

CHAPTER 3 - THE ACCOUNTING PLAN AND PROCEDURES

SECTION A - GENERAL PROVISIONS

Each fund is an entirely separate entity. Transactions between funds must be carefully recorded and fully supported by issuing receipts and warrants. Transfers may be made between funds in the form of temporary loans as provided by law. These will also be supported by issuing receipts and warrants. [IC 36-1-8-4]

CORRELATION OF BUDGETS AND ACCOUNTS

The law requires the annual enactment of a balanced budget. Appropriation accounts used in such budget shall be the framework of subsequent accounting for receipts and disbursements.

ACCOUNTS EXCLUDED FROM THE BUDGET

In form, a budget is a tabulation of appropriations and estimated revenues. In a cash basis system of accounts, estimated revenue is synonymous with estimated receipts, except for "nonrevenue receipts."

Nonrevenue receipts include borrowing for which securities are issued, i.e., bonds and notes. Such items, and the contemplated disbursement of their proceeds, are excluded from the budget except for repayment of bond principal and interest and the interest only on temporary loans. Bond proceeds, with the exception of revenue bonds, must be appropriated in the regular legal manner before being expended.

Proprietary Funds and Agency Funds by their nature are excluded from budgets.

INTERFUND TRANSACTIONS

The resources of a particular fund may be used only for the purposes for which the fund was created or as otherwise authorized by law. Therefore, one of the fundamentals of good accounting is that a proper charge be made for all substantial interfund services and that an adequate record be made for all interfund receipts and disbursements. For example, hydrant rental furnished to the city or town must be billed by the Water Utility. In brief, such billings should be made by all funds concerned and warrants drawn from one fund to another in payment thereof, so that each fund will show its correct financial position.

Incidental services and supplies given by one fund to another shall be billed to and paid for by the fund receiving such services and supplies. In case an employee of one fund works part-time for another fund, the pay of that employee shall be divided in recording the payroll, and the proper amount charged to each fund.

RECEIPTS AND DISBURSEMENTS

Receipts within each fund, fund type and account group are classified by:

Source
Revenue Receipts
Nonrevenue Receipts

Disbursements are classified in two manners:

1. In cities and towns with departmentalized budgets, disbursements are classified by function or program and activity, organization unit, object of expense, and major budget classification. Minor budget classifications are provided for more detailed accounting and greater information.
2. In small towns with non-departmentalized budgets, disbursements are classified by object of expense and major budget classification. Minor budget classifications are also provided for more detailed accounting and further information.

FUNDS

See Chapter4 for fund types and a description of each type as well as for fund classifications and fund names.

SECTION B - ACCOUNTS PROVIDED

NUMBERING THE ACCOUNTS

The following numbering system is used for numbering all accounts. See below for the complete prescribed Chart of Accounts. Following is the key for the numbers, explanations, and some examples.

Key ABC-DEF-GHI.JKL
Numbers XXX-XXX-XXX.XXX

<u>Key</u>	<u>Explanation</u>
A	Fund type. Fund types are numbered and titled pursuant to types suggested in GAAFR. See below for definitions and numbers assigned.
BC	Fund name. Funds are numbered and classified by fund type. See below for numbers and listing.
DEF	Organization unit. Organization units (departments) are numbered and classified by function, program, and/or activity. See below for numbers and listing.
GHI.JKL	Chart of Accounts. The chart of accounts follows closely the chart of accounts numbers suggested in GAAFR with some slight modifications. The chart of accounts includes assets, other debits, liabilities, other credits, fund equity, revenues, other financing sources, expenditures, and other financing uses. The municipality will use those accounts based on their accounting needs. See below for complete chart of accounts.

FUND TYPES

- A -

Prescribed Number

- Governmental Funds – The funds through which most government functions typically are financed.
1. General Fund - The General Fund is the chief operating fund of the municipality. Tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures of the municipality are paid from the general fund.
 2. Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects and debt service) that are restricted to expenditures for specific purposes. See below for examples.
 3. Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. See below for examples.
 4. Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. See below for examples.

5. Permanent Funds - Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government or its citizenry).
6. Governmental Activities - (government-wide financial reporting). Governmental Activity funds are used to account for balances related to governmental funds that are only reported in the government-wide statement of net assets.
7. Proprietary Funds – The funds used to account for a government's business-type activities (activities supported at least in part by fees or charges).
 - 7.1 Enterprise Funds. Enterprise Funds are used to account for activities for which a fee is charged to external users for goods or services.
 - 7.2 Internal Service Funds. Internal Service Funds are used to account for the financing of goods or services provided by one fund, department, or agency to other funds, departments, or agencies of the financial reporting entity, or to other governments, on a cost-reimbursement basis.
8. Fiduciary Funds – The funds used to account for assets held by the government as trustee or agent and that cannot be used to support the government's own programs.
 - 8.1 Pension (and other employee benefit) Trust Funds. Pension Trust funds are used to account for assets of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans held by a government in a trustee capacity.
 - 8.2 Investment Trust Funds. Investment Trust funds are used to account for the external portion of investment pools (including individual investment accounts) reported by sponsoring government.
 - 8.3 Private-Purpose Trust Funds. Private Purpose Trust funds are used to account for trust arrangements, including those for escheat property, where principal and income benefit individuals, private organizations, or other governments.
 - 8.4 Custodial Funds. Custodial Funds are used to account for assets held by a government in a purely custodial capacity.
9. Capital Asset Accounts
 - 901 Land
 - 902 Infrastructure
 - 903 Improvements Other than Buildings
 - 904 Machinery and Equipment
 - 905 Construction in Progress
10. Unclassified Funds

The following prescribed fund names are required by statute or are currently in use by municipalities pursuant to annual reports filed with the State Board of Accounts. Further funds will be added as required. Fund numbers shall be used as listed. Numbers include fund type, for instance (2)01, etc.

General Funds (1101-1199):

1101 General Fund

Special Revenue Funds (2201-2599):

2201 Motor Vehicle Highway
 2202 Local Road and Street
 2203 MVH Restricted (subfund of Motor Vehicle Highway)
 2204 Park and Recreation - Operating
 2205 Cemetery Operating (operating mostly with tax revenue support - not user fees)
 2206 Aviation (operation mostly with tax revenue support – not user fees)
 2207 Parking Meter
 2208 Levy Excess
 2209 LIT – Economic Development (formerly CEDIT)
 2210 Thoroughfare (where used for maintenance and repairs instead of new construction)
 2211 Park Nonreverting Operating
 2212 Health
 2213 Alcohol and Drug Services
 2214 Supplemental Adult Probation Services
 2215 Emergency Medical Services (where used for operations and funded by tax revenues instead of for purchase of equipment or qualifying as enterprise fund.)
 2216 Economic Development (Operating)
 2217 Building Demolition
 2218 Planning and Zoning
 2219 Plan Commission
 2220 Animal Shelter
 2221 Landfill
 2222 Crime Control
 2223 Sanitation (operating mostly from tax revenues - not user fees)
 2224 Parking (not construction)
 2225 Abandoned Vehicle
 2226 Community Development
 2227 Housing Authority (operating with tax revenues)
 2228 Local Law Enforcement Continuing Education Fund
 2229 Motor Vehicle Registration Penalties Fund
 2230 Clerk's Record Perpetuation Fund
 2231 Enhanced Access Fund
 2232 Electronic Map Generation Fund
 2233 Deferral Program
 2234 Unsafe Building
 2235 Riverboat (unless restricted to infrastructure uses)
 2236 Rainy Day
 2237 Certified Technology Park
 2238 Hazardous Materials Response
 2239 Credit Card Service Fee
 2240 LIT Public Safety
 2241 County Slot Machine Wagering Fee
 2242 Excess Welfare Distribution
 2243 Fire Protection Territory
 2244 Local Major Moves Construction
 2245 Residential Lease Regulation
 2246 Heritage Barn Public Safety - Police
 2247 Heritage Barn Public Safety - Fire

2248	LOIT Special Distribution
2249	Municipal Vehicle Excise Tax Fund
2250	Municipal Wheel Tax Fund
2251	Rainy Day Restricted – Wheel and Surtax
2252	Rainy Day Restricted – Local Road and Street
2253	Rainy Day Restricted – Major Moves
2254	Rainy Day Restricted – MVH
2255	Public Safety Officers Survivors Health Coverage Cumulative Fund
2256-2299	Reserved for future statutory special revenue funds
2300-2399	Donations (restricted; not used for capital items)
2400	CARES Provider Relief Fund
2401-2499	Grants – special revenue
2500-2599	Local / Home Rule funds

Debt Service Funds (3301-3399):

3301	Bond and Interest Redemption
3302	Fire and Police Equipment Debt Payment
3303	Loan and Interest Payment
3304	Capital Improvement Bond (Sinking)
3305	Fire Equipment Bond (Sinking)
3306	Corporation Bond (Sinking)
3307	Bond, General (Sinking)
3308	Sewer Bond (Sinking)
3309	Bridge Bond (Sinking)
3310	Urban Renewal Bond (Sinking)
3311	Redevelopment Bond (Sinking)
3312	Park Bond (Sinking)
3313	Transportation Bond (Sinking)
3314	Thoroughfare Bond (Sinking)
3315	Airport Bond (Sinking)
3316	Industrial Loan (Repayment)
3317	Flood Control Bond (Sinking)
3318	Lease Rental Payment
3319	Fire Equipment Debt
3320	Police Equipment Debt
3321-3399	Other Debt Service Funds Not Listed

Capital Projects Funds (4401-4699):

4401	Cumulative Capital Improvement - Cigarette Tax
4402	Cumulative Capital Development
4403	Park Nonreverting Capital
4404	Thoroughfare (mostly used for construction, not repairs and maintenance)
4405	Public Improvement
4406	Redevelopment Capital
4407	Industrial Park (construction projects, not operating costs)
4408	Industrial Development (capital projects costs, not operating)
4409	Police Equipment (equipment costs, not debt service)
4410	Fire Equipment (equipment costs, not debt service)
4411	Flood Control - Construction
4412	Fire Equipment Bond (Proceeds)
4413	Corporation Bond (Proceeds)
4414	Sewer Bond (Proceeds)
4415	Bridge Bond (Proceeds)
4416	Urban Renewal Bond (Proceeds)
4417	Redevelopment Bond (Proceeds)
4418	Park Bond (Proceeds)

4419	Transportation Bond (Proceeds)
4420	Thoroughfare Bond (Proceeds)
4421	Airport Bond (Proceeds)
4422	Cumulative Bridge
4423	Cumulative Capital Improvement - Tax Levy
4424	Cumulative Building
4425	Cumulative Fire
4426	Cumulative Capital Improvement - Special Fire
4427	Cumulative Capital Improvement - Special Sewer
4428	Cumulative Sewer
4429	Cumulative Sewage Treatment
4430	Cumulative Drainage
4431	Cumulative Sewer and Streets
4432	Cumulative Park
4433	Cumulative Transportation
4434	Flood Control Bond (Proceeds)
4435	General Improvement
4436	County Economic Development Income Tax (CEDIT)
4437	Riverboat
4438	Rainy Day
4439	Food and Beverage Tax
4440	Local Major Moves Construction
4441	Local Venture Capital
4442	City Ticket Tax
4443	Impact Fee Fund
4444	Fire Protection Equipment Replacement
4445-4465	Redevelopment TIF Allocation
4466-4475	Special Zone
4476-4499	Reserved for future statutory capital project funds
4500-4599	Grants – capital projects (not general or special revenue)
4600-4650	Donations (restricted - not special revenue)
4651-4699	Local / Home Rule capital projects funds

Permanent Funds (5501-5599):

5501	Endowment
5502-5510	Local / Home Rule permanent funds

Proprietary Funds

Enterprise Funds (6101-6999):

6101	Water Utility Operating
6102	Water Utility Bond and Interest Sinking
6103	Water Utility Depreciation
6104	Water Utility Meter Deposit
6105	Water Utility Construction (in progress)
6106-6199	Other Water Utility funds not listed
6201	Sewage Utility Operating
6202	Sewage Utility Bond and Interest Sinking
6203	Sewage Utility Depreciation
6204	Sewage Utility Construction (in progress)
6205	Sewage Utility Meter Deposit
6206-6299	Other Sewage Utility funds not listed
6301	Electric Utility Operating
6302	Electric Utility Bond and Interest Sinking
6303	Electric Utility Depreciation
6304	Electric Utility Meter Deposit
6305	Electric Utility Construction (in progress)

