



**Southern Tier West  
28<sup>th</sup> Annual  
Local Government Conference**  
May 26, 2021 2:00 – 4:00p.m.

**Governmental Accounting Essentials:  
Accounting Journals and Ledgers  
Month End Reconciliation & Analysis | Year-End Closing  
Capital Projects**

(A component of the NYGFOA GAE Program: Modules 2, 5 & 6)



**NYGFOA**  
**Governmental  
Accounting Essentials**  
*(The Essential Basics of Governmental Accounting)*

The Governmental Accounting Essentials (GAE) Program is an OnDemand Program of seven separate 50-75-minute modules of instruction to introduce individuals to the essential components of governmental accounting.

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**PRESENTERS**

**John Savash, CPA, CGFM**  
**Associate Professor of Accounting, Elmira College**

**Barbara Smith, CPA**  
**School Business Administrator, Gowanda CSD**

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## ACCOUNTING JOURNALS and LEDGERS

### PURPOSE OF JOURNALS

Journals are a vital part of the accounting process because they provide a method to summarize important financial information chronologically and in an organized manner for direct entry into general ledger accounts.

Every municipality should maintain:

- A Cash Receipts Journal
- A Cash Disbursements Journal
- A General Journal

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## ACCOUNTING JOURNALS and LEDGERS cont'd

### PURPOSE OF JOURNALS cont'd

- Accountants refer to journals collectively as “books (files) of original entry.”
- Journals are the first places that entry of financial data is logged into a municipality’s accounting system.

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## ACCOUNTING JOURNALS and LEDGERS cont'd

### GENERAL JOURNAL

- A General Journal is used to record those entries that arise from non-cash transactions. These entries would consist of opening entries, investment transactions, transfers, adjustments, accruals, and correcting entries.
- The General Journal should show the date of the journal entry, the name of the funds and account numbers, and the amount of the debit and credit to each fund and account.
- Each General Journal entry must be followed by a complete explanation of the reason for the entry.
- The General Journal is not totaled on a monthly basis as are other journals.

General Journal				
20xx Date	Account Title and Explanation	Reference	Debit	Credit
1-Jun	Cash	A200	\$ 50.00	
	Building Permit	A2555		\$ 50.00
	Record Building Permit			

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## ACCOUNTING JOURNALS and LEDGERS cont'd

### CASH RECEIPTS JOURNAL

- A cash receipts journal is used to record all receipts issued.
- The cash receipts journal should show the date of the receipt, to whom it was issued, the receipt number, the amount received and the account or accounts to be credited.
- Receipts should be listed in numerical sequence.

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## ACCOUNTING JOURNALS and LEDGERS cont'd

### CASH RECEIPTS JOURNAL - EXAMPLE

Month		CASH RECEIPTS JOURNAL							Page 1
Day	Received From	Receipt #	Account #	Debits		Credits			
				Total Received (Cash) A200	Taxes Receivable A250	Interest on Taxes A1090	Revenues A980		Other Accounts
							Other		
2	William Jones	1		\$4,180.00	\$3,800.00	\$380.00			
2	Round County - Sales Tax	2	A1120	\$45,000.00			\$45,000.00		
8	City Clerk	3	A1255	\$1,800.00			\$1,800.00		
12	Liam Kent	4		\$2,242.35	\$2,038.50	\$203.85			
19	NY State	5	A410	\$3,220.00					\$3,220.00
24	Round Co. Treas. - Mortgage Tax	6	A3005	\$8,000.00			\$8,000.00		
28	Town Oxnard - Reimb. for Expenses	7	A440	\$2,700.00					\$2,700.00
	<b>Totals:</b>			<b>\$67,142.35</b>	<b>\$5,838.50</b>	<b>\$583.85</b>	<b>\$54,800.00</b>		<b>\$5,920.00</b>
February Summary				Debits		Credits			
	A200 Cash					\$67,142.35			
	A250 Taxes Receivable - Current							\$5,838.50	
	A980 Revenues							\$55,383.85	
	A410 State and Federal, Other							\$3,220.00	
	A440 Due From Other Govts.							\$2,700.00	
						\$67,142.35			\$67,142.35

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## ACCOUNTING JOURNALS and LEDGERS cont'd

### CASH DISBURSEMENTS JOURNAL

- A cash disbursements journal (commonly referred to as the check register) is used to record all checks, wires, ACH transactions, etc. issued.
- The cash disbursements journal should show the date of the expenditure, to whom it was paid, the check or transfer number, the expenditure amount and the account or accounts to be charged.
- Checks and other transfers should be listed in numerical sequence.
- Void checks (or EFTs/ACHs) should be recorded as "void".

