits occur when appropriations are over-expended, expected revenues are not received, or a combination of both.
  - By contrast, planned operating deficits occur when Boards knowingly adopt budgets where the appropriations are greater than the expected revenues, with the difference being funded by appropriated fund balance.

GENERAL FUND
Statement of Revenues, Estimated and Actual
For the Fiscal Year Ended December 31, 20XX

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
TAXES:				
Real Property Taxes	$ 7,000,000	$ 7,289,600	$ 7,288,000	$ (1,600)
Other Tax Items	500,000	499,400	572,300	72,900
Non-Property	260,000	252,400	259,000	6,600
DEPARTMENTAL INCOME	625,000	614,600	619,000	4,400
USE OF MONEY AND PROPERTY	250,000	297,900	337,900	40,000
LICENSES AND PERMITS	90,000	96,100	93,400	(2,700)
FINES AND FORFEITURES	225,000	240,000	204,800	(35,200)
SALES OF PROPERTY AND COMPENSATION FOR LOSS	150,000	152,000	31,400	(120,600)
MISCELLANEOUS	650,000	659,800	661,800	2,000
STATE AID	4,250,000	4,245,500	4,354,900	109,400
FEDERAL AID	-0-	-0-	13,700	13,700
TOTAL REVENUES		$14,347,300	$14,436,200	$ 88,900
INTERFUND TRANSFERS	1,000,000	1,090,000	1,093,700	3,700
TOTAL: Revenues and Other Sources	$15,000,000	$15,437,300	$15,529,900	$ 92,600

GENERAL FUND
Statement of Expenditures, Estimated and Actual
For the Fiscal Year Ended December 31, 20XX

Function	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT SUPPORT	$1,600,000	$ 1,658,400	$ 1,596,700	$ 61,900
PUBLIC SAFETY	4,300,000	4,350,000	4,169,000	181,000
PUBLIC HEALTH	15,000	16,000	15,200	800
TRANSPORTATION	1,000,000	1,000,000	941,400	58,600
ECONOMIC ASSISTANCE AND OPPORTUNITY	25,000	20,800	20,500	300
CULTURE AND RECREATION	1,300,000	1,446,000	1,274,500	171,500
HOME AND COMMUNITY SERVICES	1,580,000	1,581,900	1,433,600	148,300
UNDISTRIBUTED:				
Employee Benefits	2,100,000	2,270,300	2,229,000	41,300
Debt Principal	1,950,000	1,959,300	1,959,300	- 0 -
Debt Interest	1,020,000	1,022,500	1,012,000	10,500
TOTAL EXPENDITURES	$14,890,000	$15,325,200	$14,651,200	$674,000
INTERFUND TRANSFERS	110,000	112,100	91,200	20,900
TOTAL EXPENDITURES AND OTHER USES	$15,000,000	$15,437,300	$14,742,400	$694,900

The Statement of Change in Fund Balance

- There is a need for a third financial statement, which accounts for all factors that caused fund balance to change.
  - The Statement of Changes in Fund Balance summarizes how actual revenues and expenditures either increase or decrease fund balances from the beginning of a fiscal year to the end of the fiscal year.

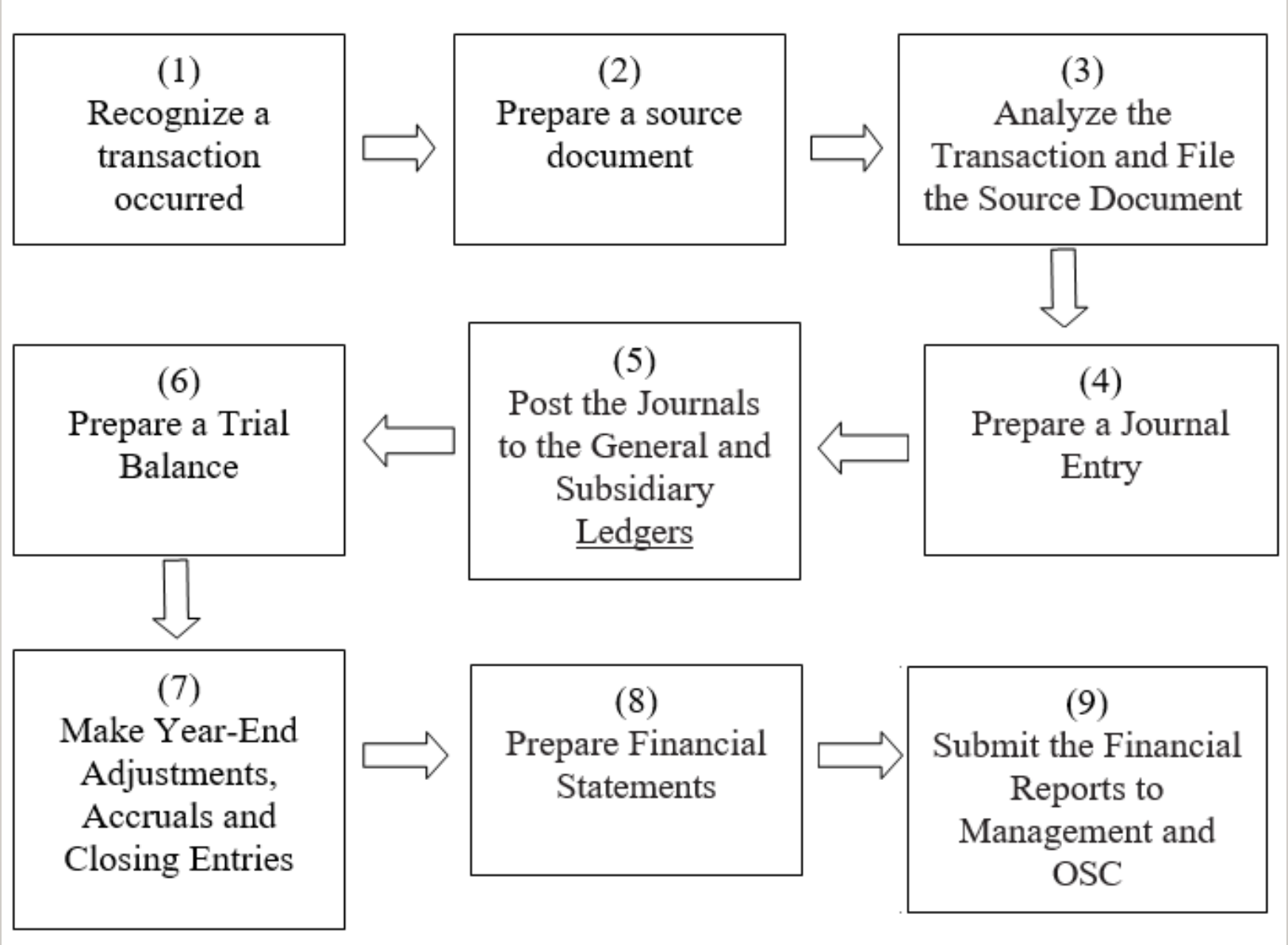
Statement of Change in Fund Balance

GENERAL FUND Statement of Changes in Fund Balance for the Fiscal Year Ended December 31, 2022	
Beginning Fund Balance, January 1, 2022	$45,300
Add: Revenues	$386,600
Less: Expenditures	$317,500
Ending Fund Balance, December 31, 2022	$114,400

Classifying Ending Funding Balance (GASB 54)

- Nonspendable (accounts 806 & 807)
- Restricted (accounts 814-898)
- Committed (account 913)
- Assigned (accounts 914 & 915)
- Unassigned (account 917)

Fund Accounting Process



JOURNALS

A journal is a detailed account of all the financial transactions of a local government derived from invoices, purchase orders, receipts, processed payrolls and other data sources. These transactions are recorded in a chronological order in the journal. Each transaction that is listed in the journal is known as a journal entry using the double entry method of bookkeeping.

- General Journal
- Cash Receipt Journal
- Cash Disbursement Journal
- Budget Journal

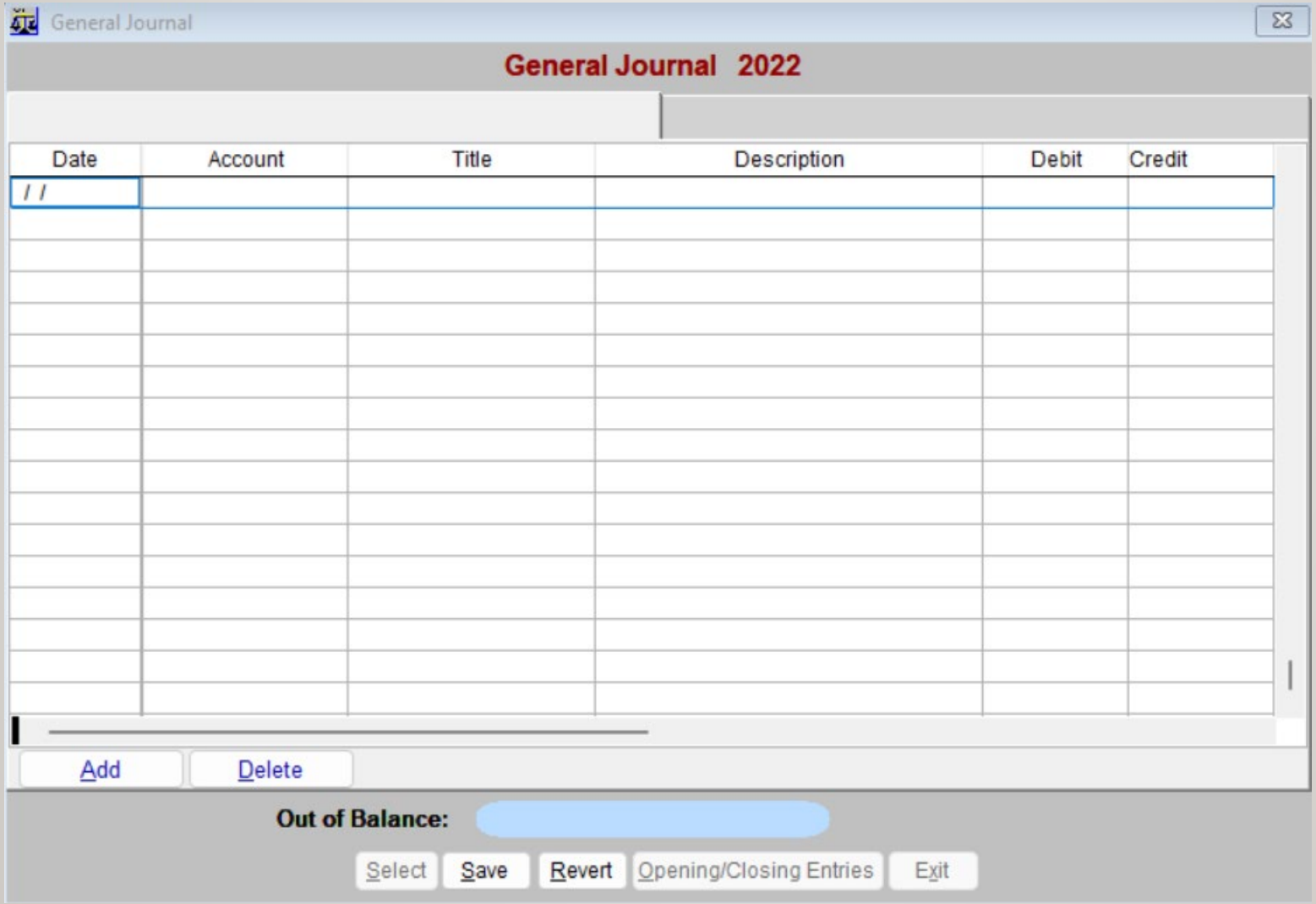
Journal entries are then used to create the general ledger which is then later used to create the financial statements.

Manual General Journal

Town of Anywhere					
		Town-Wide General Fund			
		General Journal			Page 3
#	*Date*	*Account Title and Explanaion*	*Ref*	*Debit*	*Credit*
31	4/21/2022	Prepaid Expenses	A445	$35,000	
		Accounts Payable	A600		$35,000
		To record invoice for annual insurance premium			
32	4/27/2022	Cash in Special Reserves	A231	$55,000	
		Cash	A200		$55,000
		To restict cash moved to capital reserve			

Example of a Computerized General Journal

Generally used when the Cash Receipt or Cash Disbursement Journals are not appropriate (i.e., cash not being affected)