6306-6399 Other Electric Utility funds not listed
 6401 Gas Utility Operating
 6402 Gas Utility Bond and Interest Sinking
 6403 Gas Utility Depreciation
 6404 Gas Utility Meter Deposit
 6405 Gas Utility Construction (in progress)
 6406-6499 Other Gas Utility funds not listed
 6501 Storm Water Utility Operating
 6502 Storm Water Utility Bond and Interest Sinking
 6503 Storm Water Utility Depreciation
 6504 Storm Water Utility Construction (in progress)
 6505-6599 Other Storm Water Utility funds not listed
 6601 Sanitation (if operating mostly from user fees)
 6602 Transportation (if operating mostly from user fees)
 6603 Airport (if operating mostly from user fees)
 6604 Trash and Garbage Pickup (if operating mostly from user fees)
 6605 Cemetery (if operating mostly from sale of lots and other user fees)
 6606 Emergency Medical Services (if operating mostly from user fees)
 6607-6999 Other Enterprise funds not listed

Internal Service (7701-7799):

7701 Information Technology Services (where not special revenue and reimbursed)
 7702 Garage (where reimbursed for services from other departments)
 7703 Purchasing (where costs allocated and reimbursed from other departments)
 7704 Self-Insurance
 7705-7725 Reserved for future statutory funds
 7726-7799 Other funds not listed

Fiduciary Funds (8801-8899):

Trust Funds

8801 Fire Pension
 8802 Police Pension
 8803 Utility Pension
 8804 Redevelopment Pension
 8805 Housing Authority Pension
 8806-8810 Other Pension Trust funds not listed

8811-8820 Private Purpose Trust funds

8821-8825 Investment Trust funds

Custodial Funds

8850 User Fee
 8851 Construction Retainage
 8852-8899 Other non-payroll custodial funds not listed

Other Funds

8901 Payroll
 8902-8975 Payroll Withholding (when maintained apart from payroll fund)
 8976-8999 Other Clearing funds

ORGANIZATION UNITS- DEF -

The following prescribed organization units are either required by statute or are currently in use by municipalities as found in annual reports filed with the State Board of Accounts. Further department names will be added as required. Unit numbers will be assigned by the municipality to accommodate its needs. For instance, 001-Plan Commission; 002-Controller; etc.

001-199 General Government:

- Plan Commission
- Weights and Measures Inspector
- Government Building
- Information Technology Services
- Controller
- City Council
- Town Council
- Purchasing
- Board of Public Works
- Public Affairs
- Community Planning and Development
- Planning and Zoning
- Clerk-Treasurer
- City/Town Hall
- City/Town Court
- Law Department
- Administration
- Board of Public Works and Safety
- Clerk
- Human Resources
- Cemetery
- Building Department
- Mayor
- City/County Annex
- Engineer
- Records
- Council of Governments
- Building Maintenance
- Institutional Services
- Board of Zoning Appeals
- City/Town Attorney

200-299 Public Safety:

- Jail
- Emergency Ambulance/Medical Service
- Emergency Management
- Board of Public Safety
- Police Merit Board/Commission
- Fire Department
- Police Department
- Emergency Services
- Communications Department
- Traffic Department
- Police Reports
- Fire Reports
- Parking Administration
- Parking Meter

School Patrol
Federal Fire Academy
Fire Commission
Police Pension
Fire Pension
Crime Control
Juvenile Aid
Hydrant Rental
Volunteer Fire

- 300-399 Public Works:
 - Highway, Streets and Roads
 - Sanitation

- 400-499 Health and Welfare:
 - Health
 - Welfare

- 500-599 Culture-Recreation:
 - Parks and Recreation

- 630-649 Urban Redevelopment and Housing

- 650-699 Economic Development and Assistance

- 900-949 Miscellaneous

- 950-999 Other

SECTION C - ORGANIZATION UNITS

The various offices, departments, divisions or boards of general city or town government and their activities have been classified functionally as Organization Units. An Organization Unit shall be used as the primary description of each appropriation and disbursement in conjunction with objects of expense.

A city or town is, therefore, required to use organization units in its budget and in all accounting.

It is not the intent of this manual that elaborate cost systems be maintained to prorate indirect expenses. Direct expenses only shall be charged to each organization unit and those types of expenditures that are easily applicable.

DIRECT DISTRIBUTION OF DISBURSEMENTS

Direct distribution for the purpose of this section shall mean the salary expenses of an employee or employees applicable to an organization unit; or the amount of a claim or of a specific item on a claim which is applicable to an organization unit. No proration of such direct expense is required unless specifically required by the explanations which follow or unless a different fund is affected.

The salary of an employee shall be charged entirely to the organization unit principally concerned with service. Claims for other expenses are also required to be charged to the organization unit which is principally concerned.

When ordering supplies or materials, the order should show what portion should be charged to each organization unit or fund concerned. The invoice be rendered in the same manner.

SECTION D - OBJECTS OF EXPENSE

Objects of expense have been defined to mean an expenditure classification which applies to the article purchased or the service obtained. An object of expense is always used in conjunction with an organization unit and the proper fund. Major classifications of expenditures used with each organization unit and fund are as follows:

1 PERSONAL SERVICES

This classification includes expenditures for salaries, wages and related employee benefits provided for all persons employed. Employee benefits include employer contributions to a retirement system, group health and life insurance, unemployment compensation, uniform allowance, self-insurance and similar benefits.

2 SUPPLIES

This classification includes articles and commodities which are consumed or materially altered when used. Supplies should include office supplies, operating supplies, repair and maintenance supplies and other similar supplies.

3 OTHER SERVICES AND CHARGES

This classification includes expenditures for services other than personal services which are required by the city or town in the carrying out of its assigned functions or which are legally or morally obligatory on it. Types of services and charges would include professional services, communication and transportation, printing and advertising, insurance (other than group health, life and self-insurance), utility services, contracted repairs and maintenance, rentals, debt service expenditures for principal and interest payments and general long-term debt and other similar services and charges.

4 CAPITAL OUTLAYS

This classification should include expenditures for acquisition of, or addition to, assets such as land, infrastructure, buildings, improvements other than buildings, and machinery and equipment.

SECTION E - ACCOUNTING RECORDS

SINGLE ENTRY CASH BASIS

Accounting records maintained on a cash basis are discussed and illustrated in subsequent chapters. The following basic forms are referred to in this section to state their purpose of implementing legal and accounting requirements as previously outlined.

City and Town Form No. 208 - Ledger of Receipts, Disbursements and Balances

City and Town Form No. 209 - Ledger of Appropriations, Encumbrances,
Disbursements and Balances

The Ledger of Receipts, Disbursements and Balances, frequently referred to as the fund ledger, is used for the purpose of listing chronological entries to disclose receipts, disbursements and balances of cash.

The Ledger of Appropriations, Encumbrances, Disbursements and Balances is used for the classification of disbursements and also controls and limits disbursements to budgetary appropriations. This form is designed for use with purchase orders.

Chapter 6 lists and explains the use of all prescribed forms.

DOUBLE-ENTRY MODIFIED ACCRUAL BASIS ACCOUNTING SYSTEM

A double-entry modified accrual basis accounting system has been prescribed and is available for use of all cities and towns.

ACCOUNTING BASIS

The accounting basis to be followed in recording transactions in the various funds will vary according to the purpose for which the fund was established. Generally, the funds can be classified into two categories:

1. Funds using accrual basis:
 - A. Proprietary Funds:
 1. Enterprise funds (particularly utilities)
 2. Internal Service Funds
 - B. Fiduciary Funds:
 1. Pension Trust Funds
 2. Investment Trust Funds
 3. Private Purpose Trust Funds
 4. Agency Funds
2. Funds using modified accrual basis:
 - A. General Fund
 - B. Special Revenue Funds
 - C. Debt Service Funds
 - D. Capital Projects Funds
 - E. Permanent Funds

Characteristics of the modified accrual basis include:

- A. Revenues are recorded as received in cash except:
 - 1. Revenues susceptible to accrual which are those revenues that are both measurable and available, with "available" meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. Few types of revenues in budgetary funds have the characteristics of being both measurable and available.
 - 2. Revenues of a material amount that are not received at the normal time.
- B. Expenditures are recorded on the accrual basis except for:
 - 1. Inventory type disbursements, which may be considered expenditures at the time of purchase or at the time the items are used.
 - 2. Prepaid expenses, which are not normally recorded.
 - 3. Interest on long-term debt, which should be normally an expenditure when due.
 - 4. The encumbrance method of accounting, which may be adopted as an additional modification.

RECORDS OF UTILITIES OR ENTERPRISES

When complete double-entry systems are kept by the bookkeeping department of the utility or enterprise, it will not be necessary for the chief disbursing officer of the governmental unit to maintain similar accounts for the utility or enterprise. However, the chief disbursing officer of the governmental unit must maintain, at a minimum, a cash account for each fund of the utility or enterprise plus a fund balance account. This procedure will result in the cash balance(s) being equal to the fund balance(s). If this procedure is followed, the bookkeeping department of the utility or enterprise must maintain the records in accordance with generally accepted accounting principles.

It is also acceptable for the chief disbursing officer to keep within his records a complete double-entry system for a utility or enterprise.

ADDITIONAL RECORDS REQUIRED

All existing prescribed or approved records are continued. For some cities and towns additional records will be necessary to summarize financial transactions to develop monthly totals for posting to the general ledger. New records or software program revisions may be necessary to provide the following:

1. **General Ledger.** The General Ledger is to be established, posted monthly on the double-entry basis with a self-balancing group of accounts for each fund. The general ledger will usually contain only control accounts if detail accounts are maintained in subsidiary ledgers.
2. **Cash Receipts Journal.** The Cash Receipts Journal is to be kept for each fund and will provide a systematic means of accumulating cash receipt information to be posted to the General Ledger. If detail receipt (revenue) accounts are maintained in the present accounting records from which the receipts for each month can be obtained for posting to the general ledger, the use of this form will not be required; however, cities and towns may use this journal in lieu of the present ledger accounts, if desired.

3. Accounts (Claims) Payable Journal. The Accounts Payable Journal is designed to accumulate expenditure and accounts payable information month to month for posting to the General Ledger and Appropriation Ledger or at year end if expenditures are recorded on a cash basis throughout the year.
4. Cash Disbursements Journal. The Cash Disbursements Journal provides a means for summarizing cash expenditures for posting to the General Ledger. If the present ledger contains appropriation, encumbrance and expenditure accounts in the detail currently prescribed, such record will provide the information for summarizing cash expenditures for posting to the general ledger, and accounts payable are recorded only at year end, this journal will not be required.
5. Purchase Order Register. This form provides the monthly totals of encumbrances (purchase orders issued) and purchase orders liquidated for posting to the General Ledger. If encumbrances and liquidations are recorded in the present prescribed ledgers, from which the monthly totals may be obtained for posting to the general ledger, the use of this register will not be required.
6. General Journal. This form is to be used to make entries into the General Ledger that are not made from other journals, ledgers or registers.
7. Capital Assets Ledger. This ledger is to provide a record of the capital assets of the governmental unit.

SECTION F - CHART OF ACCOUNTS

Following is the chart of accounts and some illustrative journal entries. The chart of accounts for expenditures follows the numbering system of the budget forms except the number 4 has been added as the first digit. Suggested numbers for hand posted systems are also included.