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## ACCOUNTING JOURNALS and LEDGERS cont'd

### CASH DISBURSEMENTS JOURNAL - EXAMPLE

Year 20XX		THE LOCAL GOVERNMENT							Page 1
Month February		CASH DISBURSEMENTS JOURNAL							
Day	Paid To	Check or Transfer #	Account #	Credits		Debits			
				Total Paid (Cash) A200	Expenditures A522	Accounts Payable A600	Due to Other Funds A630	Other Accounts	
3	The Bank of Nova - Bond Payment	1	A9710.6	\$10,450.00	\$10,000.00				
			A9710.7		\$450.00				
5	Standard Oil Co.	2	A3120.4	\$750.00	\$750.00				
12	Concrete Materials	3	A5110.4	\$1,300.00	\$1,300.00				
19	Payroll #1 (Checks Paid Per Payroll Register for Week Ending 2/10/-)	4-11	-	\$3,600.00	\$3,600.00				
24	Jones Garage	12		\$675.00		\$675.00			
24	Water Fund	13		\$1,500.00			\$1,500.00		
24	Sewer Fund	14		\$2,000.00			\$2,000.00		
24	The Village of Newton - Fire Contract	15	A631	\$35,000.00				\$35,000.00	
29	NYS EFC - Loan Payment	16	A619	\$12,400.00				\$12,400.00	
Totals:				\$67,675.00	\$16,100.00	\$675.00	\$3,500.00	\$47,400.00	
February Summary						Debits	Credits		
			A200 Cash				\$67,675.00		
			A522 Expenditures		\$16,100.00				
			A600 Accounts Payable		\$675.00				
			A619 State Loans Payable		\$12,400.00				
			A630 Due to Other Funds		\$3,500.00				
			A631 Due to Other Governments		\$35,000.00				
					\$67,675.00		\$67,675.00		

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## ACCOUNTING JOURNALS and LEDGERS cont'd

### GENERAL LEDGER

- All accounts are maintained in the **General Ledger**.
- The list of accounts in the General Ledger is called the “Chart of Accounts.”

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## ACCOUNTING JOURNALS and LEDGERS cont'd

### GENERAL LEDGER cont'd

Name of Account: Cash

Account #A200

20xx Date	Explanation	Ref	Debit	Credit	Balance
1-Jul		3-1	\$ 20,000		\$ 20,000 Dr
31-Jul		CR-1	\$ 312,000		\$ 332,000 Dr
31-Jul		CD-1		\$ 24,315	\$ 307,685 Dr

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## MONTH END RECONCILIATIONS

### INTERNAL CONTROL

- Internal controls are the practical techniques employed by management to accomplish its objectives and meet its responsibilities. A comprehensive framework of Internal Control should:
  1. Create and maintain an environment conducive to control,
  2. Ensure that risks from both inside and outside the entity are assessed and managed on an ongoing basis,
  3. Result in the design and implementation of appropriate control-related policies and procedures,
  4. Provide for the appropriate communication of information both inside and outside the entity, and
  5. Monitor the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.
- Internal controls are essential, but not foolproof. Some controls can not be implemented because the cost of the control would exceed their potential benefit. Also, employees may collude to circumvent certain controls. Likewise, there is always the risk that management may override any controls it establishes.
- Management is primarily responsible for designing, implementing, monitoring and reporting on controls. An entity's governing board, however, is ultimately responsible for ensuring that management fulfills its internal control responsibilities.