Manual Cash Receipt Journal

Year 20XX

Month January

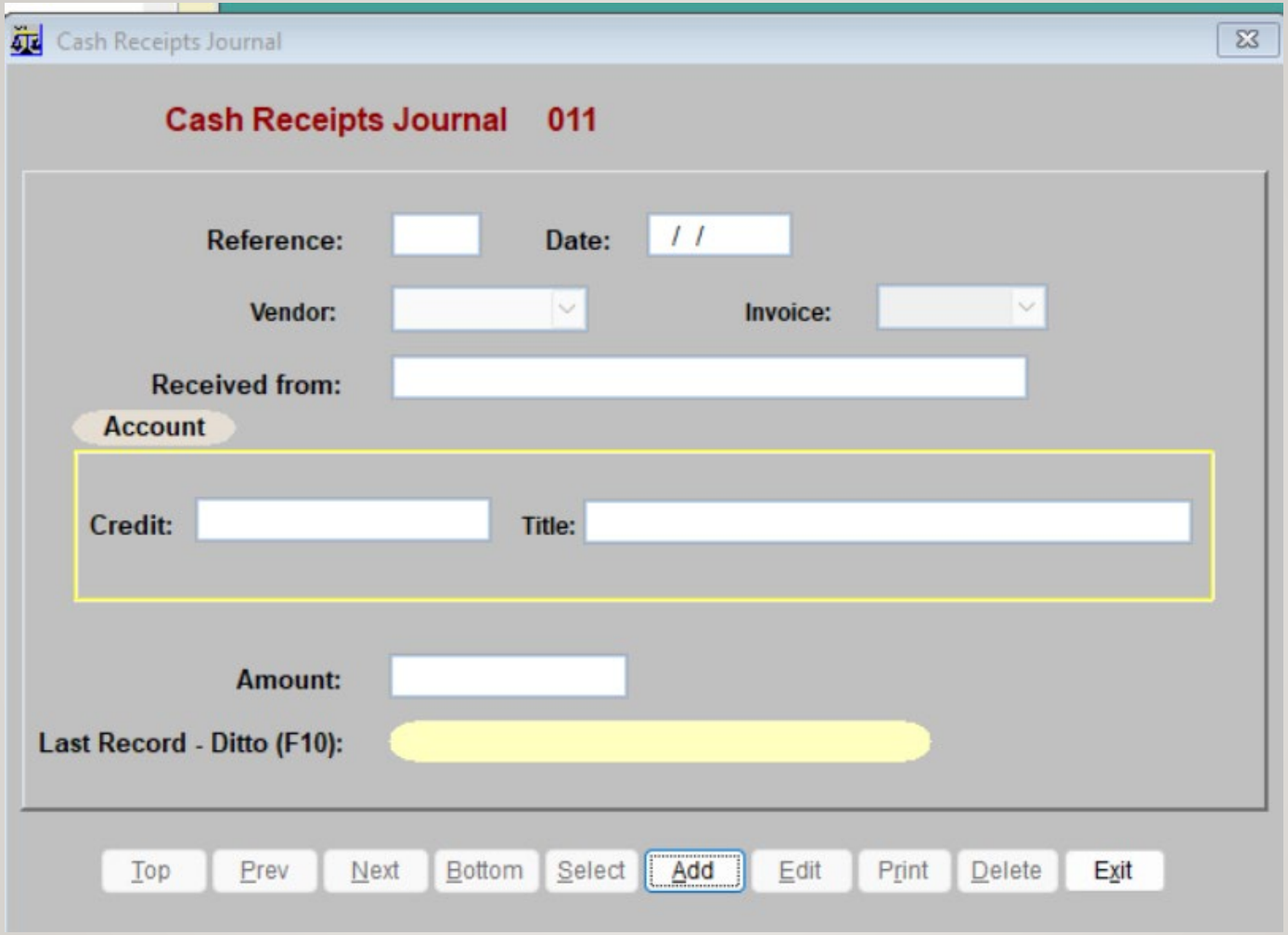
THE LOCAL GOVERNMENT
CASH RECEIPTS JOURNAL

Page 1

				Debits	Credits			
						Revenues 980		
Day	Received From	Rec. #	Acct. #	Total Received 200	Taxes Receivable 250	Interest on Taxes 1090	Other	Other Accounts
2	Jack Harcourt	1		$4,007	$3,800	$207		
12	City Clerk	2	1255	$1,800			$1,800√	
16	Bill Andrews	3		$2,265	$2,160	$105		
21	NY State	4	410	$3,220				$3,220
24	County Treasurer Mortgage Tax	5	3005	$1,680			$1,680√	
26	L. Turner	6		$892	$845	$47		
29	The Village	7	450	$3,484				$3,484
31	J. Norton	8		$2,200	$2,100	$100		
	TOTALS			$19,548	$8,905	$459√	$3,480	$6,704

This cash receipts journal is abbreviated for illustrative purposes. The credit columns are generally extended as far as space permits to allow a greater breakdown of credit transactions

Example of a Computerized Cash Receipt Journal



Many computerized cash receipt journals are set up to post to the 201, Cash in Time Deposits account as a default when posting revenues and receivables.

Manual Cash Disbursement Journal

Year 20XX
Month January

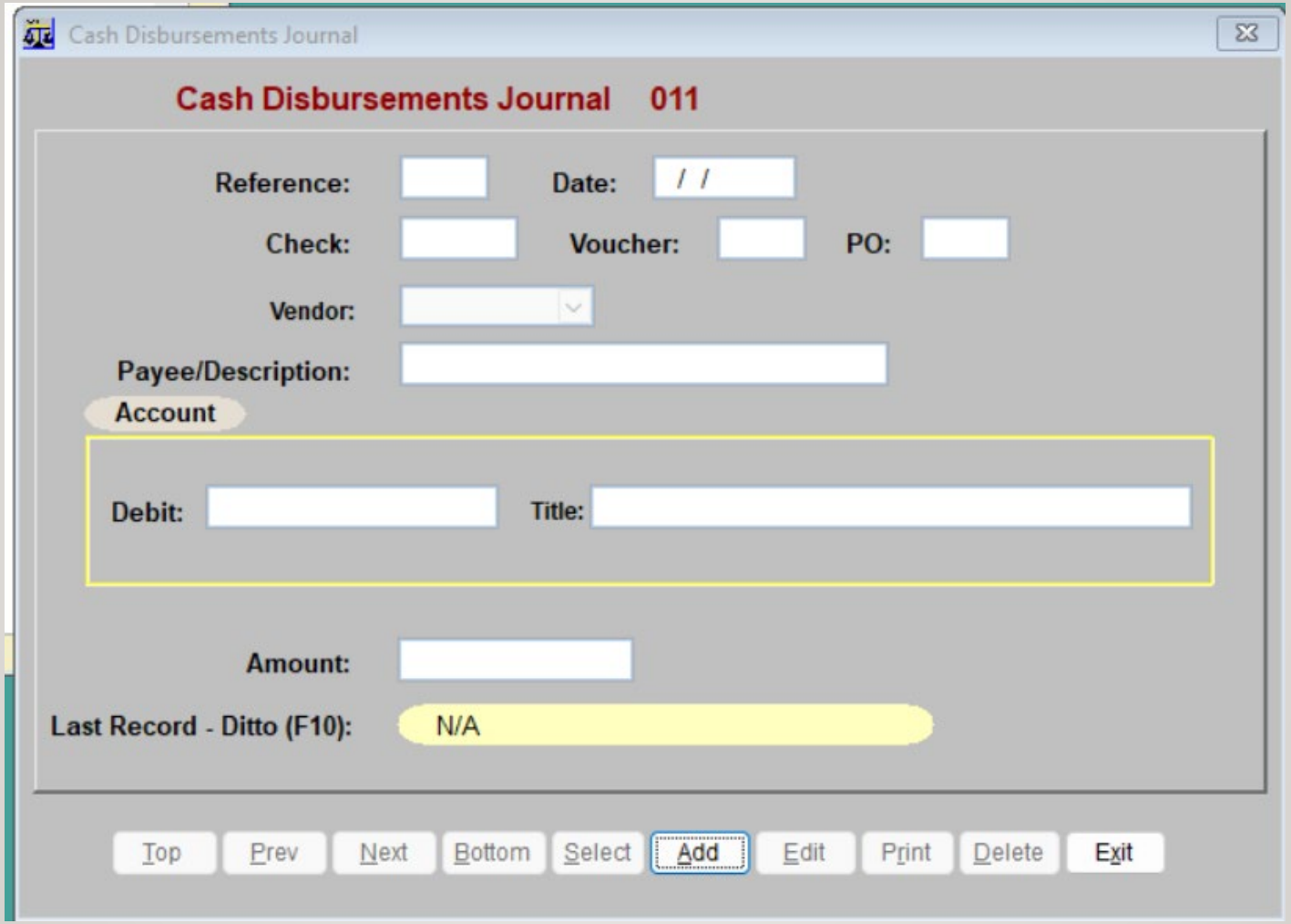
THE LOCAL GOVERNMENT
CASH DISBURSEMENTS JOURNAL

Page 1

Day	Paid To	Check #	Acct. #	Credits	Debits			
				Total Paid 200	Expenditures 522	Accounts Payable 600	Due to Other Funds 630	Other Accounts
3	Last National Bank	1	9710.6	$3,050	$3,000 √			
			9710.7		$50 √			
5	Vendors (Per list of audited invoices or as they are called Abstract of Audited Claims)	2-11	-	$2,000		$2,000		
15	Payroll #1	12-19	-	$1,500	$1,500 √			
20	Abstract #2	20-33	-	$4,000	$4,000 √			
21	Water Fund	34	-	$1,000			$1,000	
22	Sewer Fund	35	-	$1,000			$1,000	
25	The Village	36	631	$350				$350
27	Last National Bank	37	620	$10,000				$10,000
30	Payroll #2	38-45	-	$1,500	$1,500 √			
	TOTALS			$24,400	$10,050	$2,000	$2,000	$10,350

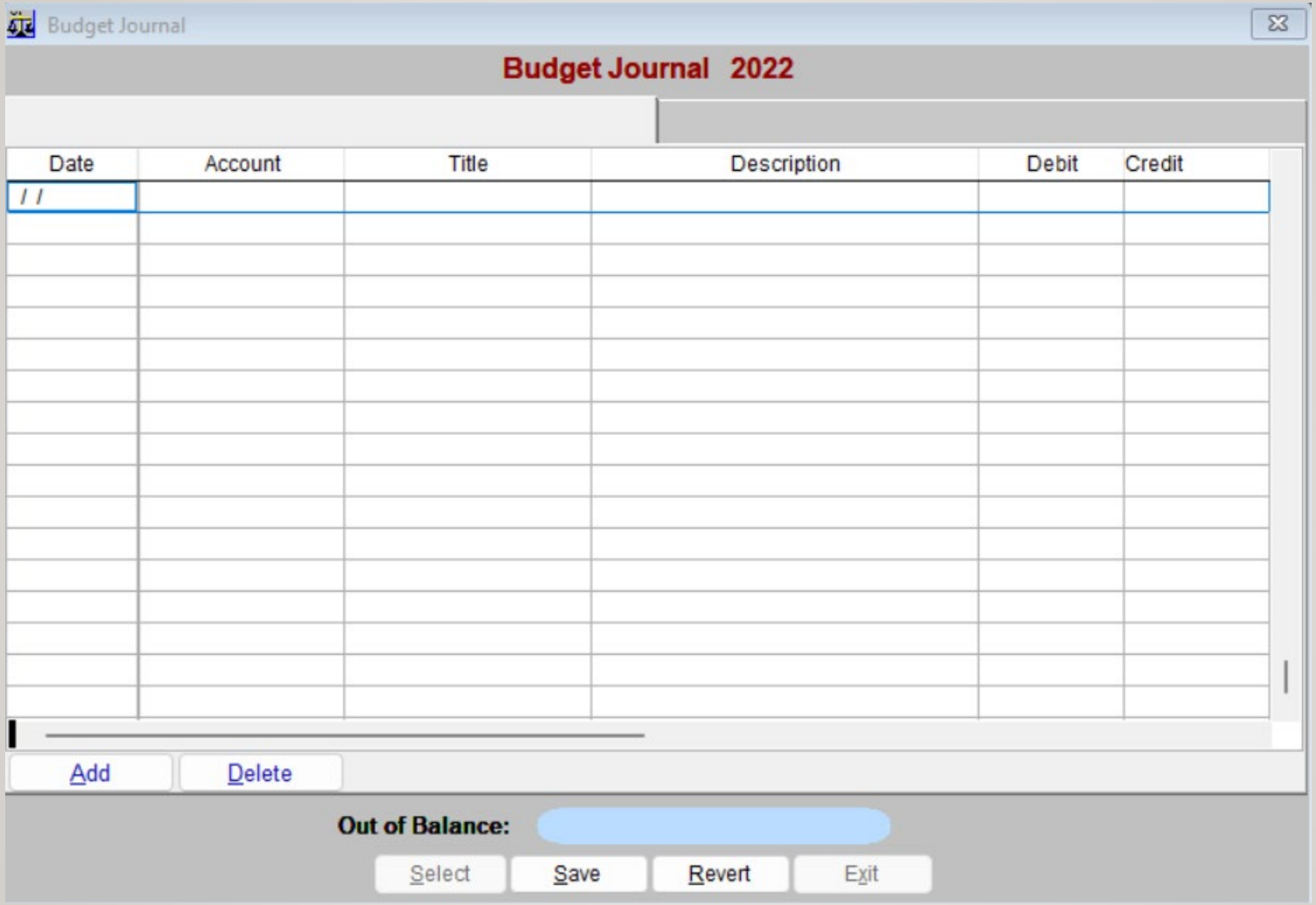
This cash disbursements journal is abbreviated for illustrative purposes. The debit columns are generally extended as far as space permits to allow a greater breakdown of debit transactions

Computerized Cash Disbursement Journal



Many computerized cash disbursement journals are set up to post to the 200, Cash account as a default when posting revenues and receivables.

Example of a Computerized Budget Journal



If the local government has not purchased the “Budget Preparation” module (offered in some municipal software) the user has to enter each revenue and appropriation here.