ASSETS

Current Assets (Other Than Fixed - Current, Long-Term Receivables, Deferred Charges):

- 101 Cash
 - 101.1 Petty Cash
 - 101.2 Cash Change
- 102 Cash With Fiscal Agent
- 103 Investments
- 104 Interest Receivable
- 105 Taxes Receivable
 - 105.1 Allowance for Uncollectible Taxes
- 113 Other Revenues Receivable
- 115 Accounts Receivable
 - 115.1 Allowance for Uncollectible Accounts Receivable (Credit)
- 121 Special Assessments Receivable
- 125 Interest Receivable - Special Assessments
- 126 Intergovernmental Receivable
- 130 Due From Other Funds
- 141 Inventory of Materials and Supplies
 - 141.1 Materials
 - 141.2 Supplies
 - 141.3 Parts
- 143 Prepaid Items
- 149 Deferred Charges
- 151 Investments-Noncurrent
 - 151.1 Unamortized Premiums on Investments
 - 151.2 Unamortized Discounts on Investments (Credit)

Capital Assets:

- 161 Land
- 162 Infrastructure
 - 162.1 Accumulated Depreciation – Infrastructure (Credit)
- 163 Buildings
 - 163.1 Accumulated Depreciation - Buildings (Credit)
- 164 Improvements Other Than Buildings
 - 164.1 Accumulated Depreciation - Improvements Other Than Buildings (Credit)
- 165 Machinery and Equipment
 - 165.1 Accumulated Depreciation - Machinery and Equipment (Credit)
- 166 Construction in Progress

Other Debits:

- 171 Estimated Revenues
- 172 Revenues (Credit)
- 174 Improvements Authorized - Special Assessments

LIABILITIES

Current Liabilities and Deferred Charges (Other Than Long-Term Debt):

- 202 Accounts Payable
- 203 Compensated Absences Payable
- 204 Claims and Judgments Payable

- 205 Contracts Payable
- 206 Retainage Payable
- 208 Due to Other Funds
- 212 Matured Bonds Payable
- 213 Matured Interest Payable
- 214 Accrued Interest Payable
- 216 Accrued Wages Payable
- 217 Accrued Taxes Payable
- 221 Due to Fiscal Agent
- 222 Deferred Revenues
 - 222.1 Taxes Collected in Advance
 - 222.2 Revenues Collected in Advance
- 225 Bonds Payable (Current)
 - 225.1 General Obligation Bonds Payable
 - 225.2 Special Assessments Bonds Payable
 - 225.3 Revenue Bonds Payable
- 226 Capital Leases Payable - Current
- 227 Other Current Liabilities
 - 227.1 Payroll Taxes Payable
 - 227.11 Federal Withholding Tax
 - 227.12 State Withholding Tax
 - 227.13 Social Security (FICA) Tax
 - 227.14 County Withholding Tax
 - 227.2 Other Payroll Withholdings
 - 227.21 Medical Insurance
 - 227.22 Life Insurance
 - 227.23 Union Dues
 - 227.3 Notes Payable
 - 227.4 State Sales Tax Collected
- 228 Customer Deposits

Long-Term Liabilities:

- 231 Bonds Payable - Noncurrent
 - 231.1 General Obligation Bonds Payable
 - 231.2 Special Assessment Bonds Payable
 - 231.3 Revenue Bonds Payable
- 232 Unamortized Premiums on Bonds
- 233 Unamortized Discounts on Bonds (Debit)
- 237 Capital Leases Payable - Noncurrent
- 238 Net Pension Obligation
- 239 Other Noncurrent Liabilities
- 240 Other Credits:

Appropriation

Expenditures (Debit)

Encumbrances (Debit)

Fund Balance:

- 241 Reserved for Debt Service
- 242 Reserved for Endowments
- 244 Reserved for Encumbrances
- 245 Reserved for Inventories
- 250 Reserved for _____
- 253 Unreserved

Net Assets:

- 261 Net Assets – Invested in Capital Assets, Net of Related Debt
- 262 Net Assets – Restricted For _____
- 263 Net Assets – Held in Trust for Pension Benefits
- 266 Net Assets – Unrestricted
- 267 Net Assets – General Government

REVENUES AND OTHER FINANCING SOURCES

- 310 Taxes
 - 311 General Property Taxes
 - 312 Other Taxes

* All of the following listed revenue accounts should be used in hand posted and machine accounting single entry cash basis systems where applicable. Use only those accounts which apply to your municipality.

- 320 Licenses and Permits
 - 321 Business Licenses and Permits
 - 321.1 Amusement Park Licenses
 - 321.2 Auctioneer Licenses
 - 321.3 Bicycle Licenses
 - 321.4 Bowling Alley Licenses
 - 321.5 Dance Hall Licenses
 - 321.6 Dog Licenses
 - 321.7 Electrician Licenses
 - 321.8 Junk Dealer Licenses
 - 321.9 Parking Lot Licenses
 - 321.10 Pawnbroker Licenses
 - 321.11 Peddler Licenses
 - 321.12 Plumber Licenses
 - 321.13 Pool Hall Licenses
 - 321.14 Restaurant
 - 321.15 Skating Rink Licenses
 - 321.16 Taxi Licenses
 - 321.17 Theater Licenses
 - 322 Nonbusiness Licenses and Permits
 - 322.1 Building Permits
 - 322.2 Demolition Permits
 - 322.3 Electrical Permits
 - 322.4 Moving Permits
 - 322.5 Plumbing Permits
 - 322.6 Sign Permits
 - 322.7 Street and Curb Cut Permits
- 330 Intergovernmental Revenues
 - 331 Federal Government Grants
 - 331.1 General Government
 - 331.2 Public Safety
 - 331.3 Highways and Streets
 - 331.4 Sanitation
 - 331.5 Health
 - 331.6 Welfare
 - 331.7 Culture - Recreation
 - 331.8 Conservation of Natural Resources

- 331.9 Urban Development and Assistance
- 331.10 Economic Development and Assistance
- 331.11 Transportation
- 331.12 Water
- 331.13 Other
- 332 Federal Shared Revenues
 - 332.1 Entitlements
 - 332.2 Other
- 333 Federal Payments in Lieu of Taxes
- 334 State Government Grants
 - 334.1 General Government
 - 334.2 Public Safety
 - 334.3 Highways and Streets
 - 334.4 Sanitation
 - 334.5 Health
 - 334.6 Welfare
 - 334.7 Culture - Recreation
 - 334.8 Conservation of Natural Resources
 - 334.9 Urban Development and Assistance
 - 334.10 Economic Development and Assistance
 - 334.11 Transportation
 - 334.12 Water
 - 334.13 Industrial Development
 - 334.14 Other

NOTE: See footnote

- 335 State Shared Revenues
 - 335.1 Financial Institutions Tax
 - 335.2 Auto and Aircraft Excise Taxes
 - 335.3 Certified Shares (LIT)
 - 335.4 Property Tax Replacement Credit (LIT)
 - 335.5 County Option Income Tax
 - 335.6 Wheel Tax/Municipal Motor Vehicle Excise Tax
 - 335.7 Commercial Vehicle Excise Tax
 - 335.8 Liquor Excise Tax Distributions
 - 335.9 Liquor Gallonage Tax Distributions
 - 335.10 Cigarette Tax Distributions - General Fund
 - 335.11 Cigarette Tax Distributions - Cumulative Capital Improvement Fund
 - 335.12 Cigarette Tax Distributions - Fire Pension Fund
 - 335.13 Cigarette Tax Distributions - Police Pension Fund
 - 335.14 Gasoline Tax – Motor Vehicle Highway Fund
 - 335.15 Gasoline Tax – Local Road and Street Fund
 - 335.16 PDIF Interest – Fire Pension Fund
 - 335.17 PDIF Interest – Police Pension Fund
 - 335.18 Wagering Tax Distributions
 - 335.19 Food and Beverage Tax Distributions
 - 335.20 Major Moves Construction Fund Distributions
 - 335.21 LIT - Public Safety
 - 335.22 LIT - Economic Development (formerly CEDIT)
 - 335.23 County Slot Machine Wagering Fee
 - 335.24 Other

- 336 State Payments in Lieu of Taxes
- 337 Local Government Grants
- 338 Local Government Shared Revenues
- 339 Local Government Payments in Lieu of Taxes
- 340 Charges for Services
 - 341 General Government
 - 341.1 Court Costs, Fees, and Charges
 - 341.2 Plan Commission Charges
 - 341.3 Building Department Charges
 - 341.4 Copies of Public Records
 - 341.5 Sale of Maps and Publications
 - 342 Public Safety
 - 342.1 Accident Report Copies
 - 342.2 Gun Permit Applications
 - 342.3 Traffic Signal Maintenance
 - 342.4 Burglary Alarm Charges
 - 342.5 Fire Inspection
 - 342.6 Fire Protection Contracts
 - 343 Highways and Streets
 - 343.1 Parking Meter Receipts
 - 343.2 Parking Space Rental
 - 343.3 Street Lighting
 - 343.4 Parking Meter Fines - Penalties
 - 343.5 Mowing Weeds
 - 343.6 Sweeping Streets
 - 344 Sanitation
 - 344.1 Sewage Fees
 - 344.2 Garbage and Trash Collection Fees
 - 345 Health
 - 345.1 Dog Pound Fees
 - 345.2 Vital Statistics
 - 345.3 Health Inspection Fees
 - 345.4 Emergency Medical Services
 - 347 Culture - Recreation
 - 347.1 Park Receipts
 - 347.11 Swimming Pool
 - 347.12 Golf Course
 - 347.13 Concession Stand(s)
 - 347.14 Lease of Coliseum

NOTE: If the foregoing revenue accounts are maintained in subsidiary ledgers, only a revenue control account will be maintained in the general ledger.

- 349 Other
 - 349.1 Sale of Cemetery Lots
 - 349.2 Airport Revenues
 - 349.3 Contractual Services
 - 349.4 In Lieu of Taxes - Municipal Utilities
 - 349.5 Federal Reimbursement for Services
 - 349.6 State Reimbursement for Services
 - 349.7 County Reimbursement for Services
 - 349.8 Opening and Closing Graves
- 350 Fines, Forfeitures and Fees
 - 351 Fines
 - 351.1 Infractions

- 351.2 Ordinance Violations
- 352 Forfeits
 - 352.1 Bond Forfeitures
- 353 Court Docket Fees
- 355 Special Assessments
 - 355.1 Barrett Law
 - 355.2 General Improvement Fund
- 360 Miscellaneous Revenues
 - 361 Interest on Investments
 - 362 Rental of Property
 - 364 Cable TV Franchise
 - 367 Contributions and Donations From Private Sources
- 390 Other Financing Sources
 - 391 Interfund Transfers
 - 391.1 Transfer From Parking Meter Fund
 - 391.2 Transfer From Cumulative Capital Improvement Fund
 - 391.3 Transfer From Dormant Fund
 - 392 Proceeds of Capital Asset Disposition
 - 392.1 Sale of Capital Assets
 - 392.2 Compensation for Loss of Capital Assets
 - 392.21 Insurance Reimbursements
 - 392.22 Other Damage Reimbursements
 - 393 Proceeds From Long-Term Debt
 - 393.1 General Obligation Bond Proceeds
 - 393.2 Premiums on Bonds Sold
 - 394 Temporary Loan From _____ Fund
 - 395 Sale of Investments
 - 396 Refunds
 - 399 Other

EXPENDITURES AND OTHER FINANCING USES

- 410 Personal Services
 - 411 Salaries and Wages (All Cities and Departmentalized Towns, Note 1)
 - 411.01 Department
 - 411.011 Department Head
 - 411.012 Deputies
 - 411.013 Regular
 - 411.014 Temporary
 - 411.015 Other
 - 411.016 Overtime Excess Compensation

NOTES:

1. For departmentalized municipalities. .01 to .99 should be used for numbering each department. .011 to .991, .012 to .992, etc., should be used for each corresponding department.
2. For towns without departmental budgets, only those accounts needed under 412, Salaries and Wages, should be used.

- 410 Personal Services
 - 412 Salaries and Wages (Towns Without Departmentalized Budget, Note 2)
 - 412.01 Salaries of Town Council Member

- 412.02 Salary of Clerk-Treasurer
 - 412.021 Salary of Clerk-Treasurer
 - 412.022 Deputies
 - 412.023 Regular
 - 412.024 Temporary
 - 412.025 Other
 - 412.026 Overtime Excess Compensation
- 412.03 Salary of Town Manager
 - 412.031 Town Manager
 - 412.033 Regular
 - 412.034 Temporary
 - 412.035 Other
 - 412.036 Overtime Excess Compensation
- 412.04 Salary of Town Marshal
 - 412.041 Town Marshal
 - 412.042 Deputies
 - 412.043 Regular
 - 412.044 Temporary
 - 412.045 Other
 - 412.046 Overtime Excess Compensation
- 412.05 Salary of Fire Chief
 - 412.051 Fire Chief
 - 412.052 Fireman
 - 412.053 Regular
 - 412.054 Temporary
 - 412.055 Other
 - 412.056 Overtime Excess Compensation
- 412.06 Salary of Street Superintendent
 - 412.061 Superintendent
 - 412.062 Assistant Superintendent
 - 412.063 Regular
 - 412.064 Temporary
 - 412.065 Other
 - 412.066 Overtime Excess Compensation
- 412.07 Salary of Town Attorney
 - 412.071 Town Attorney
 - 412.072 Deputies
 - 412.073 Regular
 - 412.074 Temporary
 - 412.075 Other
 - 412.076 Overtime Excess Compensation

NOTES:

1. All municipalities shall use those accounts beginning with account 413 and all following accounts that apply to their unit.
2. Use only those accounts that are needed for your municipality.