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## MONTH END RECONCILIATIONS cont'd

### ASSETS

#### ▪ Cash

- Monthly bank reconciliations completed.
- General ledger cash account adjustments complete.
- Agreement of general ledger balances to bank reconciliation balances.

#### ▪ Investments

- General ledger adjustments complete and agreement of balances to monthly investment statements.

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## MONTH END RECONCILIATIONS cont'd

### ASSETS cont'd

#### ▪ Accounts Receivable

- Prepare and record all known receivables (amounts earned but not yet received).
- Review outstanding receivables for potential collectability problems.
- Reconcile receivable subsidiary ledger to general ledger.

#### ▪ Prepaid Expenses

- Prepare and record entries to adjust prepaid expense general ledger balances.

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## MONTH END RECONCILIATIONS cont'd

### ASSETS cont'd

- **Due To/Due From Interfund Accounts**
  - Prepare schedule of Interfund receivables/payables from all funds and ensure total of receivables agrees to total of payables.
  
- **Inventory**
  - Reconcile general ledger balance to perpetual inventory system or physical count reports.
  - Review inventory items for potential obsolescence.

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## MONTH END RECONCILIATIONS cont'd

### LIABILITIES

- **Accounts Payable\***
  - Ensure all vendor invoices for goods and services provided for the month are received and recorded.
  
  - Review subsidiary ledger for completeness.
  
  - Reconcile subsidiary ledger to general ledger account balance.

\*Accounts Payable is posted to account 600 in the State Uniform System of Accounts.

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## MONTH END RECONCILIATIONS cont'd

### LIABILITIES cont'd

- **Accrued Payroll**
  - Include all amounts earned but not yet paid.
  - Include tax liabilities related to the payroll.
- **Accrued Liabilities**
  - Review any contingencies to determine if amount should be recorded as liability.

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## MONTH END RECONCILIATIONS cont'd

### LIABILITIES cont'd

- **Deferred Revenue**
  - Review revenue recorded and cash receipts for amounts received but not yet earned.
  - Review grant agreements for advance payments that should be recorded as deferred revenue.

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## MONTH END RECONCILIATIONS cont'd

### EQUITY

- **Fund Balances**
  - Review general ledger balances and agree amounts to prior year ending balances.
  - For balances not in agreement, all activity recorded to general ledger balances should be reviewed for propriety.

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## MONTH END RECONCILIATIONS cont'd

### REVENUES

- **Review** revenue balances to monthly and year to date adopted budget.
- **Prepare** schedule of large variances or amounts outside of expectations for review with governing board at monthly board meeting.
- **Adjust** for any deferred revenue or accounts receivable.
- **Create** schedule of Interfund revenues and expenditures and ensure total of revenues agrees to total expenditures.

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## MONTH END RECONCILIATIONS cont'd

### EXPENDITURES

- **Review** expenditure balances to monthly and year to date adopted budget.
- **Prepare** schedule of large variances or amounts outside of expectations for review with governing board at monthly board meeting.
- **Adjust** for any payables or accruals.

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## MONTH END RECONCILIATIONS cont'd

### OVERALL ANALYSIS

- **Budget vs Actual**
  - Monthly Actual vs Monthly Budget, Year to Date Actual vs. Year to Date Budget.
  - Review large variances from above analysis.
  - Review year to date actual to prior year actual amounts by department to determine any significant variances.

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## MONTH END RECONCILIATIONS cont'd

### MISCELLANEOUS

Actions of the governing board throughout the year may impact the accounts/accounting of the governmental unit. Therefore, it is recommended that the minutes of each board meeting be reviewed prior to the completion of each month's month end reconciliations.

**Example: The Board decided to adopt a motion to create an Equipment Reserve ...**

Creation of reserves or committed equity accounts per governing board resolutions can be done at any time by the board during a board meeting. Entries related to those equity accounts as a result of the resolutions should be prepared in the month that the resolution occurred, using the resolution as supporting documentation.