LEDGERS

All accounts are maintained in a book called a general ledger. A ledger is a chronological record of all the transactions related to a particular account. The five account categories in a general ledger are:

- Assets
- Liabilities
- Fund Balance (including reserve funds)
- Revenues
- Expenditures

Manual General Ledger

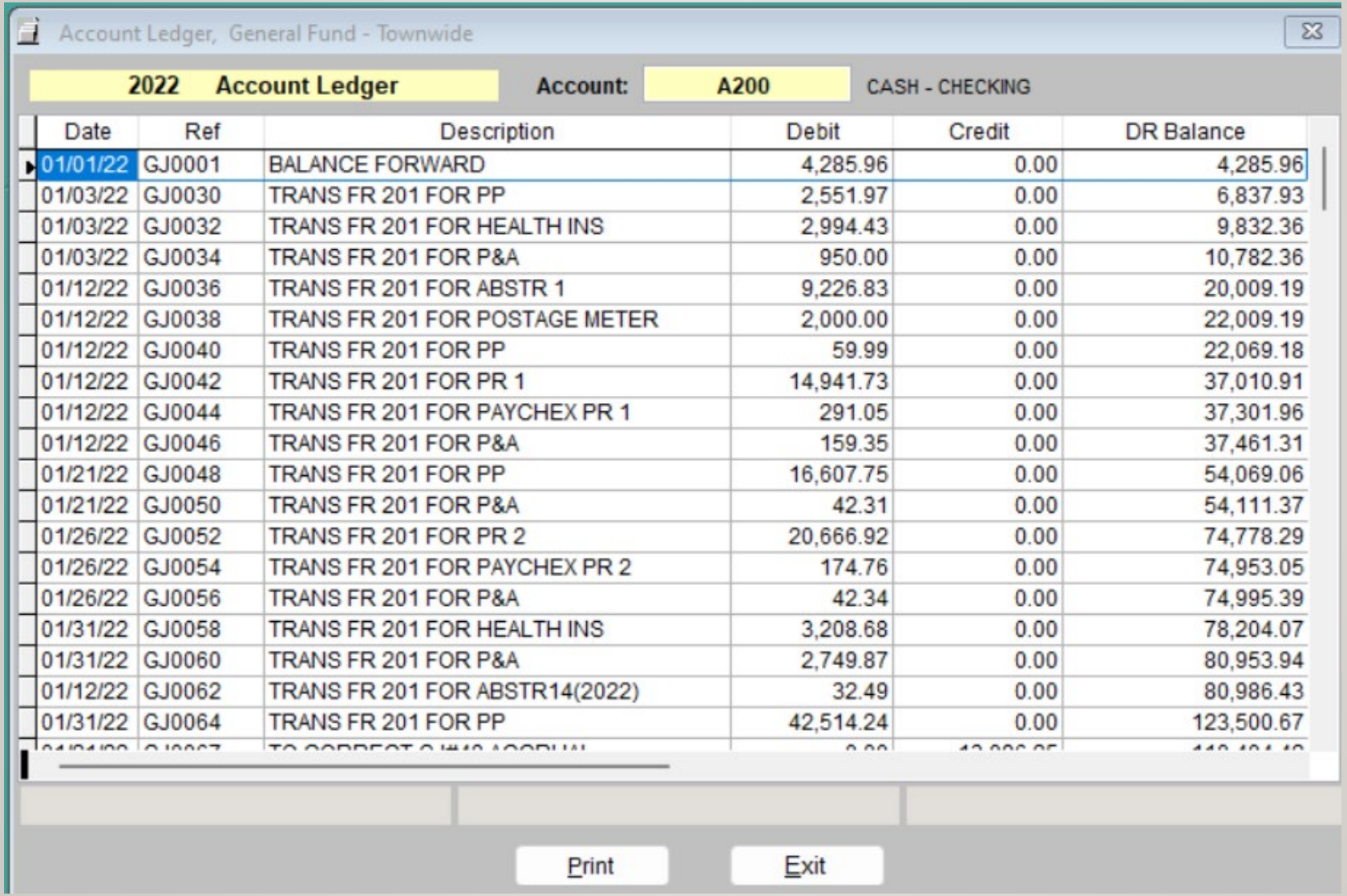
A200, CASH

Date	Explanation	Ref.	Debit	Credit	Balance
20XX					
July 1		JE-1	$200,000		$200,000 Dr
Sept. 7		JE-18		$88,000	$112,000 Dr
Oct. 12		JE-30	$11,000		$123,000 Dr
Dec. 2		JE-41		$36,000	$87,000 Dr
20XX					
Feb. 14		JE-48		$22,000	$65,000 Dr
Apr. 5		JE-54		$19,000	$46,000 Dr
May 29		JE-61		$31,000	$15,000 Dr
June 5		JE-71	$5,100		$20,100 Dr
June 30		JE-80		$14,000	$6,100 Dr

A600, ACCOUNTS PAYABLE

Date	Explanation	Ref.	Debit	Credit	Balance
20XX					
Sept. 12		JE-16		$19,000	$19,000 Cr
Dec. 15		JE-28		$81,000	$100,000 Cr
Dec. 22		JE-50	$19,000		$81,000 Cr

Computerized General Ledger



Date	Ref	Description	Debit	Credit	DR Balance
01/01/22	GJ0001	BALANCE FORWARD	4,285.96	0.00	4,285.96
01/03/22	GJ0030	TRANS FR 201 FOR PP	2,551.97	0.00	6,837.93
01/03/22	GJ0032	TRANS FR 201 FOR HEALTH INS	2,994.43	0.00	9,832.36
01/03/22	GJ0034	TRANS FR 201 FOR P&A	950.00	0.00	10,782.36
01/12/22	GJ0036	TRANS FR 201 FOR ABSTR 1	9,226.83	0.00	20,009.19
01/12/22	GJ0038	TRANS FR 201 FOR POSTAGE METER	2,000.00	0.00	22,009.19
01/12/22	GJ0040	TRANS FR 201 FOR PP	59.99	0.00	22,069.18
01/12/22	GJ0042	TRANS FR 201 FOR PR 1	14,941.73	0.00	37,010.91
01/12/22	GJ0044	TRANS FR 201 FOR PAYCHEX PR 1	291.05	0.00	37,301.96
01/12/22	GJ0046	TRANS FR 201 FOR P&A	159.35	0.00	37,461.31
01/21/22	GJ0048	TRANS FR 201 FOR PP	16,607.75	0.00	54,069.06
01/21/22	GJ0050	TRANS FR 201 FOR P&A	42.31	0.00	54,111.37
01/26/22	GJ0052	TRANS FR 201 FOR PR 2	20,666.92	0.00	74,778.29
01/26/22	GJ0054	TRANS FR 201 FOR PAYCHEX PR 2	174.76	0.00	74,953.05
01/26/22	GJ0056	TRANS FR 201 FOR P&A	42.34	0.00	74,995.39
01/31/22	GJ0058	TRANS FR 201 FOR HEALTH INS	3,208.68	0.00	78,204.07
01/31/22	GJ0060	TRANS FR 201 FOR P&A	2,749.87	0.00	80,953.94
01/12/22	GJ0062	TRANS FR 201 FOR ABSTR14(2022)	32.49	0.00	80,986.43
01/31/22	GJ0064	TRANS FR 201 FOR PP	42,514.24	0.00	123,500.67

Manual Subsidiary Expenditure Ledger

A7110.4 – Parks Contractual

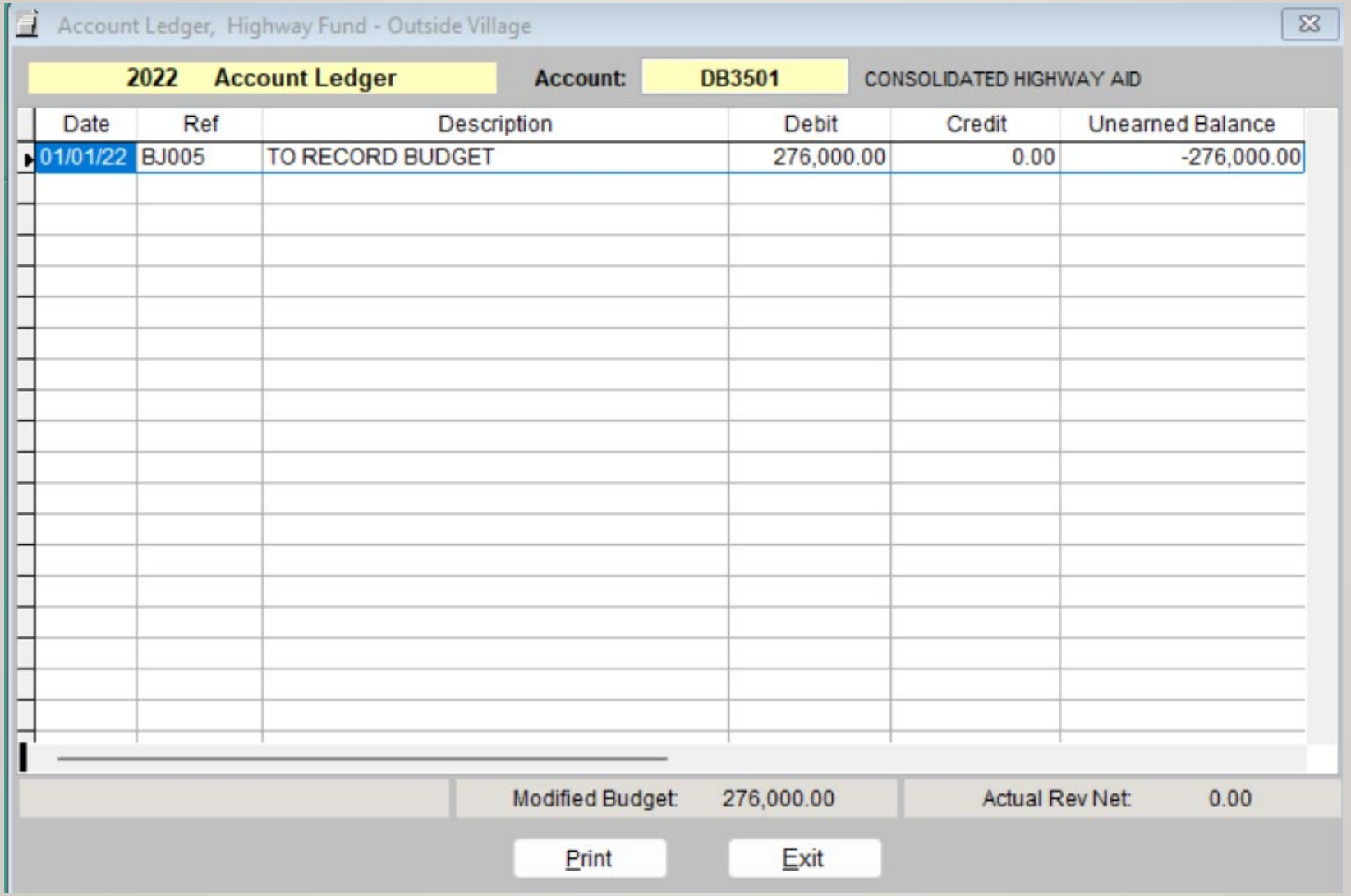
20XX Date	Explanation	Ref.	A960 Appropriatons	A521 Encumbrances	A522 Expenditures	Balance
June 1	Budget	GJ1	$17,000			$17,000
June 5	PO	GJ2		$2,000		$15,000
June 30		CD1		($2,000)	$1,990	$15,010

Manual Subsidiary Revenue Ledger

Account – A2401, Interest and Earnings

20XX Date	Explanation	Ref.	A510 Estimated Revenues	A980 Actual Revenues	Balance
June 1	Budget	GJ1	$2,500		$2,500
Sept. 1		CR1		$2,000	$500

Computerized Revenue Subsidiary Ledger



Computerized Expenditure Subsidiary Ledger

Account Ledger, Highway Fund - Townwide

2022 Account Ledger Account: DA5130.4 MACHINERY - OTHER/REPAIRS

Date	Ref	Description	Debit	Credit	Unencumb Balance
01/01/22	BJ009	TO RECORD BUDGET	0.00	78,000.00	78,000.00
02/09/22	CD002002	TRACEY ROAD EQUIPMENT	249.96	0.00	77,750.04
		14630 /V# 59 CHIPPER BLADES AND TANK E	0.00	0.00	0.00
02/09/22	CD002005	WINZER	509.50	0.00	77,240.54
		14637 /V# 66 PARTS AND SUPPLIES	0.00	0.00	0.00
02/09/22	CD002007	HAUN WELDING SUPPLY	510.88	0.00	76,729.66
		14643 /V# 72 WELDING SUPPLIES	0.00	0.00	0.00
02/09/22	CD002008	LAWSON PRODUCTS, INC.	1,085.74	0.00	75,643.92
		14644 /V# 73 MISS TOOLS FOR SHOP	0.00	0.00	0.00
02/09/22	CD002012	DICKS AUTO SPECIALTIES	200.29	0.00	75,443.63
		14648 /V# 77 GREASE	0.00	0.00	0.00
02/09/22	CD002013	WARREN INDUSTRIAL SALES	8.60	0.00	75,435.03
		14649 /V# 78 SUPPLIES	0.00	0.00	0.00
02/10/22	CD002015	PARKERS SERVICE, INC.	1,498.74	0.00	73,936.29
		14672 /V# 101 JANUARY 2022	0.00	0.00	0.00
03/09/22	CD003001	BOB JOHNSON FORD	61.82	0.00	73,874.47
		14710 /V# 140 SEAL FOR TRUCK #7	0.00	0.00	0.00
03/09/22	CD003003	HAUN WELDING SUPPLY	255.00	0.00	73,619.47
		14713 /V# 143 CYLINDER LEASE-ONE YEAR	0.00	0.00	0.00

Expenditures: 73,488.38 Modified Budget: 78,000.00 Outstanding Enc: 0.00

Print Exit

ACCOUNT GROUPS

- The Uniform System of Accounts (USA) prescribed by OSC contains account codes for all types of accounts used by all local governments.
  - For a listing of all prescribed accounts refer to the OSC publication titled “Accounting and Reporting Manual” available on OSC’s website:

    https://www.osc.state.ny.us/files/local-government/publications/pdf/arm.pdf
  - In addition, OSC has provided a *Chart of Account Query* tool on its website that can be used to find the appropriate account code for local government funds.

    http://wwe1.osc.state.ny.us/acctlookup/accountlookup.cfm

Office of the New York State Comptroller

Division of Local Government and School Accountability

Accounting and Reporting Manual

Counties, Cities, Towns and Villages

Soil and Water Conservation Districts

Libraries

A R M

Thomas P. DiNapoli State Comptroller

Chart of Accounts Query

OSC has created a query system that allows local officials and other interested parties to browse the chart of accounts that have been prescribed by OSC. The Online Chart of Accounts query allows the user to select: the fiscal year of interest (six years are presented), class of government (county, city, town, village or fire district), the schedule the code is associated with (balance sheet, revenues, expenditures, or budget summary), and the fund.

The Online Chart of Accounts query presents the account codes that are valid for reporting purposes by year. The chart of accounts database will be updated periodically and will eventually replace the Chart of Accounts listing in the *Accounting and Reporting Manual (ARM) for Counties, Cities, Towns, and Villages* and in the *Accounting and Reporting Manual (ARM) for Fire Districts.* Please refer to the respective ARM for account code definitions.

Please feel free to contact the Data Management Unit at 1-866-321-8503 or (518) 408-4934 if you have any questions relating to financial reporting or the Online Chart of Accounts.