410 Personal Services

- 413 Employee Benefits (All Units, Note 1)
 - 413.01 Employer's Share of Social Security (FICA)
 - 413.02 Employer's Share of Medicare Tax
 - 413.03 Employer's Share of Retirement (PERF)
 - 413.04 Unemployment Compensation
 - 413.05 Employer's Share Group Insurance - Health and Accident

- 413.06 Employer's Share Group Insurance - Life
- 413.07 Clothing Allowance
- 413.08 Auto Allowance - Volunteer Firemen
- 413.09 Employer's Share of 1977 Firemen's Pension Contributions
- 413.10 Employer's Share of 1977 Policemen Pension Contributions
- 413.11 Other Employee Benefits
- 414 Self-Funded Insurance
 - 414.01 Administrative Fee (Claim Processing Charge)
 - 414.02 Claims - Physicians and Surgeons
 - 414.03 Claims - Hospitals and Other Providers
- 415 Other Personal Services

- 420 Supplies (All Units, Note 2)
 - 421 Office Supplies
 - 421.01 Official Records
 - 421.02 Stationery and Printing
 - 421.05 Other Office Supplies

 - 422 Operating Supplies
 - 422.01 Fuel and Ice
 - 422.011 Coal
 - 422.012 Fuel Oil
 - 422.013 Bottled Gas
 - 422.014 Ice
 - 422.015 Other

- 420 Supplies (All Units, Note 2)
 - 422 Operating Supplies
 - 422.02 Garage and Motor
 - 422.021 Gasoline
 - 422.022 Oil
 - 422.023 Tires and Tubes
 - 422.025 Other
 - 422.03 Institutional and Medical
 - 422.031 Household, Laundry, Cleaning
 - 422.032 Medical, Surgical, Dental
 - 422.035 Other
 - 423 Repair and Maintenance Supplies
 - 423.01 Materials
 - 423.011 Building Materials
 - 423.012 Street and Alley Materials
 - 423.0121 Gravel
 - 423.0122 Sand
 - 423.0123 Cement
 - 423.0124 Bituminous Materials
 - 423.0125 Other
 - 423.01 Materials
 - 423.013 Sewer Materials
 - 423.0131 Gravel
 - 423.0132 Sand
 - 423.0133 Cement
 - 423.0135 Other
 - 423.02 Repair Parts
 - 423.03 Small Tools and Minor Equipment
 - 429 Other Supplies

- 430 Other Services and Charges
 - 431 Professional Services
 - 431.01 Legal
 - 431.02 Engineering
 - 431.03 Architectural
 - 431.05 Other
 - 432 Communication and Transportation
 - 432.01 Freight, Express, Drayage
 - 432.02 Postage
 - 432.03 Travel Expense
 - 432.04 Telephone and Telegraph
 - 432.05 Other
 - 433 Printing and Advertising
 - 433.01 Printing Other Than Office Supplies
 - 433.02 Publication of Legal Notices
 - 433.05 Other
 - 434 Insurance
 - 434.01 Workmen's Compensation
 - 434.02 Liability
 - 434.03 Fire
 - 434.05 Other

NOTE: Use only those accounts needed for your municipality.

- 430 Other Services and Charges
 - 435 Utility Services
 - 435.01 Electric
 - 435.02 Gas
 - 435.03 Heat
 - 435.04 Water
 - 435.05 Sewage
 - 435.09 Other
 - 436 Repairs and Maintenance
 - 436.01 Repairs and Maintenance
 - 436.02 Equipment
 - 436.03 Repair and Maintenance of Streets and Alleys by Contract
 - 436.05 Other
 - 437 Rentals
 - 437.01 Hydrant Rental
 - 437.02 Equipment
 - 437.03 Office Space
 - 437.05 Other
 - 438 Debt Service
 - 438.01 Principal
 - 438.02 Interest
 - 438.03 Paying Agent Fees
 - 439 Other Services and Charges
 - 439.01 Refunds, Awards, Indemnities
 - 439.02 Pension Benefits
 - 439.021 Pensions to Retired Firemen - Prior
 - 439.022 Pensions to Retired Firemen - Becoming Eligible During Current Year
 - 439.023 Pensions to Dependents of Deceased Firemen
 - 439.024 Death Benefits - Deceased Firemen
 - 439.025 Disability Benefits
 - 439.026 Pensions to Retired Policemen - Prior

- 439.027 Pensions to Retired Policemen - Becoming Eligible During Current Year
- 439.028 Pensions to Dependents of Deceased Policemen
- 439.029 Death Benefits - Deceased Policemen
- 439.030 Disability Benefits
- 439.03 Subscriptions
- 439.04 Premiums on Official Bonds
- 439.05 Grants and Subsidies
- 439.06 Garbage and Trash Collection Contract
- 439.07 Election Expense
- 439.08 Organization Memberships and Dues
- 439.09 Other
 - 439.091 Education
 - 439.092 Construction or Improvement of Streets and Alleys by Contract
- 440 Capital Outlay
 - 441 Land
 - 441.01 Rights of Way
 - 442 Infrastructure
 - 443 Buildings
 - 443.01 City or Town Hall
 - 443.02 Garage
 - 443.03 Street
 - 443.05 Other

NOTE: Use only those accounts needed for your municipality.

- 440 Capital Outlay
 - 444 Improvements Other Than Buildings
 - 444.01 Fencing
 - 444.02 Parking Lots
 - 444.05 Other
 - 445 Machinery and Equipment
 - 445.01 Furniture and Fixtures
 - 445.02 Motor Equipment
 - 445.03 Office Equipment
 - 445.04 Street Machinery and Equipment
 - 445.05 Other
 - 449 Other Capital Outlays
- 450 Other Financing Uses
 - 451 State Board of Accounts
 - 451.01 Audit
 - 451.02 Typing and Processing
 - 451.03 Conferences
 - 451.031 Registration
 - 451.032 Travel
 - 452 Interfund Operating Transfers
 - 453 Temporary Loan to _____ Fund
 - 454 Purchase of Investments
 - 454.01 Service Charges
 - 459 Other

Note: Use only those accounts needed for your municipality.

ILLUSTRATED ENTRIES

In order to show the interrelationship of the balance sheet accounts and the method of posting them, some typical journal entries are illustrated below for the General Fund. Entries would be similar for other budgetary funds.

The first group of entries are those that would be required to initially set up the double-entry system.

The second group illustrates various transactions. These entries are presented in summary form for an entire period. Actual entries would be made from totals of postings to subsidiary ledgers or journals on a monthly basis.

The third group illustrates the method of closing the nominal or temporary accounts at the end of the year.

The following accounts have been selected from the chart of accounts to present the illustrated entries:

Asset and Budgetary Accounts That Carry Debit Balances

- 101 Cash
- 101.1 Petty Cash
- 101.2 Cash Change
- 141 Inventories - Materials and Supplies
- 151 Investments - Noncurrent
- 171 Estimated Revenues

- 24 #Expenditures
- 243 #Encumbrances

Liability, Budgetary and Fund Balance Accounts That Carry Credit Balances

- 172 #Revenues
- 202 Accounts Payable

- 241 #Appropriations
- 244 Fund Balance Reserved for Encumbrances - Current Year
- 245 Fund Balance Reserved for Encumbrances - Prior Year
- 246 Fund Balance Reserved for Inventories

These are control accounts for which detailed subsidiary accounts are provided in the budgetary accounting system previously prescribed.

ILLUSTRATED JOURNAL ENTRIES

Opening Entries

(1)	Cash	10,000	
	Petty Cash	100	
	Cash Change	500	
	Fund Balance		10,600
	To set up cash balances and fund balance.		

		2022
(2)	Investments – Noncurrent Fund Balance To set up cost of investments not previously recorded.	5,000 5,000
(3)	Inventories - Materials and Supplies Reserved for Inventories To set up initial materials and supplies inventory (These accounts are optional and would not ordinarily be used).	2,000 2,000
(4)	Fund Balance Accounts Payable Reserve for Encumbrances - Prior Year Set up prior year encumbrances and accounts payable to be carried forward to current year. This entry would be made only when double entry records are established for the first time. The Reserve for Encumbrance Account will ordinarily be carried forward from the previous year.	1,500 1,000 500

The above entries set up the basic General Ledger for the first time.

Transaction Entries

(5)	Estimated Revenues Appropriations Fund Balance To establish estimated revenues and appropriations at the beginning of the budget year.	100,000 95,000 5,000
(5a)	Cash Revenues To record revenue received.	102,000 102,000
(6)	Encumbrances Fund Balance - Reserved for Encumbrances - Current Year To record purchase orders issued. Amount should be taken from Purchase Order Register or Ledger of Appropriations, Encumbrances, Disbursements and Balances.	70,000 70,000
(6a)	Fund Balance - Reserved for Encumbrance - Prior Year Expenditures Accounts Payable To record the claims filed per the Register of Claims.	400 69,000 69,400
(6b)	Expenditures Cash To record payroll paid. (May be recorded through Accounts Payable.)	22,000 22,000
(6c)	Fund Balance - Reserved for Encumbrances - Current Year Encumbrances To record encumbrances (Purchase Orders) liquidated for current year.	69,000 69,000
(7)	Accounts Payable Cash To record the payment of vendors claims.	65,000 65,000

(8) Fund Balance - Reserved for Encumbrances - Prior Year	100	
Fund Balance		100

NOTE: Rather than recording encumbrances and accounts payable throughout the year in the general ledger, the encumbered balance and the amount of accounts payable may be recorded at year end only. This would be done by the following entries:

Encumbrances	1,000	
Fund Balance - Reserved for Encumbrances		1,000
To record the outstanding encumbrance at year end.		
Expenditures	5,400	
Accounts Payable		5,400
To record unpaid bills at year end.		

If this procedure is followed cash disbursements throughout the year would be debited to expenditures. It is expected that most cities and towns will use this method initially.

(9) Cash	2,600	
Investments		2,500
Revenues		100
To record liquidation of investments and interest received.		

(10) Investments	3,000	
Cash		3,000
To record purchase of investments.		

Closing Entries

(a) Appropriations	95,000	
Fund Balance		3,000
Expenditures		91,000
Encumbrances		1,000
(b) Revenues	102,100	
Estimated Revenue		100,000
Fund Balance		2,100

NOTE: It may be desirable for the governmental unit to set up a separate appropriation sheet in the appropriation ledger in the new year in the amount of the encumbrance carried forward from the prior year for each expenditure classification. By doing this all expenditures would be matched with an appropriation rather than the expenditures relating to prior year encumbrances being charged directly to Reserve for Encumbrances.

GENERAL LEDGER ACCOUNTS SHOWING
ILLUSTRATED JOURNAL ENTRIES

<u>General Ledger Account - Cash #101</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	10,000.00		10,000.00
(5a)	102,000.00		102,000.00

<u>General Ledger Account - Cash #101</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6b)		12,000.00	90,000.00
(7)		65,000.00	25,000.00
(9)	2,600.00		27,600.00
(10)		3,000.00	24,600.00
<u>General Ledger Account - Petty Cash #101.1</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	100.00		100.00
<u>General Ledger Account - Cash Change #101.2</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	500.00		500.00
<u>General Ledger Account - Inventory of Materials and Supplies #141</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(3)	2,000.00		2,000.00
<u>General Ledger Account - Investments #151</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(2)	5,000.00		5,000.00
(9)		2,500.00	2,500.00
(10)	3,000.00		5,500.00
<u>General Ledger Account - Estimated Revenues #171</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(5)	100,000.00		100,000.00
(b)		100,000.00	0.00
<u>General Ledger Account - Revenues #172</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(5a)		102,000.00	(102,000.00)
(9)		100.00	(102,100.00)
(b)	102,100.00		0.00
<u>General Ledger Account - Accounts Payable #202</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(4)		1,000.00	(1,000.00)
(6a)		69,400.00	(70,400.00)
(7)	65,000.00		(5,400.00)
<u>General Ledger Account - Appropriations #241</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(5)		95,000.00	95,000.00
(a)	95,000.00		0.00
<u>General Ledger Account - Expenditures #242</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6a)	69,000.00		69,000.00
(6b)	22,000.00		91,000.00
(a)		91,000.00	0.00
<u>General Ledger Account - Encumbrances #243</u>			
	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6)	70,000.00		70,000.00

<u>General Ledger Account - Expenditures #242</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6c)		69,000.00	1,000.00
(a)		1,000.00	0.00

<u>General Ledger Account – Fund Balance-Reserved for Encumbrances - Current #244</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6)		70,000.00	(70,000.00)
(6c)	69,000.00		(1,000.00)

<u>General Ledger Account – Fund Balance-Reserved for Encumbrances - Prior Year #245</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(4)		500.00	(500.00)
(6a)	400.00		(100.00)
(8)	100.00		0.00

<u>General Ledger Account – Fund Balance-Reserved for Inventories #246</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(3)		2,000.00	(2,000.00)

<u>General Ledger Account - Fund Balance #271</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)		10,600.00	(10,600.00)
(2)		5,000.00	(15,600.00)
(4)	1,500.00		(14,100.00)
(5)		5,000.00	(19,100.00)
(8)		100.00	(19,200.00)
(a)		3,000.00	(22,200.00)
(b)		2,100.00	(24,300.00)

NOTE: Amounts shown in parenthesis () denote credit balance.