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## Governmental Accounting Essentials:

Accounts | Debits and Credits | Fund Accounting  
The Accounting Process

(Today's program is a component of the NYGFOA GAE Program: Modules 2, 5 & 6)

# TIME FOR A 10 MINUTE BREAK!

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## YEAR END CLOSING PROCESS

- **Reconciliation of Cash** (Best Practice: Do monthly)
- **Trial Balance**
- **General Ledgers and Subsidiary Ledgers**
- **Analysis of Unrecorded Transactions**
- **Adjusting Entries**
- **Closing Entries**

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## YEAR END CLOSING PROCESS cont'd

- **Bank Reconciliations**
  - Checking and time deposit / money market
    - 200 Cash
    - 201 Cash in Time Deposits
- **Reconcile General (control) Ledgers to Subsidiary Ledgers**
  - 521 Encumbrances
  - 522 Expenditures
  - 980 Revenues

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## YEAR END CLOSING PROCESS cont'd

- **Accruing Revenues**
  - Earned & Not Billed
- **Accruing Expenditures**
  - Incurred & Not Paid
- **Record Encumbrances**
  - Ordered but Not Received

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## YEAR END CLOSING PROCESS cont'd

- **Record all adjusting entries**
  - Revenues
    - Accounts Receivable
    - Due from State & Federal Revenues
  - Expenditures
    - Accounts Payable (Money owed "outside", i.e. to vendors)
    - Accrued Liabilities (Money owed "inside, i.e. payroll)
  - Encumbrances
    - Reserve for Encumbrances

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## YEAR END CLOSING PROCESS cont'd

### ▪ Closing Entries

- All Temporary Accounts
  - Budgetary
  - Revenues
  - Expenditures
  - Encumbrances

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## YEAR END CLOSING PROCESS cont'd

### ▪ Budgetary Accounts

- Estimated Revenues (510)
- Appropriated Reserves (511)
- Appropriated Fund Balance (599)
- Appropriations (960)

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## ACCOUNTING FOR CAPITAL PROJECTS

### CAPITAL PROJECTS FUND

#### ▪ Purpose

- To account for the acquisition or construction of major capital assets and improvements other than those acquired through proprietary or fiduciary funds.
- To account for Reserves transferred from other Funds.
- To account for State and Federal Aid.

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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### CAPITAL PROJECTS FUND cont'd

#### ▪ When a Capital Projects Fund is Required to be Used:

- When a major capital acquisition or construction project extends beyond the fiscal year.
- When the project is financed by obligations; other than enterprise funds.

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## **ACCOUNTING FOR CAPITAL PROJECTS** cont'd

### **CAPITAL PROJECTS FUND** cont'd

- **When a Capital Projects Fund Can't be Used**
  - When a project pertains to activity that must be reported in an Enterprise Fund.
- **When a Capital Projects Fund Should be Used but is not Required**
  - When recording expenditures in governmental fund could distort operational expenditures and hinder future budgetary estimates.
  - When project includes large state or federal aid, which would require an audit.

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## **ACCOUNTING FOR CAPITAL PROJECTS** cont'd

### **ACCOUNTING REQUIREMENTS**

- **Modified Accrual** (Governmental Fund)
- **Separation of Projects**
- **Project Budget** (for life of project; can be budgeted in phases)
- **Revenues and Expenditures**  
(Close Annually)

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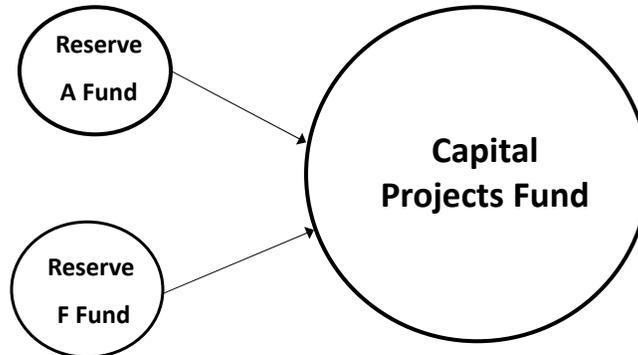


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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### RESERVES