View Complete Report | School Codes for GASB 84

Select A Year

○ 2022 ○ 2021 ○ 2020 ○ 2019 ○ 2018 ○ 2017

Select A Class

○ County ○ City ○ Town ○ Village ○ Fire District

Select A Schedule

○ Balance Sheet ○ Revenues ○ Expenditures ○ Budget Summary

Select A Fund

(A) GENERAL

Submit Reset

PRESCRIBED ACCOUNTS

- The Uniform System of Accounts contains the following types of accounts:
  - General Ledger Accounts – consisting of assets, liabilities and fund balance. These accounts appear on the Balance Sheet and are referred to as "permanent accounts" because their balances at year-end become the beginning balance on the first day of the next fiscal year.
  - Revenue and Expenditure Accounts – These accounts are referred to as "temporary accounts" because each year they begin with a $0 balance and at the end of the fiscal year the ending balance get "closed out" to fund balance.
  - Budgetary Accounts – These accounts are also classified as "temporary accounts" because the budget for local governments are only good for one fiscal year. Therefore, these accounts get "zeroed out" in preparation for the next year's budget.

GENERAL LEDGER ACCOUNTS

- Designated by numbers 10 to 999 for all assets, liabilities and fund equities. The same account numbers are used in all funds and a letter or letters will prefix each account number to identify the fund concerned.
  - Assets - 100 to 499
  - Liabilities - 600 to 699
  - Fund Equity – 800 to 917

  Example: A200 is the account code for Cash in local government's General Fund

REVENUE ACCOUNTS

- These accounts are numbered 1001 to 5999 and are arranged by source (where did the revenue come from).
  - 1000-2999 Revenues from Local Sources
  - 3000-3999 Revenues from State Sources
  - 4000-4999 Revenues from Federal Sources
  - 5000-5999 Interfund Transfers and Proceeds of Obligations

  Example: 3501 is the account code used by a local government for Consolidated Highway Program revenues (CHIPs).

EXPENDITURE ACCOUNTS

- The standard coding system provides that budget appropriations will be expenditure accounts. The first part of the number will designate the functional unit, and the second part will show the object of expenditure.
  - Numbers 1000 to 9999 are assigned to functional units. It identifies groups of services aimed at accomplishing certain purposes or ends. The function is identified by the first 4 digit in the expenditure code
  - The term object of expenditure has reference to the secondary classification and description of expenditures; it identifies the article purchased or service obtained in order to carry out a function. The object is identified by the fifth digit in the expenditure code.

EXPENDITURE CODING

Functional Unit Coding	
General Government Support	1000-1999
Education	2000-2999
Public Safety	3000-3999
Health	4000-4999
Transportation	5000-5999
Economic Assis & Opportunity	6000-6999
Culture and Recreation	7000-7999
Home and Community Serv	8000-8999
Employee Benefits	9000-9099
Debt Service	9700-9799
Interfund Transfer	9900-9999

Object of Expenditure Coding	
.1	Personal Services
.2	Equipment and Capital Outlay
.4	Contractual
.6	Debt Principal
.7	Debt Interest
.8	Employee Benefits
.9	Interfund Transfers

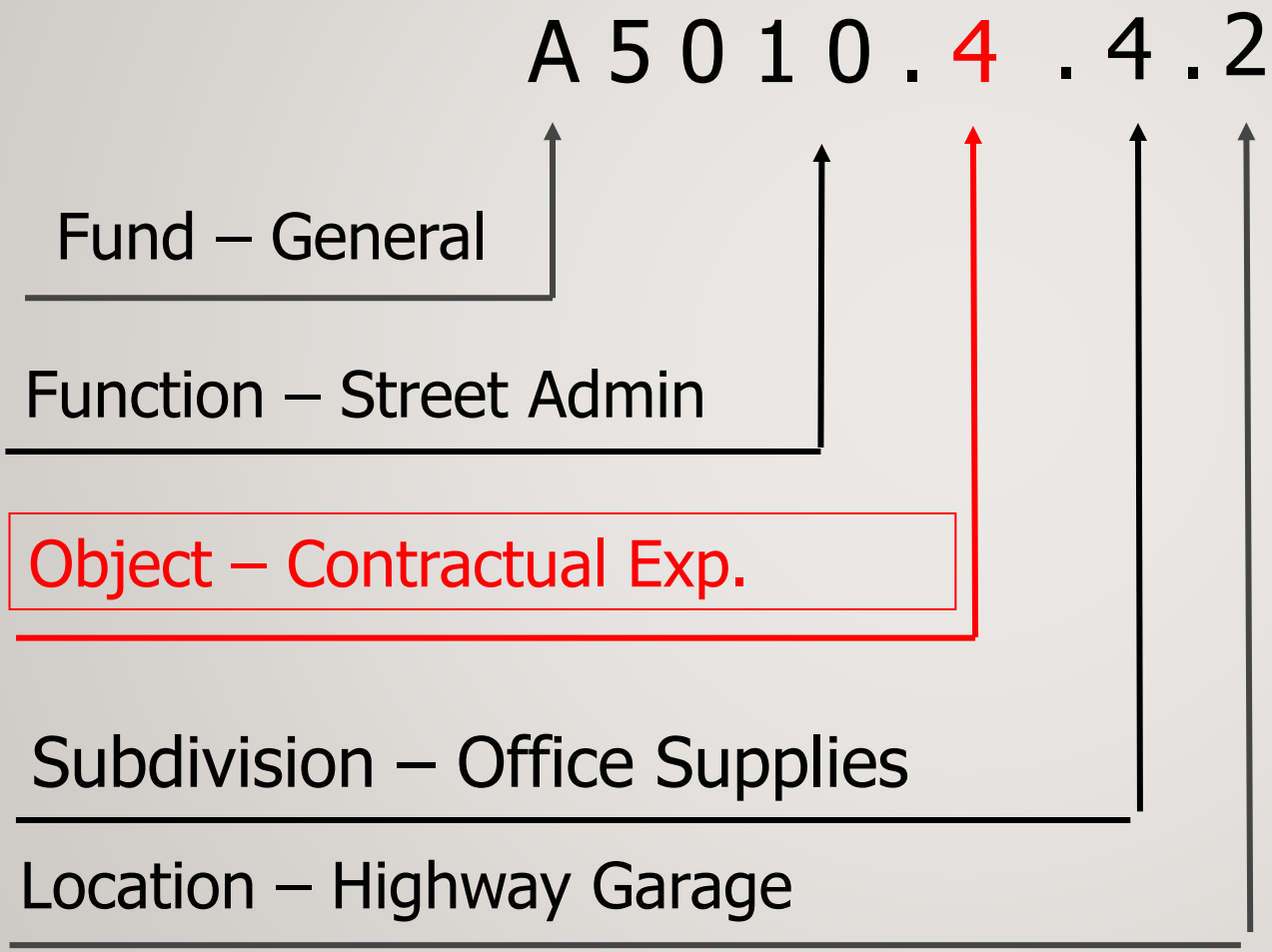
EXPENDITURE CODES

- Legal Level of Control – The State Comptroller requires local governments to budget and account **at a minimum level** of function and object of expenditure.

- Optional Coding - The coding of expenditure may be further expanded to include more detail about the object of the expenditure by adding additional digits creating a sub account.
  - The sub coding to the right of the .4 object code is chosen by the lcal government. When reporting to OSC at the end of the year in the AUD all sub accounts are reported in aggregate.

Minimum Level of Control

Town Highway Superintendent (Functional Unit), Contractual Expense (Object of Expenditure)



Other Objects

- .1 Personal Services
- .2 Equipment
- .6 Debt Principal
- .7 Debt Interest
- .8 Employee Benefits
- .9 Interfund Transfers

EXPENDITURE CODES

- Employee Benefits – Employee benefits may be recorded in two ways:
  - Undistributed Method - When using this method, all employee benefits for all employees paid out of a specific fund are budgeted and accounted for using the codes 9010 through 9089 with the .8 object code.
  - Allocated Method - When using this method employee benefits are allocated to each function area within the budget and using the function area and the .8 object code.

BUDGETARY ACCOUNTS

- These accounts are used in making budget entries at the beginning of each fiscal year and during the year when amending the budget.

(510) Estimated Revenues

(511) Appropriated Reserves

(530) Obligations Authorized

(599) Appropriated Fund Balance

(960) Appropriations

(962) Budgetary Provisions for Other Uses

CONTROL & SUBSIDIARY ACCOUNTS

- Control Accounts are used to record the aggregate balances of all related subsidiary accounts.
- Subsidiary Accounts are a group of related accounts that have individual balances that support the balance recorded in a control account. For example…..
  - The control account for all expenditures in a local government's General Fund is A522 and at its balance can be supported (verified) by calculating the total of all expenditure accounts (subsidiary accounts) within the fund.
  - Similarly, the A980 account serves as the control account for all revenues received in that fund.
  - The 960 and 510 accounts are the budgetary control accounts for budgeted appropriations and estimated revenue subsidiary accounts respectively.

CONTROL & SUBSIDIARY ACCOUNTS

- In manual accounting systems, control accounts are affected by journal entries and related subsidiary “posted to” from supporting records such as payroll reports, abstracts, etc.
- In a computerized system, the software generally posts to the control accounts “behind the scene” after entering data through various journals and/or menu choices.

ANNUAL FINANCIAL REPORTING TO OSC

- Annual Financial Report (AFR) to OSC
  - Required to be filed each year by all local governments (GML §30)
  - Each type and size of local government has prescribed deadline for filing based on their fiscal year
  - Accessed through OSC Online Services https://onlineservices.osc.state.ny.us/Enrollment/login?0
  - Chief Fiscal Officer–Primary Authorizer
  - Creates accounts for other users
- Constitutional Tax Limit
  - Required to be filed each year Filed by Counties, Cities and Villages

ANNUAL BUDGET PROCESS

Annual Budget Process

- What is a Budget?
  - An annual financial plan for the local government.
  - Act as legislative control on taxing and spending, power to levy taxes and approve appropriations.
  - Outlines proposed expenditures *(appropriations)* and the proposed means of financing *(estimated revenues and appropriated fund balance).*
  - Closed out at end of each fiscal year.

Underlying Principles in Budget Development

- Local government budgeting and accounting must follow the Law.
- Local government finance laws are derived from two basic principals:
  - Pay-as-you-go principle
  - Benefit principle

Question to Ask: Are you taxing the right taxpayers?

Town Law Budgeting Sections

Description	Section:
Definitions	Town Law §103
Submission of Estimate Forms	Town Law §104
Fire District Budgets	Town Law §105
Preparation of Tentative and Preliminary Budget	Town Law §106
Contents of the Preliminary Budget	Town Law §107
Public Hearing	Town Law §108
Final Revision and Adaption of Final Budget	Town Law §109
Encumbering Appropriations	Town Law §110
Lapse of Appropriations	Town Law §111
Supplemental Appropriations;	Town Law §112
Transfers From General Purpose Funds to Other Funds	Town Law §113

Village Law Budgeting Sections

Description	Statute:
Definitions	Village Law §5-500
Submission of estimate forms	Village Law §5-502
Preparation and of Tentative Budget	Village Law §5-504
Form and Contents of the Tentative Budget	Village Law §5-506
Adoption of Budget	Village Law §5-508
Change in Fiscal Year	Village Law §5-510
Financing Interim Fiscal Period	Village Law §5-512
Limitation of Tax Levy	Village Law §5-514
General Budgetary Controls	Village Law §5-520
Lapse of Appropriations	Village Law §5-522

COUNTY LAW BUDGETARY SECTIONS

Description	Statute:
Definitions	County Law §351
Submission of estimate forms	County Law §353
Preparation and of Tentative Budget	County Law §354
Contents of the Tentative Budget	County Law §355
Revision of Tentative Budget	County Law §358
Public Hearing / Distribution of Tentative Budget	County Law §359
Adoption of Budget	County Law §360
Failure to Make Appropriations	County Law §361
General Budgetary Controls	County Law §362
Contingent Funds	County Law §365

Town Budget Calendar

	Date
Budget Officer to notify dept heads re: estimates	Sept. 1
Dept estimates returned to budget officer	Sept. 20
Prepare & file tentative budget with town clerk	Sept. 30
Town clerk submits tentative budget to town board	Oct. 5
Town board discusses/alters budget	
Tentative Budget (as modified) becomes preliminary budget and is filed with town clerk	
Public hearing held	Thursday after election
After public hearing - you may make more revisions	
Budget adopted by:	Nov. 20

VILLAGE BUDGET CALENDAR

	Fiscal Year Beginning			
	Jan 1	*June 1*	*August 1*	*March 1*
Budget Officer to notify dept. heads re: estimates	August 1	Feb. 8	April 8	Nov. 8
Dept. estimates returned to budget officer	Sept. 1	March 1	May 1	Dec. 1
Prepare & file tentative budget	Oct. 1	March 20	May 20	Dec. 20
V/Clerk submits tentative budget to board	Nov. 1	March 31	May 30	Dec. 31
Board discusses/alters budget	After receiving tentative budget and before public hearing.			
Hold public hearing on tentative budget	Nov. 15	April 15	June 15	Jan. 15
After public hearing, final revisions	After public hearing but prior to adoption.			
Budget adopted by:	Dec. 1	May 1	July 1	Feb. 1

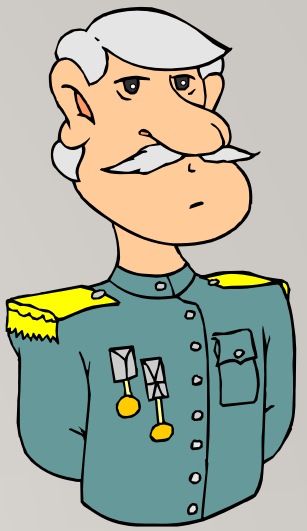
County Budget Calendar

	Date
Budget Officer to notify dept heads re: estimates	
Dept estimates returned to budget officer	By Oct 1
Prepare & file tentative budget with board clerk	By Nov 15
Clerk submits tentative budget to Standing Committee who review it and reports recommended changes to the Governing Board	
Governing Board makes revisions to the budget	
Board (by resolution) sets date for public hearing	
Board continues to revise budget after public hearing	
Budget adopted	By Dec 20
Adoption of appropriation resolution is performed immediately following the adoption of the budget	
Taxes Levied	By Dec 31

Who is Responsible for the Budget?