LIST OF BALANCE SHEET ACCOUNTS

Following is a list of balance sheet accounts and an explanation of which fund types and funds might contain account activity. The fund types and account groups are abbreviated in the following manner:

G	General Fund
SR	Special Revenue
DS	Debt Service
CP	Capital Projects
PF	Permanent Funds
EF	Enterprise Funds
IS	Internal Service
PT	Pension Trust
IT	Investment Trust
PP	Private-Purpose Trust
AF	Agency Funds

LIST OF BALANCE SHEET ACCOUNTS

	Governmental Funds			Proprietary Funds		Fiduciary Funds			
	G & SR	DS	CP	EF	IS	PT	IT	PP	CF
	<hr/>								
A. Assets									
101 Cash	X	X	X	X	X	X	X	X	X
101.1 Petty Cash	X			X	X				
101.2 Cash Change Fund	X			X	X				
102 Cash With Fiscal Agent	X	X		X					
103 Investments	X	X		X					
104 Interest Receivable - Investments	X	X	X	X		X	X	X	
105 Taxes Receivable	X	X							X
105.1 Allowance for Uncollectible Taxes	X	X							X
113 Other Revenues Receivable				X	X	X			
115 Accounts Receivable	X			X	X				
115.1 Allowance for Uncollectible Accounts Receivable (Credit)	X			X	X				
121 Special Assessments Receivable									
125 Interest Receivable - Special Assessments									
130 Due From Other Funds	X	X	X	X	X	X	X	X	X
141 Inventory of Materials and Supplies	X			X	X				
141.1 Materials	X			X	X				
141.2 Supplies	X			X	X				
141.3 Parts	X			X	X				
143 Prepaid Items				X					
149 Deferred Charges	X			X	X				
151 Investments-Noncurrent	X	X	X	X		X	X	X	
151.1 Unamortized Premiums - Investments				X		X	X	X	
151.2 Unamortized Discounts - Investments (Credit)				X		X	X	X	
B. Capital Assets									
161 Land	X			X	X				
162 Infrastructure	X								
162.1 Accumulated Depreciation-Infrastructure	X								
163 Buildings	X			X	X				
163.1 Accumulated Depreciation-Buildings (Credit)	X			X	X				
164 Improvements Other Than Buildings	X			X	X				
164.1 Accumulated Depreciation - Improvements Other Than Buildings (Credit)	X			X	X				
165 Machinery and Equipment	X			X	X				
165.1 Accumulated Depreciation - Machinery and Equipment (Credit)	X			X	X				
166 Construction in Progress	X			X	X				

LIST OF BALANCE SHEET ACCOUNTS

3-32

	Governmental Funds			Proprietary Funds		Fiduciary Funds			
	G & SR	DS	CP	EF	IS	PT	IT	PP	CF
C. Other Debits									
171 Estimated Revenues	X			X	X				
172 Revenues (Credit)	X								
174 Improvements Authorized - Special Assessments	X								
D. Liabilities									
202 Accounts Payable	X		X	X	X				
203 Compensated Absences Payable	X			X					
204 Claims and Judgments Payable									X
205 Contracts Payable	X		X	X	X				
206 Retainage Payable			X	X					
207 Intergovernmental Payable	X		X	X	X		X		X
208 Due to Other Funds	X		X			X	X	X	X
212 Matured Bonds Payable	X	X		X					
213 Matured Interest Payable	X	X		X					
214 Accrued Interest Payable	X	X		X					
216 Accrued Wages Payable	X			X	X				
217 Accrued Taxes Payable	X			X	X				
221 Due to Fiscal Agent	X	X		X					
222 Deferred Revenues	X			X					
222.1 Taxes Collected in Advance	X	X							
222.2 Revenues Collected in Advance				X					
224 Notes Payable-Current	X			X					
225 Bonds Payable (Current)	X	X		X					
225.1 General Obligation Bonds Payable	X	X		X					
225.2 Special Assessments Bonds Payable	X	X							
225.3 Revenue Bonds Payable	X			X					
226 Capital Leases Payable-Current	X			X	X				
227 Other Current Liabilities	X			X	X				
227.1 Payroll Taxes Payable	X			X	X				
227.11 Federal Withholding Tax	X			X	X				
227.12 State Withholding Tax	X			X	X				
227.13 Social Security (FICA) Tax	X			X	X				
227.14 County Withholding Tax	X			X	X				
227.2 Other Payroll Withholdings	X			X	X				
227.21 Medical Insurance	X			X	X				
227.22 Life Insurance	X			X	X				
227.23 Union Dues	X			X	X				
227.3 Notes Payable	X			X	X				
227.4 State Sales Tax Collected	X			X					
228 Customer Deposits				X					

LIST OF BALANCE SHEET ACCOUNTS

3-34

		Governmental Funds			Proprietary Funds		Fiduciary Funds			
		G & SR	DS	CP	EF	IS	PT	IT	PP	CF
I.	320 Licenses and Permits (Continued)	X								
	322 Nonbusiness Licenses and Permits	X								
	322.1 Building Permits	X								
	322.2 Demolition Permits	X								
	322.3 Electrical Permits	X								
	322.4 Moving Permits	X								
	322.5 Plumbing Permits	X								
	322.6 Sign Permits	X								
	322.7 Street and Curb Cut Permits	X								
J.	330 Intergovernmental Revenues	X								
	331 Federal Operating Grants	X								
	331.1 General Government	X								
	331.2 Public Safety	X								
	331.3 Highways and Streets	X								
	331.4 Sanitation	X								
	331.5 Health	X								
	331.6 Welfare	X								
	331.7 Culture - Recreation	X								
	331.8 Conservation of Natural Resources	X								
	331.9 Urban Development and Assistance	X								
	331.1 Economic Development and Assistance	X								
	331.11 Transportation	X								
	331.12 Water	X								
	331.13 Other	X								
	332 Federal Shared Revenues	X								
	332.1 Entitlements	X								
	332.2 Other	X								
	333 Federal Payments in Lieu of Taxes	X								
	334 State Operating Grants	X								
	334.1 General Government	X								
	334.2 Public Safety	X								
	334.3 Highways and Streets	X								
	334.4 Sanitation	X								
	334.5 Health	X								
	334.6 Welfare	X								
	334.7 Culture - Recreation	X								
	334.8 Conservation of Natural Resources	X								
	334.9 Urban Development and Assistance	X								
	334.10 Economic Development and Assistance	X								
	334.11 Transportation	X								
	334.12 Water	X								
	334.13 Industrial Development	X								
	334.14 Other	X								
	335 State Shared Revenues	X	X				X			
	335.1 Financial Institutions Tax	X	X				X			
	335.2 Auto and Aircraft Excise	X	X				X			
	335.3 Certified Shares (Local Option Tax)	X	X				X			

LIST OF BALANCE SHEET ACCOUNTS

3-36

		Governmental Funds			Proprietary Funds		Fiduciary Funds			
		G & SR	DS	CP	EF	IS	PT	IT	PP	CF
K.	340	Charges for Services (Continued)								
	344	Sanitation	X			X				
	344.1	Sewage Fees	X			X				
	344.2	Garbage and Trash Collection Fees	X			X				
	345	Health	X							
	345.1	Dog Pound Fees	X							
	345.2	Vital Statistics	X							
	345.3	Health Inspection Fees	X							
	345.4	Emergency Medical Services	X							
	347	Culture - Recreation	X							
	347.1	Park Receipts	X							
	347.11	Swimming Pool	X							
	347.12	Golf Course	X							
	347.13	Concession Stand(s)	X							
	347.14	Lease of Coliseum	X							
	349	Other	X			X				
	349.1	Sale of Cemetery Lots	X			X				
	349.2	Airport Revenues	X			X				
	349.3	Contractual Services	X			X				
	349.4	In Lieu of Taxes - Municipal Utilities	X							
	349.5	Federal Reimbursement for Services	X			X				
	349.6	State Reimbursement for Services	X			X				
	349.7	County Reimbursement for Services	X			X				
	349.8	Opening and Closing Graves	X			X				
L.	350	Fines and Forfeitures								
	351	Fines and Fees	X							
	351.1	Infractions	X							
	351.2	Ordinance Violations	X							
	352	Forfeits	X							
	352.1	Bond Forfeitures	X							
	355	Special Assessments			X					
	355.1	Barrett Law			X					
	355.2	General Improvement Fund			X					
M.	360	Miscellaneous Revenues								
	361	Interest on Investments	X	X	X	X	X	X	X	
	362	Rental of Property	X			X				
	364	Cable TV Franchise	X			X				
	367	Contributions and Donations From Private Sources	X							
N.	390	Other Financing Sources								
	391	Interfund Transfers	X							
	391.1	Transfer From Parking Meter Fund	X							
	391.2	Transfer From Cumulative Capital Improvement Fund	X							
	391.3	Transfer From Dormant Fund	X							

LIST OF BALANCE SHEET ACCOUNTS

		Governmental Funds			Proprietary Funds		Fiduciary Funds			
		G & SR	DS	CP	EF	IS	PT	IT	PP	CF
N.	390	Other Financing Sources (Continued)	X							
	392	Proceeds of Capital Asset Dispositions	X							
	392.1	Sale of Capital Assets	X							
	392.2	Compensation for Loss of Capital Assets	X							
	393	Proceeds From Long-Term Debt	X	X						
	393.01	General Obligation Bond Proceeds	X	X						
	393.02	Premiums on Bonds Sold	X	X						
	394	Temporary Loan From _____ Fund	X							
	395	Sale of Investments	X	X	X	X	X		X	
	396	Refunds	X	X	X	X				
	399	Other	X							
O.	410	Personal Services	X				X	X		X
	411	Salaries and Wages (Cities and Departmentalized Towns)	X				X	X		X
	411.1	Department	X				X	X		X
	411.11	Department Head	X				X	X		X
	411.12	Deputies	X				X	X		X
	411.13	Regular	X				X	X		X
	411.14	Temporary	X				X	X		X
	411.15	Other	X				X	X		X
	411.16	Overtime Excess Compensation	X				X	X		X
	412	Salaries and Wages (Towns Without Departmentalized Budget)	X							
	412.1	Salaries of Town Council Members	X							
	412.2	Salary of Clerk-Treasurer	X							
	412.21	Salary of Clerk-Treasurer	X							
	412.22	Deputies	X							
	412.23	Regular	X							
	412.24	Temporary	X							
	412.25	Other	X							
	412.26	Overtime Excess Compensation	X							
	412.3	Salary of Town Manager	X							
	412.31	Town Manager	X							
	412.33	Regular	X							
	412.34	Temporary	X							
	412.35	Other	X							
	412.36	Overtime Excess Compensation	X							
	412.4	Salary of Town Marshal	X							
	412.41	Town Marshal	X							
	412.42	Deputies	X							
	412.43	Regular	X							
	412.44	Temporary	X							
	412.45	Other	X							
	412.46	Overtime Excess Compensation	X							