- **Transfer to Capital Projects Fund as Needed**



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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### CAPITAL PROJECTS and THEIR RELATIONSHIP to OTHER SCHEDULES

- **Capital Projects Fund**
  - Record Financing and Uses
- **General Long-Term Debt** (the W Schedule in the AUD)
  - Record Long Term Debt (LTD) Liability
- **General Fixed Assets** (the K Schedule in the AUD)
  - Record Cost of Capital Assets
- **Operating Fund or Debt Service Fund**
  - Record Annual Debt Payments

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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### RETAINED PERCENTAGES

**Construction** contracts provide that a certain portion of the amount due the contractor can be withheld until work is free of defects.

See OSC Accounting Bulletin (*Accounting for Retained Percentages*) for additional information and sample entries

<https://www.osc.state.ny.us/local-government/publications>

(Search "retained percentages")

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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### RETAINED PERCENTAGES cont'd

- **GML §106 - Cash withheld from contractor will be released if replaced with the following securities:**
  - Bonds or Notes of USA
  - Bonds or Notes of NYS
  - Bonds of NYS Political Subdivisions

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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### RETAINED PERCENTAGES cont'd

- Arbitrage
- Tax Exempt debt is subject to IRS audits
- Moneys required to be kept in separate bank accounts or identified/tracked in accounting software separately
- Will need to use some type of accounting software (project software) or a separate excel spreadsheet.
- Clean, proper documentation is critical.

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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### ACCOUNTING FOR BOND ANTICIPATION NOTES (BANs)

- **Short-term:**
  - Matures within one year from date of issue
  - Record as fund liability
  - **Usually BANs are only recorded as capital funds**
  - Exceptions:
    - a. Enterprise activities
    - b. Judgment and claims, etc.

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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### ACCOUNTING FOR BOND ANTICIPATION NOTES (BANs) cont'd

BANs are considered short-term but sometimes extend beyond one year ...

▪ **Long-term:**

- Maturity is in excess of one year
- Account for the same as a Bond

Per OSC at NYS GFOA conference: **Rarely** would you have a BAN classified as Long-Term. A renewal of a one-year BAN one or more times does not make it long-term. However, there are limits on how many years it can be renewed and you generally have to pay some principal at each renewal. OSC suggested that you contact them for guidance before classifying any BAN as Long-Term.

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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### ACCOUNTING FOR BOND ANTICIPATION NOTES (BANs) cont'd

- **When Issued** (As Short-term BAN):

	DR	CR
H200 – Cash	\$100,000	
H626 – BAN Payable		\$100,000
- **BAN Redemption** (As Short-term BAN assume principal and interest paid out of General Fund):

General Fund		
A9730.6 – BAN Principal	\$100,000	
A9730.7 – BAN Interest	\$1,000	
A200 – Cash		\$101,000
Capital Projects Fund		
H626 – BAN Payable	\$100,000	
H5731 – BANs Redeemed from Appropriations		\$100,000

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## **ACCOUNTING FOR CAPITAL PROJECTS** cont'd

### **ACCOUNTING FOR BOND ANTICIPATION NOTES (BANs)** cont'd

- **BAN/Bond Premiums:**

Premiums are recorded as revenue and are carried in the fund that is used to accumulate resources required to pay interest and principal on the debt issue.

- **BAN/Bond Issuance Fees:**

Expense of the current period and recorded in the fund where the debt is serviced – not capitalized in the project.

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## **ACCOUNTING FOR CAPITAL PROJECTS** cont'd

### **INTEREST EARNINGS ON DEBT PROCEEDS**

- **May be applied either to:**

- Payment of principal and interest of debt.
- For any purpose for which the debt was authorized (only if Board authorized its use as a financing source and if it does not exceed the total authorized project cost established by Capital Project Bond Resolution).

**However...**

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## ACCOUNTING FOR CAPITAL PROJECTS cont'd

### INTEREST EARNINGS ON DEBT PROCEEDS cont'd

▪ **However:**

- If the interest is earned on BANs, **AND**
- The BANs are redeemed from sale of Bonds, **THEN**
- The interest earned must be used to pay the principal and interest on the bonds.