- Budget Officer
- Governing Board
- Department Heads

Budget Officer



- Responsible for gathering information and preparing the tentative budget
  - The Town Supervisor is the Budget Officer unless he or she chooses to appoint someone else (Town Law §103).
  - In Villages, the Mayor (or Village Manager) is the Budget Officer unless he or she chooses to appoint someone else (Village Law §5-500).
  - Generally, County Chief Fiscal Officer (CFO) or other eligible person appointed by the Board. Cannot be a member of the Board (other than the Chairman).

Useful Information

- Prior year's budget
- Actual results of operations – prior year(s)
- Actual results of operations – current year
- Estimates from department heads
- Capital plan or capital activities
- Wage/salary schedules (Including fringe benefits)
- Debt service and other contractual payments
- Insurance
- Legislation
- Local changes
  - Interest rates
  - Volume or rate increases

Other Useful Information

- Reserve needs
- Contingency appropriation
- 284 Highway Agreement (Towns)
- Interfund transfers
- Other
  - Businesses closing or starting
  - Changes in utility rates or fuel prices

BUDGET REQUIREMENT

TOWN LAW §107, VILLAGE LAW §5-506(1)(C), COUNTY LAW §355

- Budget **MUST** contain:
  - A statement for each fund of the fund balance estimated to be on hand at the close of the current fiscal year, together with a breakdown of such fund balance estimated for:
    - Encumbrances
    - Amount appropriated for ensuing year's budget
    - Amounts reserved for stated purpose
    - Remaining unappropriated amount, not to exceed a "reasonable amount".

TOWN BUDGET SUMMARY PAGE

Fund	Appropriations and Other Uses	Less: Estimated Revenues	Less: Appropriated Fund Balances	Less: Appropriated Reserves	Property Tax Levy
General Town-Wide	956,780	458,955	48,000		449,825
General Part-Town	354,350	167,456	0		186,894
Highway Town-Wide	765,880	378,976	0	75,000	311,904
Highway Part-Town	467,750	212,555	35,000		220,195
Fire Protection District	79,995	0	0		79,995
Water District	268,885	268,885	0		0
		Total Tax Levy			1,248,813

VILLAGE BUDGET SUMMARY PAGE

Fund	Appropriations and Other Uses	Less: Estimated Revenues	Less: Appropriated Fund Balances	Less: Appropriated Reserves	Property Tax Levy
General	$500,000	$100,000	$50,000		$350,000
Water	95,000	70,000	0	25,000	0
Sewer	120,000	95,000	25,000		0
TOTALS	$715,000	$265,000	$75,000	$25,000	$350,000

CALCULATING THE TAX RATE

(PER THOUSAND)

$$\frac{\text{Tax Levy}}{(\text{Total Taxable Assessed Value} \div 1{,}000)}$$

Example:

General Fund Town-Wide Tax Levy = $ 350,000

Total Taxable Assessed Value = $ 103,400,000

Tax Rate (per thousand) = $3.38

SAMPLE SCHEDULE OF APPROPRIATIONS

Accounts	Code	Actual 2023	Amended 2024	Tentative 2025	Preliminary 2025	Adopted 2025
Legislative Board						
Pers. Serv.	A1010.1	$5,000	$5,000	$6,000	$6,000	$6,000
Equipment	A1010.2	0	0	200	200	200
Contractual	A1010.4	491	500	500	500	500
		$5,491	$5,500	$6,700	$6,700	$6,700
Clerk						
Pers. Serv.	A1410.1	$10,000	$10,000	$10,500	$10,400	$10,400
Equipment	A1410.2	1,231	600	0	0	0
Contractual	A1410.4	3,980	4,000	4,200	4,200	4,200
		$15,211	$14,600	$14,700	$14,700	$14,600

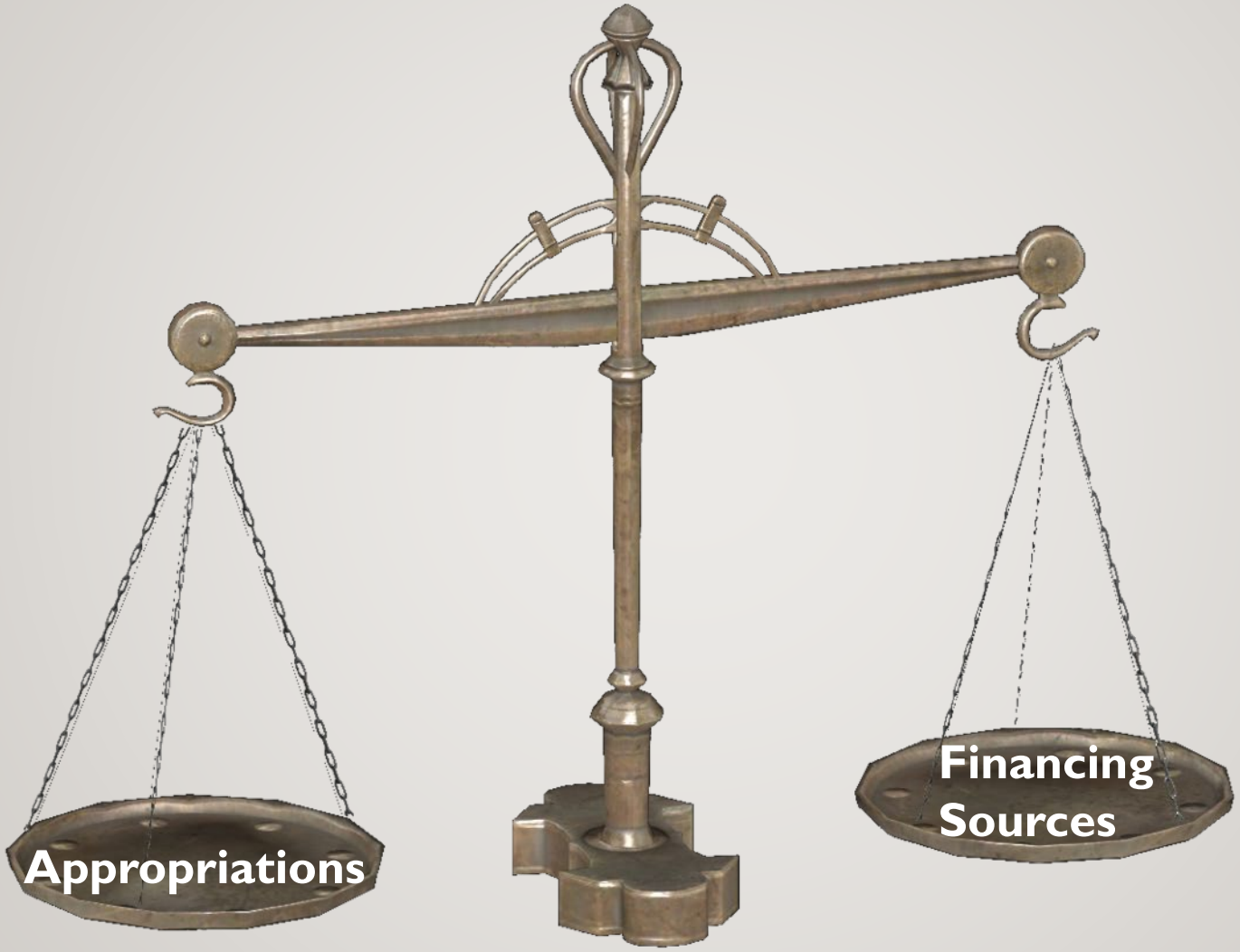
A similar format is employed for the Schedule of Estimated Revenues

TAX CAP

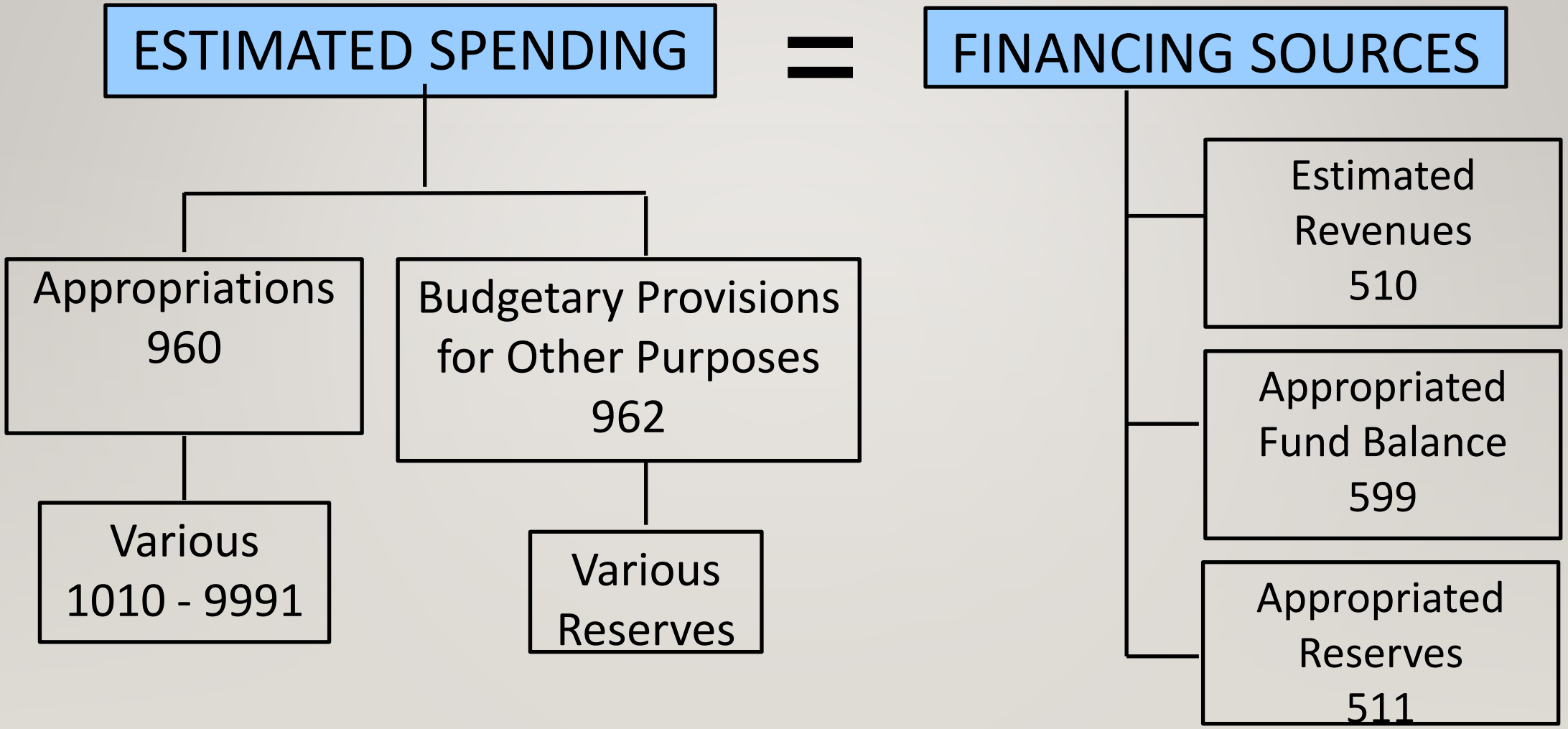
(GENERAL MUNICIPAL LAW §3-C)

- Tax Cap form must be filed with OSC **BEFORE** adopting the Budget
- The *Allowable Levy Growth Factor* = The inflation factor or 2% whichever is lower.
- If the proposed tax levy exceeds the calculated *Tax Levy Limit* the Board **MUST FIRST** adopt a Local Law to override the limit.
  - Requires at least 60% of the Board to approve
  - Local Law must be filed with the Secretary of State

BALANCING THE BUDGET



Budget Formula



STRUCTURALLY BALANCED BUDGETS

- Finance reoccurring operations with reoccurring revenues
- Avoid reliance on one-shot revenues
  - Records management grants, sales of properties, FEMA money
  - Federal ARP and CRRSA acts revenues
  - Surplus fund balances
- Sufficient contingencies
- Reserves in place

Town Contingent Account (1990.4 Account)

- The General Fund(s) can include an appropriation for contingencies. Expenses may not be charged directly to the appropriation for the contingency account. Amounts appropriated from the contingency account are to be transferred to a particular appropriation account.
  - General Fund–Town-wide (A) - Maximum of 10 percent of total appropriations in A & DA excluding debt service, judgments and repair and improvement of highways (5110 & 5112)
  - General Fund–Town Outside Village (B) - Maximum of 10 percent of total appropriations in B & DB excluding debt service, judgments and repair and improvement of highways (5110 & 5112).
  - Special Districts - In general, maximum of 10 percent of total appropriations excluding debt service and judgments.

Village Contingent Account (1990.4 Account)

- The General Fund(s) can include an appropriation for contingencies. Expenses may not be charged directly to the appropriation for the contingency account. Amounts appropriated from the contingency account are to be transferred to a particular appropriation account.
  - General Fund, Water & Sewer Funds - may contain an appropriation for contingencies. The contingency amount is limited to 10% of total appropriations less amounts budgeted for debt service and judgments.

County Contingent Account (County Law §365)

- General Fund - 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.
- Part-County Funds - Ten percent of the part-county fund's appropriations.

APPROPRIATIONS

Questions to Ask:

- Is the service or equipment a NECESSARY expenditure this year?
- Can it be offered more efficiently by another government?
- Can it be offered cooperatively with other government (Article 5-g of GML)?
- Can it be offered more efficiently by outsourcing it to a private vendor?