LIST OF BALANCE SHEET ACCOUNTS

3-38

		Governmental Funds			Proprietary Funds		Fiduciary Funds			
		G & SR	DS	CP	EF	IS	PT	IT	PP	CF
O.	410	Personal Services (Continued)								
	412.5	Salary of Fire Chief	X							
	412.51	Fire Chief	X							
	412.52	Firemen	X							
	412.53	Regular	X							
	412.54	Temporary	X							
	412.5	Other	X							
	412.56	Overtime Excess Compensation	X							
	412.6	Salary of Street Superintendent	X							
	412.61	Superintendent	X							
	412.62	Assistant Superintendent	X							
	412.63	Regular	X							
	412.64	Temporary	X							
	412.5	Other	X							
	412.66	Overtime Excess Compensation	X							
	412.7	Salary of Town Attorney	X							
	412.71	Town Attorney	X							
	412.72	Deputies	X							
	412.73	Regular	X							
	412.74	Temporary	X							
	412.75	Other	X							
	412.76	Overtime Excess Compensation	X							
413		Employee Benefits (All Units)	X							
	413.01	Employer's Share of Social Security (FICA)	X							
	413.02	Employer's Share of Medicare Tax	X							
	413.03	Employer's Share of Retirement (PERF)	X							
	413.04	Unemployment Compensation	X							
	413.05	Employer's Share Group Insurance - Health and Accident	X							
	413.06	Employer's Share Group Insurance - Life	X							
	413.07	Clothing Allowance	X							
	413.08	Auto Allowance - Volunteer Firemen	X							
	413.09	Employer's Share of 1977 Firemen's Pension Contributions	X							
	413.1	Employer's Share of 1977 Policemen Pension Contributions	X							
	413.11	Other Employee Benefits	X							
414		Self-Funded Insurance	X							
	414.01	Administrative Fee	X							
	414.02	Claims - Physicians and Surgeons	X							
	414.03	Claims - Hospitals and Other Providers	X							
415		Other Personal Services	X							

LIST OF BALANCE SHEET ACCOUNTS

		Governmental Funds			Proprietary Funds		Fiduciary Funds			
		G & SR	DS	CP	EF	IS	PT	IT	PP	CF
P.	420	Supplies	X				X		X	
	421	Office Supplies	X				X		X	
	421.01	Official Records	X				X		X	
	421.02	Stationery and Printing	X				X		X	
	421.05	Other Office Supplies	X				X		X	
	422	Operating Supplies	X							
	422.01	Fuel and Ice	X							
	422.011	Coal	X							
	422.012	Fuel Oil	X							
	422.013	Bottled Gas	X							
	422.014	Ice	X							
	422.015	Other	X							
	422.02	Garage and Motor	X							
	422.021	Gasoline	X							
	422.022	Oil	X							
	422.023	Tires and Tubes	X							
	422.025	Other	X							
	422.03	Institutional and Medical	X							
	422.031	Household, Laundry, Cleaning	X							
	422.032	Medical, Surgical, Dental	X							
	422.035	Other	X							
	423	Repair and Maintenance Supplies	X							
	423.01	Materials	X							
	423.011	Building Materials	X							
	423.012	Street and Alley Materials	X							
	423.0121	Gravel	X							
	423.0122	Sand	X							
	423.0123	Cement	X							
	423.0124	Bituminous Materials	X							
	423.0125	Other	X							
	423.013	Sewer Materials	X							
	423.0131	Gravel	X							
	423.0132	Sand	X							
	423.0133	Cement	X							
	423.0135	Other	X							
	423.02	Repair Parts	X							
	423.03	Small Tools and Minor Equipment	X							
	429	Other Supplies	X							

LIST OF BALANCE SHEET ACCOUNTS

3-40

		Governmental Funds			Proprietary Funds		Fiduciary Funds			
		G & SR	DS	CP	EF	IS	PT	IT	PP	CF
Q.	430	Other Services and Charges	X							
	431	Professional Services	X							
		431.01 Legal	X							
		431.02 Engineering	X							
		431.03 Architectural	X							
		431.05 Other	X							
	432	Communication and Transportation	X							
		432.01 Freight, Express, Drayage	X							
		432.02 Postage	X							
		432.03 Travel Expense	X							
		432.04 Telephone and Telegraph	X							
		432.05 Other	X							
	433	Printing and Advertising	X							
		433.01 Printing Other Than Office Supplies	X							
		433.02 Publication of Legal Notices	X							
		433.05 Other	X							
	434	Insurance	X							
		434.01 Workmen's Compensation	X							
		434.02 Liability	X							
		434.03 Fire	X							
		434.05 Other	X							
	435	Utility Services	X							
		435.01 Electric	X							
		435.02 Gas	X							
		435.03 Heat	X							
		435.04 Water	X							
		435.05 Sewage	X							
		435.09 Other	X							
	436	Repairs and Maintenance	X							
		436.01 Repairs and Maintenance	X							
		436.02 Equipment	X							
		436.03 Repair and Maintenance of Streets and Alleys by Contract	X							
		436.05 Other	X							
	437	Rentals	X							
		437.01 Hydrant Rental	X							
		437.02 Equipment	X							
		437.03 Office Space	X							
		437.05 Other	X							
	438	Debt Service	X	X						
		438.01 Principal	X	X						
		438.02 Interest	X	X						
		438.03 Paying Agent Fees	X	X						

LIST OF BALANCE SHEET ACCOUNTS

		Governmental Funds			Proprietary Funds		Fiduciary Funds			
		G & SR	DS	CP	EF	IS	PT	IT	PP	CF
Q.	430	Other Services and Charges (Continued)								
	439	Other Services and Charges								
	439.01	Refunds, Awards, Indemnities								
	439.02	Pension Benefits								
	439.021	Pensions to Retired Firemen - Prior								
	439.022	Pensions to Retired Firemen - Becoming Eligible During Current Year								
	439.023	Pensions to Dependents of Deceased Firemen								
	439.024	Death Benefits - Deceased Firemen								
	439.025	Disability Benefits								
	439.026	Pensions to Retired Policemen - Prior								
	439.027	Pensions to Retired Policemen - Becoming Eligible During Current Year								
	439.028	Pensions to Dependents of Deceased Policemen								
	439.029	Death Benefits - Deceased Policemen								
	439.030	Disability Benefits								
	439.03	Subscriptions								
	439.04	Premiums on Official Bonds								
	439.05	Grants and Subsidies								
	439.06	Garbage and Trash Collection Contract								
	439.07	Election Expense								
	439.08	Organization Memberships and Dues								
	439.09	Other								
	439.091	Education								
	439.092	Construction or Improvement of Streets and Alleys by Contract								
R.	440	Capital Outlay								
	441	Land								
	441.01	Rights of Way								
	442	Infrastructure								
	443	Buildings								
	443.01	City or Town Hall								
	443.02	Garage								
	443.03	Street								
	443.05	Other								
	444	Improvements Other Than Buildings								
	444.01	Fencing								
	444.02	Parking Lots								
	444.05	Other								

LIST OF BALANCE SHEET ACCOUNTS

3-42

		Governmental Funds			Proprietary Funds		Fiduciary Funds			
		G & SR	DS	CP	EF	IS	PT	IT	PP	CF
R.	440	Capital Outlay (Continued)	X		X					
	445	Machinery and Equipment	X							
	445.01	Furniture and Fixtures	X							
	445.02	Motor Equipment	X							
	445.03	Office Equipment	X							
	445.04	Street Machinery and Equipment	X							
	445.05	Other	X							
	449	Other Capital Outlays	X		X					
S.	450	Other Financing Uses	X							
	451	State Board of Accounts	X							
	451.01	Audit	X							
	451.02	Typing and Processing	X							
	451.03	Conferences	X							
	451.031	Registration	X							
	451.032	Travel	X							
	452	Interfund Operating Transfers	X		X					
	453	Temporary Loan to _____ Fund	X							
	454	Purchase of Investments	X	X	X	X	X		X	
	454.01	Service Charges	X	X	X	X	X		X	
	459	Other	X							

SECTION G - OPENING ACCOUNTING RECORDS FOR NEW YEAR

The following procedures shall be followed in opening your accounting records for each new budget (fiscal) year. In the following discussion, we will indicate prescribed forms for use in a manual, hand posted system with the understanding the same basic procedures are to be implemented for computerized systems. A new set of forms should be started for each year's financial and budgetary transactions.

A City and Town Form No. 208 (Rev. 1967), Ledger of Receipts, Disbursements and Balances, shall be prepared for each fund of the municipality. In the receipts section, the date January 1, 20XX with explanation "Balance Forwarded" shall be entered. The preceding year's December 31 closing cash balance shall be entered in the balance column. All cash receipts and disbursements of the fund during the year shall be posted individually or by the block posting to this fund control record. This record will furnish each fund's cash balance throughout the year. The columns of the ledger should be totaled each month with the monthly and year to date totals. The ledger sheets shall be opened and maintained for both budgeted and non-budgeted funds (such as investments, utilities, etc.).

A City and Town Form No. 209 (Rev. 1967), Ledger of Appropriations, Encumbrances, Disbursements and Balances, shall be prepared for each budgeted, appropriated fund of the municipality. (No appropriation ledger sheets will be needed for non-budgeted funds such as investments and utility funds.) The major appropriation categories for each fund and department certified to you by the Department of Local Government Finance (on the computer printout entitled 20XX Budget Appropriation) should be entered in date column "January 1, 20XX," description column (20XX Department of Local Finance Budget Order). The total for each appropriation category should be entered in the appropriation balance column. A separate ledger sheet should be prepared for each fund, department and budget class listed in the Department of Local Finance order. The following examples should be utilized for your particular needs.

Departmental Budgets - All Cities and Larger Towns

General Fund - Control (Ledger Sheet) - All Departments

General Fund - Clerk-Treasurer - Control (Ledger Sheet)

General Fund - Clerk-Treasurer - 100-Personal Services

General Fund - Clerk-Treasurer - 200-Supplies

General Fund - Clerk-Treasurer - 300-Other Services and Charges

General Fund - Clerk-Treasurer - 400-Capital Outlay

General Fund - Mayor - Control (Ledger Sheet)

General Fund - Mayor - 100-Personal Services

General Fund - Mayor - 200-Supplies

General Fund - Mayor - 300-Other Services and Charges

General Fund - Mayor - 400-Capital Outlay

(Continue for each General Fund Department)

Non-Departmental Budgets - Smaller Towns Only

General Fund - Control (Ledger Sheet)

General Fund - 100-Personal Services

General Fund - 200-Supplies

General Fund - 300-Other Services and Charges

General Fund - 400-Capital Outlay

Departmental Budgets - All Cities and Larger Towns

For All Other Funds - All Municipalities

Motor Vehicle Highway Fund - Control (Ledger Sheet)

Motor Vehicle Highway Fund - 100-Personal Services

Motor Vehicle Highway Fund – 200-Supplies
 Motor Vehicle Highway Fund – 300-Other Services and Charges
 Motor Vehicle Highway Fund – 400-Capital Outlay

Local Road and Street Fund - Control (Ledger Sheet)
 Local Road and Street Fund – 100-Personal Services
 Local Road and Street Fund – 200-Supplies
 Local Road and Street Fund – 300-Other Services and Charges
 Local Road and Street Fund – 400-Capital Outlay
 (Continue for each budgeted, appropriated fund.)

For those municipalities wishing to account for their disbursements in greater detail than provided in the foregoing budgetary accounting requirements, City and Town Form No. 209A (1981) may be used. This form may be used to supplement City and Town Form No. 209 (Rev. 1967), Ledger of Appropriations, Encumbrances, Disbursements and Balances. The form provides spaces for headings and several columns for spreading each disbursement into as much detail as needed.