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## TODAY'S PRESENTERS

**JOHN A. SAVASH II, CPA  
ASSOCIATE PROFESSOR OF ACCOUNTING  
ELMIRA COLLEGE**

John A. Savash, II is a Certified Public Accountant in the State of New York and is also a Certified Government Financial Manager. Prior to coming to Elmira College in 1999, John worked for BDO Seidman as a public accountant, the Village of Depew as a Village Treasurer, and taught full-time as an instructor at Ohio University and at Miami University. In addition to teaching full-time at Elmira College, John has been employed as a part-time Bookkeeper for the Town of Corning since 2012 and is also a self-employed consultant where he assists local governments with budgeting and accounting issues.

John is very active professionally and serves on several committees for the New York Government Finance Officers' Association (NYGFOA). He is also the Executive Secretary of the Board of Governors for the NYGFOA. In 2011, John was elected to the Chemung County Library Board as the 4<sup>th</sup> District Representative and served in that capacity until 2014.

John has co-written three articles for *The Newsletter*, a quarterly magazine published by the NYGFOA. He teaches numerous classes in accounting and finance, and his favorite three classes are Principles of Government and Non-Profit Accounting, Auditing and Corporation Finance.

John has an MBA with a concentration in finance from Ohio University and a B.S. in accounting from Canisius College. He lives in Horseheads, New York with his wife Laura and their children Rosario, Diego and Lucia.



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## TODAY'S PRESENTERS

**BARBARA J. SMITH, CPA, SBA, SDA  
SCHOOL BUSINESS ADMINISTRATOR  
GOWANDA CENTRAL SCHOOL DISTRICT**

Barbara has served as the School Business Administrator in the Gowanda Central School District, a high needs rural district located in Cattaraugus County, since July of 2018.

Prior to that, in 2015, Barbara had launched Barbara J Smith Advisory Services LLC to assist public sector and non-profit clients with their financial and strategic needs after over a twenty-year career in governmental accounting, auditing and business advisory services with a specialty in school district finance.

Barbara previously served as the Chief Financial and Operating Officer for the Buffalo City School District, the second largest District in New York State, where she was the key advisor to the Superintendent on all financial and operational issues. She originally joined the District in May of 2003 as the Executive Director of Accounting, was promoted to Associate Superintendent for Budget in February 2006, named Chief Financial Officer in June 2009 and became Chief Financial and Operating Officer in July 2013. It was during her twelve-year tenure with the District that Barbara built upon her previous eight years of public sector experience and became regarded as an expert in school finance. She has presented on various school finance topics for the Council of Great City School Districts and the Conference of Big 5 School Districts.

Prior to working for the District, Barbara worked for Deloitte & Touche as an Audit Manager specializing in the public sector practice. Business advisory services included the compilation of financial planning models, budget guidance, cost allocation analysis and various other special projects. She also presented numerous trainings to clients and staff.

Barbara began her public sector career with the Office of the State Comptroller as an Auditor of Municipal Affairs where she performed compliance audits on various municipalities throughout Western New York and also worked on special projects statewide.

Barbara received her undergraduate degree in accounting from the University of Buffalo, her Masters Degree in Educational Leadership from Canisius College and a Masters in Economics from Buffalo State. She has earned her Certified Public Accountant, School Business and District Administrator certificates.

Barbara lives in rural Randolph, New York and is a sustaining member of the Junior League of Buffalo.



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## Thank you for participating in today's session.

**For more information or follow-up questions:  
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518-465-1512 | [info@nygfoa.org](mailto:info@nygfoa.org) | [www.nygfoa.org](http://www.nygfoa.org)**

*The mission of NYGFOA is to strengthen the capacity of government finance professionals to manage public finances effectively and responsibly and to use the collective knowledge and expertise of its members for the public benefit by enhancing government efficiency and accountability throughout New York State.*



The Governmental Accounting Essentials (GAE) Program is an OnDemand Program of seven separate 50-75-minute modules of instruction to introduce individuals to the essential components of governmental accounting.



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