DETERMINE THE TRUE COST OF SERVICES

- Identify services that represent the greatest net cost
  - Determine the TOTAL costs of each service offered
    - Direct costs (salaries, equipment, contractual expenditures)
    - Indirect costs (employee benefits, insurance, debt, etc.)
  - Identify all attributable revenues associated with each service

Total Cost
– Attributable Revenues
Net Cost to Taxpayer

PARALLEL EXPENDITURE – REVENUE CODES IN UNIFORM SYSTEM OF ACCOUNTS

		Revenue Codes			
Major Function	**Expenditure Code**	**Departmental**	**Intergovern-mental**	**State Aid**	**Federal Aid**
General Government	1000.0	1200	2200	3000	4000
Education	2000.0	1300	2230	3100	4100
Public Safety	3000.0	1500	2260	3300	4300
Health	4000.0	1600	2280	3400	4400
Transportation	5000.0	1700	2300	3500	4500
Economic Assistance	6000.0	1800	2310	3600	4600
Culture & Recreation	7000.0	2000	2350	3800	4800
Home & Community Services	8000.0	2100	2370	3900	4900
Undistributed	9000.0				

Towns with Villages

General Rule: Expenditures are to be charged town-wide (A or DA) unless a statute mandates or allows for a part-town charge (Real Property Tax Law §300).

"All real property within the state shall be subject to real property taxation, special ad valorem levies and special assessments ***unless exempt therefrom by law****".*

Towns with Villages

The following expenditures and related revenues for certain general activities must be budgeted and accounted for in the general part-town fund (B) unless special legislation or conditions allow for them to be charged town-wide:

- B3620, Safety Inspection (Town Law §138)
- B8010, Zoning (Town Law §261)
- B8020, Planning (Town Law §261)

Towns with Villages

In addition, other expenditures along with related revenues may be budgeted and accounted for in the part when conditions exist that allow for it. These expenditures include:

- B1990, Unallocated Insurance (Town Law §64[4])
- B3120, Police (Town Law §150, General Municipal Law §121-a)
- B4020, Registrar of Vital Statistics (Public Health Law §4124)
- B5182, Street Lighting (Town Law §57)
- B7145, Playgrounds and Recreational (General Municipal Law §§240, 245)
- B7145, Joint Recreation Projects (General Municipal Law §244-b)
- B7310, Youth Program (General Municipal Law §§95, 240)
- B7320, Joint Youth (Executive Law §422(5))
- B7410, Library (Education Law §256)

Town Highway Fund Charges

- Only those authorized by Highway Law §141
  - Roads repairs and improvements (Item 1)
  - Bridge repairs and improvements (Item 2)
  - Machinery (Item 3)
  - Snow and Misc. (Item 4)
- All other charges are either General Fund of Special District charges even if work is being performed by the highway crew.

Budgeting Town Highway Expenditures

Item	Description	Account Codes	Highway Fund	Highway Law Reference
1	Road Repairs	5110	DB or DA (if all villages within the town do not maintain village streets at village expense)	§277
	Road Improvements	5112		
2	Bridge repairs and construction	5120	DA (no option)	§141
3	Purchase and repair of highway machinery	5130	DA or DB at discretion of Town Board	§277
4	Snow removal and miscellaneous	5140 thru 5148	DA or DB at discretion of Town Board	§277

Agreement to Spend Town Highway Funds

(284 Agreement)

- Highway Law §284
- Legal authority to spend highway fund money for road improvements
- Must be signed by the Town Highway Supt. And Town Board
  - Can be amended by the same manner
  - Should be agreed upon before adopting the budget and adequate appropriations need to be placed in the budget to support the total expenditures in the agreement.

Budgeting for Interfund Transfers

TOWNS:

- Must be within the same tax base,
- Prohibited from transferring out of Highway Funds,
  - Town Law §113 only allows transfers out of general town-wide and general part-town funds to other operating funds that have the same tax base.
  - Exception: Transfers can be made to non-operating funds such as the Debt Service Fund (V) and Capital Projects Fund (H).
- Transfers out of all funds (expenditure) generally equal transfers into other funds (revenue).
  - Exception: Transfers to and from Funds that do not have an annual budget like operating funds.

Note: Interfund Loans are allowed between all funds but are not part of the budget process

Budgeting for Interfund Transfers

VILLAGES:

- Prohibited from transferring Sewer Rents,
  - General Municipal Law §453
- Transfers out of all funds (expenditure) generally equal transfers into other funds (revenue).
  - Exception: Transfers to and from Funds that do not have an annual budget like operating funds.

Note: Interfund Loans are allowed between all funds but are not part of the budget process

REVENUES AND OTHER FINANCING SOURCES

- Estimated Revenues (510)
  - Non-Property Tax Revenues
    - Local, State, Federal
  - Property Taxes (1001)
- Fund Balance
  - Reserved (511)
  - Unrestricted (599)

Non-Property Tax Items

- Avoid relying too much on external revenue sources outside the Board's control (sales tax, state aid, etc.)
  - Contact State and County Officials
- Rely more on local sources the Board can control (user fees, departmental revenues, services to other governments)
  - Are rates sufficient to finance operations?
  - Are there available grant opportunities?
- Avoid relying on "one shot" revenues and other financing sources
  - Appropriated Fund Balance
  - Sale of lands, buildings and equipment

Towns Without Villages

- General Rule: Revenues follow expenditures.
- CHIPS Revenues (Highway Law §10-c) must be budgeted in the Highway Fund (DA)
- State and Federal Aid meant for highway improvements/repairs must be budgeted in the Highway Fund (DA).
- Sales Tax Revenues can be budgeted in either the General Fund (A) or the Highway Fund (DA)

Towns With Villages

- General Rule: Revenues follow expenditures.
- Some revenues must be budgeted in part-town funds (B, DB):
  - Sales Tax Revenues [Tax law §1262 (c)]
    - Can be budgeted Town-Wide if no tax levy in Part-Town funds
  - CHIPS Revenues (Highway Law §10-c)
  - AIM and AIM Related Payments – can be budgeted in either Town-wide or Part-Town Funds
- Other revenues may be budgeted part-town if certain conditions are met (check with municipal attorney and/or OSC).

Village Revenues

- General Rule: Revenues follow expenditures.
- With the exception of revenues generated from a specific special revenue fund operation (water, sewer, etc.) all revenues are budgeted in and credited to the general fund.
  - Exceptions: Proceeds of debt, interfund transfers and grants and aid intended for capital projects.

Fund Balance and Property Taxes

- Often become “balancing items” on revenue side of the budget;
- Often used as a “political football” during election times;
- Use of each should be governed by board adopted policy and multi-year plans.

MONITORING THE BUDGET

Section 3.9 in Manual

BUDGETARY REPORTS

Should be:

- Completed for all major operating funds
- Prepared monthly
- Distributed to all department heads
- Reviewed with all department heads

Are the responsibility of the governing board and fiscal officer

SAMPLE BUDGETARY REPORT

Accounts	Code	Adopted Budget	Amended Budget	Actual To Date	Unexpended Balance
Legislative Board					
Pers. Serv.	A1010.1	$5,000	$5,000	$3,300	$1,700
Equipment	A1010.2	0	0	0	0
Contractual	A1010.4	850	1,000	500	500
		$5,850	$6,000	$3,800	$2,200
Clerk					
Pers. Serv.	A1410.1	$10,000	$10,000	$6,700	$3,300
Equipment	A1410.2	1,235	1,235	0	1,235
Contractual	A1410.4	3,980	4,200	4,200	0
		$15,215	$15,435	$10,900	$5,535

Options Available For Amending the Budget

- Budget transfers (same fund)
  - Unneeded balances from one account to another
  - From contingency account
- Increasing total appropriations
  - Appropriating Additional Surplus (must first calculate available amount)
  - Using unanticipated revenues (gifts, grants, insurance recoveries)
- Reducing total appropriations

APPROPRIATING ADDITIONAL SURPLUS

Budget: Est. Revenues	(510)	$ 510,000
Appropriated FB	(599)	40,000
		$ 550,000
Actual Revenues**	(980)	$ 475,000
Beginning FB	(909)	125,000
		$ 600,000
You Can Appropriate		**$ 50,000**

**Plus, revenues that are reasonably expected to be recognized in the current year

Sectin 3.9 in Manual

UNANTICIPATED REVENUES

May be appropriated with resolution of the governing board without performing the calculation

- Grants in Aid
- Insurance Recoveries
- Gifts

FUND BALANCE MANGEMENT

Fund Balance

- Fund Balance is the total accumulation of operating surpluses and deficits since the beginning of the government's existence.
- Total Fund Balance at year end is classified in two major components:

  (1) Restricted – The portion that is not available for discretionary appropriation due to the creation of reserves and other limitations.

  (2) Unrestricted – The portion that is available for appropriation to reduce taxes and other assignments.

EVOLUTION OF FUND BALANCE

General Fund	2121	2022	2023	2024
Beginning Fund Balance	$0	$25	$35	$25
Revenues	$100	$90	$75	$90
Expenditures	$75	$80	$85	$80
Ending Fund Balance	$25	$35	$25	$35
Restricted	$0	$10	$10	$20
Unrestricted	$25	$25	$15	$15

Town Board established a Town Hall Capital Reserve and moved $10 into it.

An additional $10 is placed in Town Hall Reserve.

FUND BALANCE LIMITS

- Prior to January 2001
  - Counties, towns, villages and fire districts had no legal authority to carry over any unappropriated / unreserved balance.
- Chapter 528 of the Laws of 2000
  - Counties, towns, villages and fire districts can carry over a **“reasonable amount”** of unreserved / unappropriated fund balance.

LEGISLATIVE INTENT

(PRIOR TO 2001)

- Public Policy Underlying Rule of Law:
  - Governments need to make a full accounting of all public funds to prevent municipal governments from acquiring tax proceeds faster than they are needed.
  - Municipal governments should not accumulate funds for the remote future or for contingencies which may never occur.
  - Protection provided to taxpayers from misuse of surplus funds to hide deficit spending or to reap political gain.

SO WHY THE CHANGE?

- Legislators recognized the need to set aside a portion of unrestricted fund balance in order to:
  - Reduce the cost of borrowing for cash flow
  - Offset revenue shortfalls in poor economic times as well as unexpected expenditures
  - Stabilize taxes and maintain services without budget cutbacks
  - Improve long-term planning initiatives
  - Enhance the credit ratings of local government

SO WHY THE CHANGE? (CONT'D)

- Legislators also recognized the potential for abuse if local governments were allowed to amass excessive fund balances
  - The legislation was intended to strike a balance between the potential misuse of fund balance and the inflexibility of the previous legislation

Retaining Unrestricted Fund Balance

- Legislation enacted in 2000 did not define “reasonable amount”
- OSC recommend that governing boards adopt a “Fund Balance Policy” defining (among other things) the amount of unrestricted fund balance the board desires to retain from year to year.
- This policy is an important consideration in developing the annual budget and multi-year plans.

BENEFITS OF A FUND BALANCE POLICY

- Provides for an orderly provision of services;
- Provides taxpayers with information about why resources have been set aside;
- Provides a framework to help guide budgetary decisions and multi-year plans;
- Helps ensure an adequate fund balance is available for cash flow, unforeseen expenditures and revenue shortfalls
- Maintain investment-grade bond rating

EFFECTIVE FUND BALANCE POLICIES

- The Policy Should:
  - Be adopted by the governing board with input from key officials (e.g., CFO, budget officer),
  - Be in written form and subject to review by governing board on a regular basis,
  - Be used to develop and amend multi-year capital and operational plans,
  - Address how surplus balances will be applied,
  - Address the timing for balances to be replenished to the desired level.

UNRESTRICTED FUND BALANCE

- Since GASB Statement 54 eliminated the unappropriated unreserved fund balance terminology, local governments should apply the "reasonable amount" calculation to the unrestricted portion of fund balance.
  - OSC defines the unrestricted fund balance to be the total of the committed (913), Assigned/Unapprpriated (915) and Unassigned (917) fund balance classifications.
  - GASB defines the unrestricted fund balance to be the total of the committed (913), Assigned/Appropriated (914), Assigned/Unappropriated (915) and Unassigned (917) fund balance classifications.

OSC excludes it from the calculation because it is not actually being retained because it is being used to reduce the tax levy for the subsequent fiscal year.

Determining a Reasonable Amount

- The “reasonable amount” of unrestricted fund balance to be retained will depend on various factors including..
  - Composition of the FB (is it all cash?)
  - Cash flow needs for first 2 months
  - Size of the fund
  - Established reserves
  - Budgetary practices
    - Surpluses or deficits
    - Use of contingent appropriations

COMMON METHODS TO DETERMINE A "REASONABLE AMOUNT"

- Percentage of Expenditures or Revenues
  - Example: 15% of annual operating expenditures
- Expenditures or Revenues for a set number of months
  - Example: Total estimated expenditures for the first two months of the fiscal year (GFOA recommendation)
- Specific dollar amount

OSC does not recommend any one method or amount – these decisions are the responsibility of each local government based on its own situation.