SECTION H - UNIFORM SYSTEM OF ACCOUNTS FOR WATER AND WASTEWATER UTILITIES

CLASS A AND B WATER OPERATING REVENUE ACCOUNTS

- 460 Unmetered Water Revenue
- 461 Metered Water Revenue
 - 461.1 Metered Sales to Residential Customers
 - 461.2 Metered Sales to Commercial Customers
 - 461.3 Metered Sales to Industrial Customers
 - 461.4 Metered Sales to Public Authorities
 - 461.5 Metered Sales to Multiple Family Dwellings
- 462 Fire Protection Revenue
 - 462.1 Public Fire Protection
 - 462.2 Private Fire Protection
- 464 Other Sales to Public Authorities
- 465 Sales to Irrigation Customers
- 466 Sales for Resale
- 467 Interdepartmental Sales
- 469 Guaranteed Revenues

- 470 Forfeited Discounts
- 471 Miscellaneous Service Revenues
- 472 Rents From Water Property
- 473 Interdepartmental Rents
- 474 Other Water Revenues

CLASS A AND B WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

- Source of Supply and Expenses - Operations
 - 601.1 Salaries and Wages - Employees
 - 603.1 Salaries and Wages - Officers, Directors and Majority Stockholders
 - 604.1 Employee Pensions and Benefits
 - 610.1 Purchased Water
 - 615.1 Purchased Power
 - 616.1 Fuel for Power Production
 - 618.1 Chemicals
 - 620.1 Materials and Supplies

- 631.1 Contractual Services - Engineering
- 632.1 Contractual Services - Accounting
- 633.1 Contractual Services - Legal
- 634.1 Contractual Services - Management Fees
- 635.1 Contractual Services - Testing
- 636.1 Contractual Services - Other
- 641.1 Rental of Building/Real Property
- 642.1 Rental of Equipment
- 650.1 Transportation Expenses
- 656.1 Insurance - Vehicle
- 657.1 Insurance - General Liability
- 658.1 Insurance – Workman's Compensation
- 659.1 Insurance - Other
- 667.1 Regulatory Commission Expense - Other
- 668.1 Water Resource Conservation Expense
- 675.1 Miscellaneous Expenses

Source of Supply and Expenses - Maintenance

- 601.2 Salaries and Wages - Employees
- 603.2 Salaries and Wages - Officers, Directors and Majority Stockholders
- 604.2 Employee Pensions and Benefits
- 618.2 Chemicals
- 620.2 Materials and Supplies
- 631.2 Contractual Services - Engineering
- 632.2 Contractual Services - Accounting
- 633.2 Contractual Services - Legal
- 634.2 Contractual Services - Management Fees
- 635.2 Contractual Services - Testing
- 636.2 Contractual Services - Other
- 641.2 Rental of Building/Real Property
- 642.2 Rental of Equipment
- 650.2 Transportation Expenses
- 656.2 Insurance - Vehicle
- 657.2 Insurance - General Liability
- 658.2 Insurance – Workman's Compensation
- 659.2 Insurance - Other
- 667.2 Regulatory Commission Expense - Other
- 675.2 Miscellaneous Expenses

Water Treatment Expenses - Operations

- 601.3 Salaries and Wages - Employees
- 603.3 Salaries and Wages - Officers, Directors and Majority Stockholders
- 604.3 Employee Pensions and Benefits
- 615.3 Purchased Power
- 616.3 Fuel for Power Production
- 618.3 Chemicals
- 620.3 Materials and Supplies
- 631.3 Contractual Services - Engineering
- 632.3 Contractual Services - Accounting
- 633.3 Contractual Services - Legal
- 634.3 Contractual Services - Management Fees
- 635.3 Contractual Services - Testing
- 636.3 Contractual Services - Other
- 641.3 Rental of Building/Real Property
- 642.3 Rental of Equipment
- 650.3 Transportation Expenses

- 656.3 Insurance - Vehicle
- 657.3 Insurance - General Liability
- 658.3 Insurance – Workman's Compensation
- 659.3 Insurance - Other
- 667.3 Regulatory Commission Expense - Other
- 675.3 Miscellaneous Expenses

Water Treatment Expenses - Maintenance

- 601.4 Salaries and Wages - Employees
- 603.4 Salaries and Wages - Officers, Directors and Majority Stockholders
- 604.4 Employee Pensions and Benefits
- 618.4 Chemicals
- 620.4 Materials and Supplies
- 631.4 Contractual Services - Engineering
- 632.4 Contractual Services - Accounting
- 633.4 Contractual Services - Legal
- 634.4 Contractual Services - Management Fees
- 635.4 Contractual Services - Testing
- 636.4 Contractual Services - Other
- 641.4 Rental of Building/Real Property
- 642.4 Rental of Equipment
- 650.4 Transportation Expenses
- 656.4 Insurance - Vehicle
- 657.4 Insurance - General Liability
- 658.4 Insurance – Workman's Compensation
- 659.4 Insurance - Other
- 667.4 Regulatory Commission Expense - Other
- 675.4 Miscellaneous Expenses

Transmission and Distribution Expenses - Operations

- 601.5 Salaries and Wages - Employees
- 603.5 Salaries and Wages - Officers, Directors and Majority Stockholders
- 604.5 Employee Pensions and Benefits
- 615.5 Purchased Power
- 616.5 Fuel for Power Production
- 618.5 Chemicals
- 620.5 Materials and Supplies
- 631.5 Contractual Services - Engineering
- 632.5 Contractual Services - Accounting
- 633.5 Contractual Services - Legal
- 634.5 Contractual Services - Management Fees
- 635.5 Contractual Services - Testing
- 636.5 Contractual Services - Other
- 641.5 Rental of Building/Real Property
- 642.5 Rental of Equipment
- 650.5 Transportation Expenses
- 656.5 Insurance - Vehicle
- 657.5 Insurance - General Liability
- 658.5 Insurance – Workman's Compensation
- 659.5 Insurance - Other
- 667.5 Regulatory Commission Expense - Other
- 675.5 Miscellaneous Expenses

Transmission and Distribution Expenses - Maintenance

- 601.6 Salaries and Wages - Employees
- 603.6 Salaries and Wages - Officers, Directors and Majority Stockholders

604.6 Employee Pensions and Benefits
 618.6 Chemicals
 620.6 Materials and Supplies
 631.6 Contractual Services - Engineering
 632.6 Contractual Services - Accounting
 633.6 Contractual Services - Legal
 634.6 Contractual Services - Management Fees
 635.6 Contractual Services - Testing
 636.6 Contractual Services - Other
 641.6 Rental of Building/Real Property
 642.6 Rental of Equipment
 650.6 Transportation Expenses
 656.6 Insurance - Vehicle
 657.6 Insurance - General Liability
 658.6 Insurance – Workman's Compensation
 659.6 Insurance - Other
 667.6 Regulatory Commission Expense - Other
 675.6 Miscellaneous Expenses

Customer Accounts Expenses

601.7 Salaries and Wages - Employees
 603.7 Salaries and Wages - Officers, Directors and Majority Stockholders
 604.7 Employee Pensions and Benefits
 615.7 Purchased Power
 616.7 Fuel for Power Production
 620.7 Materials and Supplies
 631.7 Contractual Services - Engineering
 632.7 Contractual Services - Accounting
 633.7 Contractual Services - Legal
 634.7 Contractual Services - Management Fees
 635.7 Contractual Services - Testing
 636.7 Contractual Services - Other
 641.7 Rental of Building/Real Property
 642.7 Rental of Equipment
 650.7 Transportation Expenses
 656.7 Insurance - Vehicle
 657.7 Insurance - General Liability
 658.7 Insurance – Workman's Compensation
 659.7 Insurance - Other
 667.7 Regulatory Commission Expense - Other
 670.7 Bad Debt Expense
 675.7 Miscellaneous Expenses

Administrative and General Expenses

601.8 Salaries and Wages - Employees
 603.8 Salaries and Wages - Officers, Directors and Majority Stockholders
 604.8 Employee Pensions and Benefits
 615.8 Purchased Power
 616.8 Fuel for Power Production
 620.8 Materials and Supplies
 631.8 Contractual Services - Engineering
 632.8 Contractual Services - Accounting
 633.8 Contractual Services - Legal
 634.8 Contractual Services - Management Fees
 635.8 Contractual Services - Testing
 636.8 Contractual Services - Other

- 641.8 Rental of Building/Real Property
- 642.8 Rental of Equipment
- 650.8 Transportation Expenses
- 656.8 Insurance - Vehicle
- 657.8 Insurance - General Liability
- 658.8 Insurance – Workman's Compensation
- 659.8 Insurance - Other
- 666.8 Regulatory Commission Expenses - Amortization of Rate Case Expense
- 667.8 Regulatory Commission Expense - Other
- 670.8 Depreciation and Amortization
- 675.8 Miscellaneous Expenses

CLASS A AND B WASTEWATER OPERATING REVENUE ACCOUNTS

- 521 Flat Rate Revenues
 - 521.1 Residential Revenues
 - 521.2 Commercial Revenues
 - 521.3 Industrial Revenues
 - 521.4 Revenues From Public Authorities
 - 521.5 Multiple Family Dwelling Revenues
 - 521.6 Other Revenues
- 522 Measured Revenue
 - 522.1 Residential Revenues
 - 522.2 Commercial Revenues
 - 522.3 Industrial Revenues
 - 522.4 Revenues From Public Authorities
 - 522.5 Multiple Family Dwelling Revenues
- 523 Revenues From Public Authorities
- 524 Revenues From Other Systems
- 525 Interdepartmental Revenues
- 530 Guaranteed Revenues
- 531 Sale of Sludge
- 532 Forfeited Discounts
- 534 Rents From Wastewater Property
- 535 Interdepartmental Rents
- 536 Other Wastewater Revenues

- 540 Flat Rate Reuse Revenues
 - 540.1 Residential Reuse Revenues
 - 540.2 Commercial Reuse Revenues
 - 540.3 Industrial Reuse Revenues
 - 540.4 Reuse Revenues From Public Authorities
 - 540.5 Other Revenues
- 541 Measured Reuse Revenue
 - 541.1 Residential Reuse Revenues
 - 541.2 Commercial Reuse Revenues
 - 541.3 Industrial Reuse Revenues
 - 541.4 Reuse Revenues From Public Authorities
- 544 Reuse Revenues From Other Systems

CLASS A AND B WASTEWATER UTILITIES OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

Collection Expenses - Operations

- 701.1 Salaries and Wages - Employees
- 703.1 Salaries and Wages - Officers, Directors and Majority Stockholders
- 704.1 Employee Pensions and Benefits
- 715.1 Purchased Power
- 716.1 Fuel for Power Production
- 718.1 Chemicals
- 720.1 Materials and Supplies
- 731.1 Contractual Services - Engineering
- 732.1 Contractual Services - Accounting
- 733.1 Contractual Services - Legal
- 734.1 Contractual Services - Management Fees
- 735.1 Contractual Services - Testing
- 736.1 Contractual Services - Other
- 741.1 Rental of Building/Real Property
- 742.1 Rental of Equipment
- 750.1 Transportation Expenses
- 756.1 Insurance - Vehicle
- 757.1 Insurance - General Liability
- 758.1 Insurance – Workman's Compensation
- 759.1 Insurance - Other
- 775.1 Miscellaneous Expenses

Collection Expenses - Maintenance

- 701.2 Salaries and Wages - Employees
- 703.2 Salaries and Wages - Officers, Directors and Majority Stockholders
- 704.2 Employee Pensions and Benefits
- 718.2 Chemicals
- 720.2 Materials and Supplies
- 731.2 Contractual Services - Engineering
- 732.2 Contractual Services - Accounting
- 733.2 Contractual Services - Legal
- 734.2 Contractual Services - Management Fees
- 735.2 Contractual Services - Testing
- 736.2 Contractual Services - Other
- 741.2 Rental of Building/Real Property
- 742.2 Rental of Equipment
- 750.2 Transportation Expenses
- 756.2 Insurance - Vehicle
- 757.2 Insurance - General Liability
- 758.2 Insurance – Workman's Compensation
- 759.2 Insurance - Other
- 775.2 Miscellaneous Expenses

Pumping Expenses - Operations

- 701.3 Salaries and Wages - Employees
- 703.3 Salaries and Wages - Officers, Directors and Majority Stockholders
- 704.3 Employee Pensions and Benefits
- 715.3 Purchased Power
- 716.3 Fuel for Power Production
- 718.3 Chemicals
- 720.3 Materials and Supplies
- 731.3 Contractual Services - Engineering
- 732.3 Contractual Services - Accounting

733.3 Contractual Services - Legal
 734.3 Contractual Services - Management Fees
 735.3 Contractual Services - Testing
 736.3 Contractual Services - Other
 741.3 Rental of Building/Real Property
 742.3 Rental of Equipment
 750.3 Transportation Expenses
 756.3 Insurance - Vehicle
 757.3 Insurance - General Liability
 758.3 Insurance – Workman's Compensation
 759.3 Insurance - Other
 775.3 Miscellaneous Expenses

Pumping Expenses - Maintenance

701.4 Salaries and Wages - Employees
 703.4 Salaries and Wages - Officers, Directors and Majority Stockholders
 704.4 Employee Pensions and Benefits
 718.4 Chemicals
 720.4 Materials and Supplies
 731.4 Contractual Services - Engineering
 732.4 Contractual Services - Accounting
 733.4 Contractual Services - Legal
 734.4 Contractual Services - Management Fees
 735.4 Contractual Services - Testing
 736.4 Contractual Services - Other
 741.4 Rental of Building/Real Property
 742.4 Rental of Equipment
 750.4 Transportation Expenses
 756.4 Insurance - Vehicle
 757.4 Insurance - General Liability
 758.4 Insurance – Workman's Compensation
 759.4 Insurance - Other
 775.4 Miscellaneous Expenses