Estimating Available Unrestricted Fund Balance

General Fund	
Unrestricted Cash balance to date	$ 254,800
+ Revenues expected to be received by year end	$ 176,300
+ Receivables expected to be collected by year end	$ 0
- Expenditures expected to be made by year end	($ 183,987)
Estimated Unrestricted Cash at Year End	**$ 247,113**

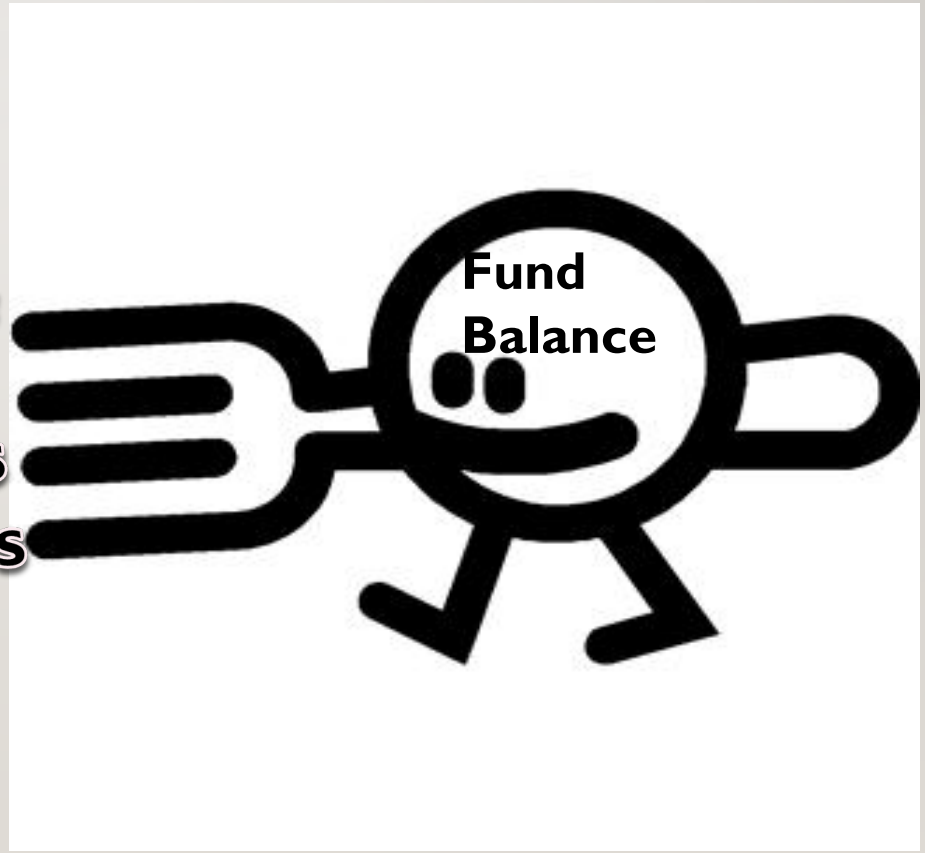
A FOUR-PRONGED APPROACH TO MANAGING EXCESS UNRESTRICTED FUND BALANCE

One-Shot Expenditures

Reduce Debt Principal

Finance Reserve Funds

Reduce Property Taxes



Section 4.3 in Manual

ONE-SHOT EXPENDITURES

- Expenditures that do not normally occur annually, such as:
  - Equipment and capital outlay expenditures (.2)
  - Court-ordered judgments
  - Extraordinary public service contracts (legal, assessor, etc.).

REDUCE DEBT PRINCIPAL

- Decreases future interest payments
- Shortens life of the loan
- Improves credit ratings

Note: *Since not all debt instruments allow for the reduction of principal ahead of schedule, local governments should check with their lender or bond counsel before pursuing this option.*

FINANCE RESERVE FUNDS

- Reserves must be legally established
  - General Municipal Law (§§ 6-c through 6-r)
  - Suburban Town Law (§§ 55, 55-a, 55-b)
- Reserves should be limited to amounts specified in resolution or other statutory limitations.
- Establishment and use of reserves should be linked to long-term capital and operational plans.
  - Should not become a “parking lot” for excessive fund balance.

REDUCE PROPERTY TAXES

- Be cautious
  - Appropriation of fund balance is a "one shot" revenue that should not be used to finance recurring expenditures)
- Consider budgetary practices
  - Operating surpluses (deficits)
- Can result in unstable tax rates
- Link to long-term plans

Section 4.3 in Manual

Allocating Excessive Unrestricted Fund Balance

Example:

Retain (per fund balance policy)	$175,500
Increase Capital Reserves	$ 15,000
Pay Debt Principal	$ 35,000
Appropriate to Reduce Taxes (must be sustainable)	$ 21,613
Total	**$247,113**

See slide #96

RESERVE FUNDS

RESERVE FUNDS

- A mechanism for "legally" saving money to finance all or part of future infrastructure, equipment and other allowable purposes
- A portion of a local government's total fund balance that is classified as "restricted"
- Requires action by the governing board
  - Unlike accounting reserves which are restrictions of fund balance derived from specific revenues to provide accountability to agencies and grantors

WHAT ARE BENEFITS OF USING RESERVES?

- Funding source for long-term planning
- Often reduces need to borrow
- Provides matching funds for grant opportunities
- Provides funds for future contingencies
- Stabilize effects from fluctuations in the economy
- Protects fund balance from unwarranted reductions for political or other reasons

WHEN SHOULD RESERVES BE ESTABLISHED?

- Reserves should only be established with a clear intent or plan in mind regarding the future purpose and use
  - Governing boards should establish a reserve fund policy that provides transparency for their intentions
  - Reserves should not be used to hide or disguise surplus fund balances

REPLENISHING UNRESTRICTED FUND BALANCE

- Budgetary Provisions
  - When possible - replenish to desired levels in next fiscal year budget
  - When not possible – develop a plan to replenish to desired level over a period of years (e.g., 3 years)
  - Maximum use of contingency account and apply budget surpluses to replenish fund balance
- One-Shot Revenues
  - Sale of equipment & property
  - Gifts / donations

VISIBILITY OF RESERVE ACTIVITY

- All reserve fund transactions should be transparent to the public.
  - Ideally should be primarily funded through the annual budget process
  - Also permitted to be funded by transfers from unexpended balances of existing appropriations and surplus moneys.
  - Board members need to adhere to all statutory requirements, as well as to make appropriate disclosure of such transactions in the budget, accounting records and financial reports.

HOW TO LEGALLY ESTABLISH RESERVE FUNDS?

- Requires Board resolution
  - Often subject to public notice and referendum requirements
- Established pursuant to Law
  - General Municipal Law (GML) §§ 6-c through 6-t
  - Town Law section §§ 55, 55-a, 55-b (Suburban Towns)

ADMINISTRATION OF RESERVES

- Governing board members are trustees of reserves and can be held personally responsible
- Need adequate records to account for investments, earnings and uses
- Separate GL accounts are needed
  - Cash – 230 and 231
  - Equity – 814 - 898 code series
  - Reserve activities are closed to restricted fund balance at year-end

RESERVE FUND POLICY

- The governing board should establish a reserve policy that clearly states :
  - Purpose of each reserve
  - How each reserve will be funded
  - Maximum amount
  - When to expend from each reserve
  - How and when to replenish
  - Use of residual balances
- Reserves should be linked to long-term plans

INVESTMENT OF RESERVE FUND MONEYS

- Moneys must be invested in accordance with GML § 11
- In accordance with the municipality's investment policy
- Reserve moneys may be commingled with other municipal moneys for investment purposes
- Interest earned becomes part of the reserve fund

COMMON RESERVES

- Capital Reserve (GML §6-c)
- Repair Reserve (GML §6-d)
- Retirement Reserve (GML §6-r)

CAPITAL RESERVES

- Generally, used to finance all or part of the cost of construction, reconstruction, or acquisition of a “specific” or “type” capital improvement or equipment.
- Can be established by towns, villages, cities and counties
  - In towns not to be used in special districts (other than sewer and water districts)

CAPITAL RESERVES (GML §6-C)

- Accounted for in the fund that is providing financing
  - 878 equity account and 230 or 231 cash account
  - Often transferred to the Capital Projects Fund (using the 9950.9 account) to assist with cost of a capital purchase or improvement
- The most common reserves established by local governments.

PUBLIC NOTICE & REFERENDUM REQUIREMENTS FOR CAPITAL RESERVES

- Towns & Villages: Generally, a public notice and permissive referendum is required to establish or expend from.
  - If authorization to issue obligations for the same purpose would be subject to referendum (a proposed maturity of more than 5 years),
  - If a town in the Adirondack Park has taxable State lands assessed at more than 30% of the total taxable assessed valuation in the town, the State Comptroller's Office must consent to the establishment of, and expenditures or transfers from, a capital reserve fund in the town.

PERMISSIVE REFERENDUM

- Town Law §90- §94:
  - Generally, requires a petition filed by at least 5% of the electorate qualified to vote in the last governor election
- Village Law §9-900 - §9-916:
  - Generally, requires a petition filed by at least 20% of the electorate qualified to vote in the last village election
- Resolution becomes effective after 30 days of adoption or after affirmative vote of electorate

GML 6-C CAPITAL RESERVES

Type:

- No referendum requirements when created
- No maximum amount required
- Comply with public notice and referendum requirements before expenditures are to be made.

Sample Board resolution in Appendix D of OSC's Local Government Management Guide on Reserves

GML 6-C CAPITAL RESERVES

Specific:

- Comply with public notice and permissive referendum requirements when created
- Maximum cost set forth
- Expend upon authorization of governing board

Sample Board resolution in Appendix C of OSC's Local Government Management Guide on Reserves

EXAMPLES OF CAPITAL RESERVES

	Improvements	*Equipment*
"Specific"	Town Hall Highway Garage Fire House Sewage Disposal Plant Off-Street Parking Lot	Pumper Truck Sanitation Truck Bulldozer Snow Plow Fire Engine
"Type"	Land Buildings Building Alterations	Snow Removal Equip. Street Cleaning Equip Highway Equipment Fire Apparatus

REPAIR RESERVES (GML §6-D)

- To pay for the cost of certain repairs of capital improvements or equipment of a type “not recurring annually or at shorter intervals”
  - 882 equity account and 230 or 231 cash account
- No public notice or referendum requirement to establish
- Public hearing needed before reserve is appropriated and spent
- Can expend without public hearing in true emergency but must replenish 50% next year and remainder the next year

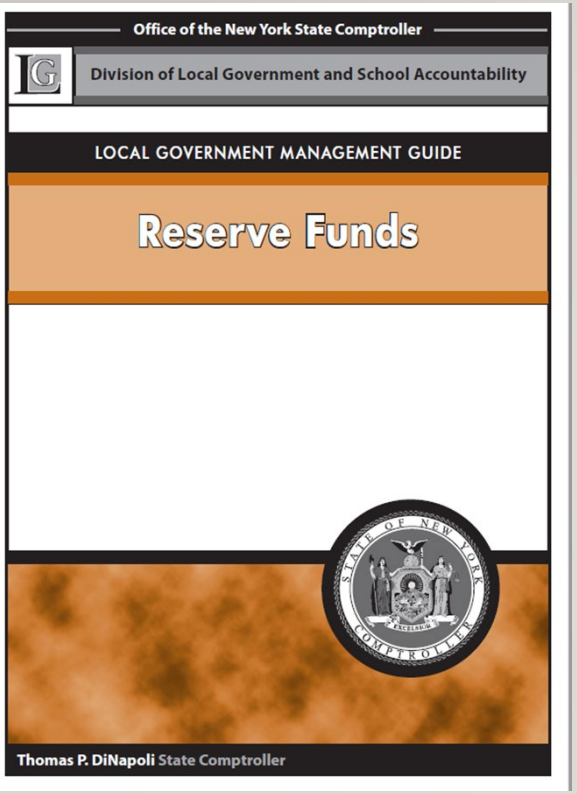
USE OF UNEXPENDED BALANCES

- In general, all or any part of a Repair Reserve Fund may be transferred to a capital reserve fund or to a Contingency and Tax Stabilization Reserve fund.
- Also, can be transferred to a Retirement Contribution Reserve (GML §6-r) subject to a public hearing with 15 days notice.

RETIREMENT CONTRIBUTION RESERVE (GML §6-R)

- For the payment of retirement contributions to the NYS Local Employee, the NYS Police & Fire retirement system
  - 827 equity account
- Established by board resolution
- Expend by board resolution
- No referendum requirements
- May transfer into and from certain other reserves after public hearing.

OTHER RESERVES



- Employee Benefit Accrued Liability (GML §6-p)
- Snow and Ice Removal and Road Repair (GML §6-f)
- Solid Waste Management Facility (GML §6-o)
- Worker's Compensation (GML §6-j)
- Unemployment (GML §6-m)
- Insurance (GML §6-n)
- Reserve for Bonded Indebtedness (GML §6-h)
- Mandatory Reserve (GML §6-l)

Refer to OSC's Local Management Guide on Reserves)

https://www.osc.state.ny.us/files/local-government/publications/pdf/reservefunds.pdf

REPORTING RESERVES

- Towns, Villages and Counties
  - Annual budgets must contain an estimate of fund balances, showing a breakdown for encumbrances, amounts appropriated for the ensuing fiscal year's budget, amounts reserved for stated and the remaining estimated unappropriated unreserved fund balance for each fund.
  - Annual financial report also must report a breakdown of fund balances included restricted fund balances (equity accounts 814 thru 898).

DEBT
ON
AC
+TAX2

Debt Issuance

- The New York Constitution, Article VIII contains a number of restrictions on the power of towns, villages and other local governments to contract indebtedness including:
  - Purposes for which obligations may be issued;
  - Maximum maturity which cannot be longer that the "period of probable usefulness" (PPU) of the "object or purpose" for which the bonds or notes are issued (LFL §11);
  - Repayment schedule requiring a provision to be annually by appropriation for the payment of principal and interest;
  - Maximum amount of debt outstanding and
  - A pledge of its "faith and credit" for the payment of principal and interest on bonds and notes.

Debt Issuance

- The Local Finance Law (LFL) authorizes the types of debt instruments local governments may issue.
- Authorized debt can be broken out into two major categories:
  - (1) Long-Term
  - (2) Short-Term
- Debt service payments (principal and interest) are budgeted and accounted for in the fund responsible for the debt each year.
- Proceeds of issued debt can only be used for the purpose for which the debt was issued;
  - Separate bank accounts are required for proceeds of debt (LFL §165).

Debt Issuance

- Authorized Long-Term Debt Instruments:
  - Serial Bonds (LFL §21.00);
  - Statutory Installment Bonds (LFL §62,10);
  - Capital Notes (LFL §28);
- Authorized Short-Term Debt Instruments:
  - Bond Anticipation Notes - BANs (LFL §23.00); → Issued primarily for capital purposes
  - Tax Anticipation Notes - TANs(LFL §24.00);
  - Revenue Anticipation Notes – RANs (LFL §25.00);
  - Budget Notes (LFL §29.00);
  - Deficiency Notes (LFL §29.20)

Issued primarily for cash flow purposes.