Treatment and Disposal Expenses - Operations

701.5 Salaries and Wages - Employees
 703.5 Salaries and Wages - Officers, Directors and Majority Stockholders
 704.5 Employee Pensions and Benefits
 710.5 Purchased Wastewater Treatment
 711.5 Sludge Removal Expense
 715.5 Purchased Power
 716.5 Fuel for Power Production
 718.5 Chemicals
 720.5 Materials and Supplies
 731.5 Contractual Services - Engineering
 732.5 Contractual Services - Accounting
 733.5 Contractual Services - Legal
 734.5 Contractual Services - Management Fees
 735.5 Contractual Services - Testing
 736.5 Contractual Services - Other
 741.5 Rental of Building/Real Property
 742.5 Rental of Equipment
 750.5 Transportation Expenses
 756.5 Insurance - Vehicle
 757.5 Insurance - General Liability
 758.5 Insurance – Workman's Compensation

- 759.5 Insurance - Other
- 775.5 Miscellaneous Expenses

Treatment and Disposal Expenses - Maintenance

- 701.6 Salaries and Wages - Employees
- 703.6 Salaries and Wages - Officers, Directors and Majority Stockholders
- 704.6 Employee Pensions and Benefits
- 711.6 Sludge Removal Expense
- 718.6 Chemicals
- 720.6 Materials and Supplies
- 731.6 Contractual Services - Engineering
- 732.6 Contractual Services - Accounting
- 733.6 Contractual Services - Legal
- 734.6 Contractual Services - Management Fees
- 735.6 Contractual Services - Testing
- 736.6 Contractual Services - Other
- 741.6 Rental of Building/Real Property
- 742.6 Rental of Equipment
- 750.6 Transportation Expenses
- 756.6 Insurance - Vehicle
- 757.6 Insurance - General Liability
- 758.6 Insurance – Workman's Compensation
- 759.6 Insurance - Other
- 775.6 Miscellaneous Expenses

Customer Accounts Expenses

- 701.7 Salaries and Wages - Employees
- 703.7 Salaries and Wages - Officers, Directors and Majority Stockholders
- 704.7 Employee Pensions and Benefits
- 715.7 Purchased Power
- 716.7 Fuel for Power Production
- 720.7 Materials and Supplies
- 731.7 Contractual Services - Engineering
- 732.7 Contractual Services - Accounting
- 733.7 Contractual Services - Legal
- 734.7 Contractual Services - Management Fees
- 735.7 Contractual Services - Testing
- 736.7 Contractual Services - Other
- 741.7 Rental of Building/Real Property
- 742.7 Rental of Equipment
- 750.7 Transportation Expenses
- 756.7 Insurance - Vehicle
- 757.7 Insurance - General Liability
- 758.7 Insurance – Workman's Compensation
- 759.7 Insurance - Other
- 770.7 Bad Debt Expense
- 771.7 Depreciation and Amortization
- 775.7 Miscellaneous Expenses

Administrative and General Expenses

- 701.8 Salaries and Wages - Employees
- 703.8 Salaries and Wages - Officers, Directors and Majority Stockholders
- 704.8 Employee Pensions and Benefits
- 715.8 Purchased Power
- 716.8 Fuel for Power Production

720.8 Materials and Supplies
 731.8 Contractual Services - Engineering
 732.8 Contractual Services - Accounting
 733.8 Contractual Services - Legal
 734.8 Contractual Services - Management Fees
 735.8 Contractual Services - Testing
 736.8 Contractual Services - Other
 741.8 Rental of Building/Real Property
 742.8 Rental of Equipment
 750.8 Transportation Expenses
 756.8 Insurance - Vehicle
 757.8 Insurance - General Liability
 758.8 Insurance – Workman's Compensation
 759.8 Insurance - Other
 775.8 Miscellaneous Expenses

Reclaimed Water Treatment Expenses - Operations

701.9 Salaries and Wages - Employees
 703.9 Salaries and Wages - Officers, Directors and Majority Stockholders
 704.9 Employee Pensions and Benefits
 715.9 Purchased Power
 716.9 Fuel for Power Production
 718.9 Chemicals
 720.9 Materials and Supplies
 731.9 Contractual Services - Engineering
 732.9 Contractual Services - Accounting
 733.9 Contractual Services - Legal
 734.9 Contractual Services - Management Fees
 735.9 Contractual Services - Testing
 736.9 Contractual Services - Other
 741.9 Rental of Building/Real Property
 742.9 Rental of Equipment
 750.9 Transportation Expenses
 756.9 Insurance - Vehicle
 757.9 Insurance - General Liability
 758.9 Insurance – Workman's Compensation
 759.9 Insurance - Other
 775.9 Miscellaneous Expenses

Reclaimed Water Treatment Expenses - Maintenance

701.10 Salaries and Wages - Employees
 703.10 Salaries and Wages - Officers, Directors and Majority Stockholders
 704.10 Employee Pensions and Benefits
 718.10 Chemicals
 720.10 Materials and Supplies
 731.10 Contractual Services - Engineering
 732.10 Contractual Services - Accounting
 733.10 Contractual Services - Legal
 734.10 Contractual Services - Management Fees
 735.10 Contractual Services - Testing
 736.10 Contractual Services - Other
 741.10 Rental of Building/Real Property
 742.10 Rental of Equipment
 750.10 Transportation Expenses
 756.10 Insurance - Vehicle
 757.10 Insurance - General Liability

- 758.10 Insurance – Workman's Compensation
- 759.10 Insurance - Other
- 775.10 Miscellaneous Expenses

Reclaimed Water Distribution Expenses - Operations

- 701.11 Salaries and Wages - Employees
- 703.11 Salaries and Wages - Officers, Directors and Majority Stockholders
- 704.11 Employee Pensions and Benefits
- 715.11 Purchased Power
- 716.11 Fuel for Power Production
- 718.11 Chemicals
- 720.11 Materials and Supplies
- 731.11 Contractual Services - Engineering
- 732.11 Contractual Services - Accounting
- 733.11 Contractual Services - Legal
- 734.11 Contractual Services - Management Fees
- 735.11 Contractual Services - Testing
- 736.11 Contractual Services - Other
- 741.11 Rental of Building/Real Property
- 742.11 Rental of Equipment
- 750.11 Transportation Expenses
- 756.11 Insurance - Vehicle
- 757.11 Insurance - General Liability
- 758.11 Insurance – Workman's Compensation
- 759.11 Insurance - Other
- 775.11 Miscellaneous Expenses

Reclaimed Water Distribution Expenses - Maintenance

- 701.12 Salaries and Wages - Employees
- 703.12 Salaries and Wages - Officers, Directors and Majority Stockholders
- 704.12 Employee Pensions and Benefits
- 718.12 Chemicals
- 720.12 Materials and Supplies
- 731.12 Contractual Services - Engineering
- 732.12 Contractual Services - Accounting
- 733.12 Contractual Services - Legal
- 734.12 Contractual Services - Management Fees
- 735.12 Contractual Services - Testing
- 736.12 Contractual Services - Other
- 741.12 Rental of Building/Real Property
- 742.12 Rental of Equipment
- 750.12 Transportation Expenses
- 756.12 Insurance - Vehicle
- 757.12 Insurance - General Liability
- 758.12 Insurance – Workman's Compensation
- 759.12 Insurance - Other
- 775.12 Miscellaneous Expenses

CLASS C WATER OPERATING REVENUE ACCOUNTS

- 460 Unmetered Water Revenue
 - 460.1 Unmetered Sales to Residential Customers
 - 460.2 Unmetered Sales to Commercial Customers
 - 460.3 Unmetered Sales to Industrial Customers
 - 460.4 Unmetered Sales to Public Authorities

- 460.5 Unmetered Sales to Multiple Family Dwellings
- 460.6 Unmetered Sales - Other
- 461 Metered Water Revenue
 - 461.1 Metered Sales to Residential Customers
 - 461.2 Metered Sales to Commercial Customers
 - 461.3 Metered Sales to Industrial Customers
 - 461.4 Metered Sales to Public Authorities
 - 461.5 Metered Sales to Multiple Family Dwellings
- 462 Fire Protection Revenue
- 465 Sales to Irrigation Customers
- 466 Sales for Resale
- 469 Guaranteed Revenues
- 474 Other Water Revenues

CLASS C WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

- 601 Salaries and Wages - Employees
- 603 Salaries and Wages - Officers, Directors and Majority Stockholders
- 604 Employee Pensions and Benefits
- 610 Purchased Water
- 615 Purchased Power
- 616 Fuel for Power Production
- 618 Chemicals
- 620 Materials and Supplies
- 630 Contractual Services - Billing
- 631 Contractual Services - Professional
- 635 Contractual Services - Testing
- 636 Contractual Services - Other
- 640 Rents
- 650 Transportation Expenses
- 655 Insurance Expense
- 665 Regulatory Commission Expenses
- 670 Bad Debt Expense
- 671 Depreciation and Amortization
- 675 Miscellaneous Expenses

CLASS C WASTEWATER OPERATING REVENUE ACCOUNTS

- 521 Flat Rate Revenues
 - 521.1 Residential Revenues
 - 521.2 Commercial Revenues
 - 521.3 Industrial Revenues
 - 521.4 Revenues From Public Authorities
 - 521.5 Multiple Family Dwelling Revenues
 - 521.6 Other Revenues
- 522 Measured Revenue
 - 522.1 Residential Revenues
 - 522.2 Commercial Revenues
 - 522.3 Industrial Revenues
 - 522.4 Revenues From Public Authorities
 - 522.5 Multiple Family Dwelling Revenues
- 524 Revenues From Other Systems
- 530 Guaranteed Revenues
- 536 Other Wastewater Revenues

CLASS C WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

701	Salaries and Wages - Employees
703	Salaries and Wages - Officers, Directors and Majority Stockholders
704	Employee Pensions and Benefits
710	Purchased Wastewater Treatment
711	Sludge Removal Expense
715	Purchased Power
716	Fuel for Power Production
718	Chemicals
720	Materials and Supplies
730	Contractual Services - Billing
731	Contractual Services - Professional
735	Contractual Services - Testing
736	Contractual Services - Other
740	Rents
750	Transportation Expenses
755	Insurance Expenses
770	Bad Debt Expense
771	Depreciation and Amortization
775	Miscellaneous Expenses

Estimated Useful Lives of Capital Assets

Background:

Generally accepted accounting principles (GAAP) require, in most cases, that capital assets be depreciated. Depreciation is the systematic and rational allocation of the historical cost of a capital asset over its useful life. The estimated useful life assigned to a capital asset will directly affect the amount of depreciation expense reported each period in an accrual-based operating statement. Therefore, it is important to the quality of financial reporting that governments establish reasonable estimates of the useful lives of all of their depreciable capital assets.

Recommendation:

The best source of relevant information on the estimated useful lives of a government's capital assets normally is its own past experience with similar assets. In situations where the documentation of a government's own past experience for a given type of capital asset is not adequate for this purpose, a government should profit as much as possible from the experience of other governments and private-sector enterprises. At the same time, a government should make whatever adjustments are needed to estimated useful lives that were obtained from others to ensure that such estimates are appropriate to its own particular circumstances. It is especially important that a government consider the potential effect of each of the following factors when depending on the experience of others:

- *Quality.* Similar assets may differ substantially in quality, and hence in their useful lives, because of differences in materials, design and workmanship. For example, an asphalt road will not have the same useful life as a concrete road. Likewise, the depth of the material used for paving purposes, as well as the quality of the underlying base, will also affect the useful life of a road;
- *Application.* The useful life of a given type of capital asset may vary significantly depending upon its intended use. For example, a residential street may be expected to have a longer useful life than a major arterial thoroughfare because of differences in the type and volume of traffic; and

Estimated Useful Lives of Capital Assets - Continued

- *Environment.* Environmental differences among governments can have an important impact on the useful lives of their respective capital assets. For instance, the useful life of a road in a climate subject to extremes in temperature is likely to be different from that of a similar road located in a more temperate climate. Also, regulatory obsolescence may shorten the service life of some capital assets used in connection with highly regulated activities (e.g., utilities).

The potential effect of each of the factors just described may be mitigated or exacerbated as a consequence of a government's maintenance and replacement policy. For example, the potential for road damage is increased in a cold environment when cracks are not promptly repaired, because water settling in the cracks will expand and contract, thereby accelerating the initial deterioration represented by the crack itself.

Once established, estimated useful lives for major categories of capital assets should be periodically compared with a government's actual experience and appropriate adjustments should be made to reflect this experience.

Depreciation is a financial reporting concept. Therefore, all of the considerations just discussed are only of concern to the extent that they could have a material impact on a government's financial statements.

Committee:

Accounting, Auditing, and Financial Reporting (CAAFR)

Notes:

This best practice was previously titled Determining the Estimated Useful Lives of Capital Assets.