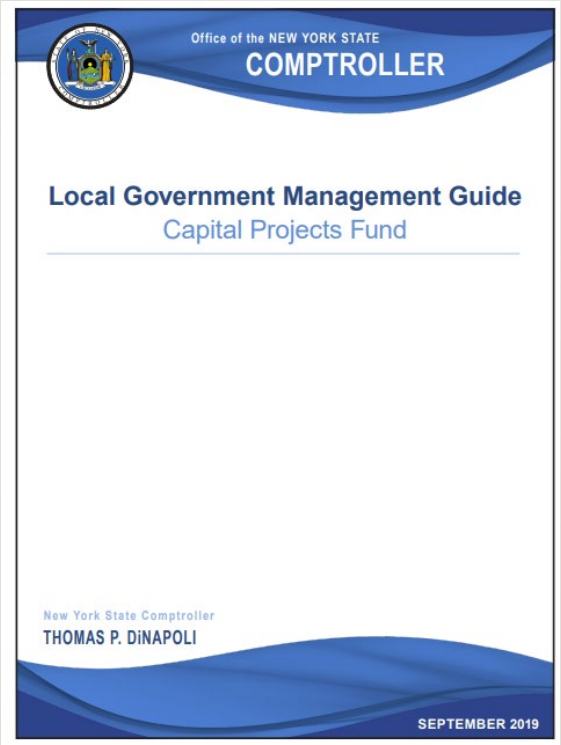
Debt Issuance

- Governmental Funds:
  - Liability for short-term debt is recorded in the fund itself;
    - Exception: Liability for Bond Anticipation Notes (BANs) is generally recorded and reported in the Capital Project Fund (H Fund)
  - Liability for long-term debt is recorded and reported in the Schedule of Long-Term Governmental Liabilities (W Schedule);
    - Proceeds of long-term debt is recorded and reported in the Capital Project Fund (H);
    - Principal and interest payments are financed through budgeted appropriations (.6 and .7 object of expenditures) in the annual budget.
    - Principal payments (.6) require a collateral entry in either the Capital Project Fund or in the W Schedule.

Debt Issuance

- Enterprise Funds:
  - Liability for both long-term and short-term debt is recorded and recorded in the fund itself;
  - Proceeds of debt is recorded as a revenue in the fund;
  - Principal payments made are recorded as a reduction in the debt liability;
  - Interest payments are recorded as an expense (.7 object) in the fund;
  - Enterprise funds do not use supplemental schedules (W and K schedules) and/or Capital Project Funds (H Fund).

CAPITAL PROJECTS FUND



https://www.osc.state.ny.us/files/local-government/publications/pdf/capital-projects-fund.pdf

CAPITAL PROJECTS FUND

- Purpose - When one of the following pertains in governmental funds (not used for enterprise funds):
  - Major capital acquisition or construction extends beyond a year;
  - Financed by obligations;
  - Sometimes may be a condition of a grant;

Although debt is generally the major source of financing for capital projects, other financing sources can include: state and federal aid, gifts, budgetary appropriations and capital reserve money.

CAPITAL PROJECTS FUND

- Special revenue fund (H Fund) requiring a modified accrual basis of accounting;
- A separate capital projects fund should be established for each authorized project;
- Individual accounting records must also be maintained for each capital project;
  - Must contain sufficient information to track a project's complete financial history
- Each capital project needs a budget that has a life of the project.

CAPITAL PROJECTS FUND

- Planning for a Capital Project - it is important that local government officials adequately plan for a project to ensure that the project is identified, set up in the accounting records and that funds are available to finance it. Questions to ask include ……
    - Is there sufficient time to permit the local government to satisfy the necessary engineering and legal requirements, as well as to meet any public notice and public hearing requirements?
    - Will the project or purchase require mandatory or permissive referendums?
    - Will the project or acquisition require competitive bidding or requests for proposals?
    - How will the project or acquisition be financed?

CAPITAL PROJECTS FUND

- Use of Municipal Personnel and Equipment - If the local government uses its own employees and equipment for a capital project, the project should be charged for these costs.
  - Can be treated as an in-kind contribution to the project or as a reimbursable cost.
- Retainage – Local governments are authorized to withhold a portion of payments to contracts ("retainage") until work is satisfactorily completed.
  - GML allows for retainage of up to 5% when the contractor provides sufficient bonding. In all other cases, the local government may retain up to 10 %.

CAPITAL PROJECTS FUND

- Closing Out a Project - Upon the project's completion, local government officials should ensure that the necessary actions are taken to finalize the project, including the following:
  - Designated person (engineer, architect, etc.) signs off on the project's completion once the work has been determined to be satisfactory.
  - Any retainage amounts are released to contractors after satisfactory completion of contract work.
  - Residual project moneys are transferred to the applicable operating fund or reserve in the debt service fund.
  - Record the new capital assets in the Schedule of Non-Current Governmental Assets.

CAPITAL PROJECTS FUND

- Disposition of Unexpended Balances - When a capital project has been completed, the board should pass a resolution stating the amount of the unexpended balance of the capital projects fund and its disposition.
  - The disposition of the balance is determined by the source of a project's funding as follows:

Source of Balance	Disposition
Bonds and BANs	Transfer to the debt service fund to apply to debt on project bonds/BANs.
Interfund Transfer	Transfer back to the fund that provided the money and use for any legal purpose.
Multiple Sources (e.g., bonds, BANs, state/federal aid, interfund transfer)	Transfer to the debt service fund to apply to debt service on project bonds. It is assumed that the unexpended balance of a project financed by bonds and other sources is bond proceeds.

OTHER ISSUES

- Tax Collection
- Water & Sewer
- Interfund Loans
- Petty Cash
- Bank Accounts

Town Tax Collection

- The responsibility for collecting town, county and special district taxes may be performed by either a tax collector or a receiver of taxes (depending on the town's classification structure).
  - Second Class Town – Tax Collector
  - First Class Town – Receiver of Taxes

Town Tax Collection

- The position of tax collector in a second-class town is an elected position and the duties and responsibilities are outlined in Town Law §35.
  - Town board may adopt a resolution abolishing the office of tax collector and provide that the duties of the tax collector be performed by the town clerk. (this can be accomplished upon resolution of the town board pursuant to Town Law §36).
-

Town Tax Collection

- All taxes are generally due on the first day of the town's new fiscal year. Taxes are received by the (collecting officer) for the first month without interest.
- Taxes received on or after February 1 have interest of a determined variable rate per month added to the amount due.
- The collecting officer deposits taxes collected into a separate bank account within 24 hours of receipt and remits them to the supervisor weekly until the full amount of taxes due to the town has been received (known as “making the town whole).

Tax Collection (continued)

- Thereafter, the collecting officer remits taxes received to the county treasurer by the fifteenth of the month following receipt. The supervisor and county treasurer must give receipts to the collecting officer for all moneys paid to them.
  - All interest and penalties collected by the collecting officer on overdue taxes belong to the town and the collecting officer must remit them to the supervisor by the 15th day of the month following receipt.
- After the expiration of the tax collection period, the collecting officer must account to the county treasurer for all receipts and remittances and deliver a listing of all unpaid taxes remaining from the tax roll.
- The responsibility for enforcing unpaid taxes is thereafter assumed by the county pursuant to Article 11 of the Real Property Tax Law.

Town Tax Collection

- A receiver of taxes and assessments in a town of the first class is governed by Town Law §37 and the position is either elected or appointed for a term of 4 years if elected and, if appointed, until the first day in January following the first biennial town election held after their appointment.
  - The receiver of taxes and assessments generally collects school taxes unless there has been an agreement with the school board to the contrary.

VILLAGE TAX COLLECTION

- Tax Levy determined by Village Board at Budget time.
  - Subject to Tax Cap and Constitutional Tax Limit
- Tax roll and tax bills are often prepared by the County using assessment roll prepared by the Assessor (many Villages use the Town Assessor but can have their own).
- Clerk certifies and delivers the tax roll to the Treasurer who mails the tax bills which may include unpaid water and sewer rents from previous year.
- Treasurer generally collects taxes but Village Board can elect to assign the duty to the Village Clerk.
  - If Clerk is collector, tax roll must be certified by Mayor

VILLAGE TAX COLLECTION

- Treasurer collects taxes without interest until after 30 days from receipt of tax roll.
  - Unpaid taxes after that must include interest of five percent for the first month.
  - Thereafter, interest accrued on unpaid is determined by calculation provided in RPTL §924-a(2).
  - At expiration of collection period the Treasurer certifies and files the tax roll and warrant and prepares a list of unpaid taxes (on or before Nov 1 if village uses County to enforce unpaid).
  - Board compares the list of unpaid with the tax roll, certifies such and returns the unpaid list to the Treasurer.

ENFORCEMENT OF UNPAID VILLAGE TAXES

- Nearly 80% of villages utilize this method.
- County must pass a Local Law providing for this then Village can pass a resolution to utilize the county for this.
- Treasurer's account of unpaid taxes (certified by the Board) including penalties and interest must be sent to the County Treasurer within 15 days after the return of the tax roll and warrant to the Board of Trustees.
- County adds five percent to unpaid amount and collects until relevy of unpaids in mid-December.

ENFORCEMENT OF UNPAID VILLAGE TAXES

- Prior to relevy, as County collects, the County Treasurer returns collected taxes (less the 5 %) to the Village.
- Upon relevy of unpaid taxes the County adds an additional 2%
- County can no longer collect without full payment of village delinquency and an additional 1% is added for each additional month until paid. All additional penalties become property of the County.
- On or before April 1 the County Treasurer must pay to the Village Treasurer the amount of delinquent taxes and interest remaining.

VILLAGE ENFORCEMENT OF UNPAID TAXES

- In Rem Foreclosure:
  - Pursuant to Article 11 of RPTL.
  - Four phases: collection; redemption; intermediate and, if necessary, foreclosure.
- Sale of Tax Liens
  - Pursuant to Article 14 of RPTL
  - Tax Sale Certificates are issued and filed after Tax Sale
- Civil Action
  - RPTL §1440 requires Board resolution

TOWN SPECIAL DISTRICTS

- TL Article 12 and 12-a authorizes town boards to establish special districts to provide services such as water and sewer to residents within a specified boundary.
  - Can be created by Town Board initiative or by petition submitted by property owners in a specific area of the town
  - Other special districts such as drainage, ambulance, street lighting, etc. are also established in the same manner
- Town water and sewer district operations are generally under control and supervision of the town board or its appointees.
  - Town Board is responsible for establishing rates and fees for water and sewer districts.

VILLAGE WATER & SEWER SYSTEMS

- VL Article 11 authorizes Village Boards to establish water systems by contract or by a system of water works.
- VL Article 14 authorizes Village Boards to establish a sewer system.
- Water and sewer systems are generally under control and supervision of a Board of Commissioners which can be the either the Village Board or its appointees.

WATER & SEWER RATES

- Municipal water and sewer systems should be self supporting , however, there is no prohibition against using general fund revenues to subsidize water and sewer systems.
  - VL §11-116 authorizes Village Boards to establish water rents (per household, per gallon, etc.) including penalties and late charges by Local Law.
  - GML § § 451, 452 authorizes Town and Village Boards to establish sewer rents by Local Law based on various factors (water consumption, number of persons using system, volume and character of sewage discharged, etc.).

VILLAGE WATER & SEWER RATES

- Water and sewer rates for outside users may be set at a higher rate than for village residents.
- Profits from Village water systems can be used for any Village purpose.
- Revenues derived from sewer rents, including penalties and interest, must remain in the Sewer Fund (GML §453).
  - Also, cannot be used to finance the cost of certain sewer extensions or the payment of indebtedness required to be paid from the assessment upon benefited property.

WATER & SEWER BILLS

- Bills for water and sewer service should be sent to the property owner and not the tenant because liens for unpaid bills attach to the property.
  - Frequency of billing is determined by the town or village.
- Town and Villages are not allowed to forgive delinquent water and/or sewer charges – considered a gift of public funds prohibited by the State Constitution.
- Villages are required pursuant to VL §11-1118 to relevy all unpaid water and sewer rents annually.
  - Unpaid water and sewer rents transform from a user fee to a tax after relevy and can result in a lien against the property until paid.

WATER & SEWER BILLS

- Prior to relevy if unpaid water and sewer rents result in terminating (shutting off*) water and sewer service to a property, service must be restored after relevy of the unpaid.
- Unpaid water and sewer bills for outside users cannot be enforced by the Village through relevy. Therefore, Villages often use other means to ensure payment including:
  - Deposits
  - Payments in advance
  - Shutting off water*
  - Imposing collection charges

*Can be problematic as user is entitled to file a complaint with County Health Dept.

Interfund Advances (GML §9-a)

- Local governments are authorized to make temporary cash advances of moneys from one fund to another. The law provides that a cash advance under this section should be authorized in the same manner as a budgetary transfer between appropriations (by the town or village board) and that suitable records of each advance must be kept.
- Must be repaid as soon as moneys are available but not later than the close of the fiscal year in which the advance is made.
- When an advance is made between funds supported by different tax or assessment bases repayment must include an amount reasonably estimated to be the additional amount that would have been earned on the investment of the moneys in the fund making the advance had the advance not been made.

Procurement

- Local governments are required to advertise for competitive bids when procurements exceed certain dollar thresholds. Purchase contracts involving expenditures in excess of $20,000 and contracts for public work involving expenditures in excess of $35,000 are generally subject to competitive bidding (GML §103).
- Contracts are awarded to the “lowest responsible bidder” after public advertisement for sealed bids.
- There are several exceptions to the competitive bidding including….
  - Professional services, emergency purchases, using contracts from other political subdivisions, and others
- In addition, local governments are required to adopt a Procurement Policy to address purchases that fall below the competitive bidding thresholds (GML §104-b)

BANK ACCOUNTS

- Separate bank accounts are not required except for proceeds of debt (LFL §165) or tax cap reserve money held (see GML §3-c(6), January 2012 OSC accounting bulletin)
- If authorized by resolution of the governing board the following can be comingled in the same bank account (LFL §165):
  - Proceeds, inclusive of premiums, of capital notes issued in amounts of $100,000 or less, and of budget notes
  - Proceeds of two or more bonds, BANs and capital notes, urban renewal notes or budget notes
  - Moneys appropriated for a purpose for which bonds, bond anticipation notes, capital notes or urban renewal notes have been issued.

All bank account adjusted cash balances should be reconciled to the cash balances reported in the accounting records each month.

Questions
Answers