

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
GOVERNORJANE M. KENNY
COMMISSIONERBETH GATES
DIRECTOR**ACCOUNTING TREATMENT OF CERTAIN REFUNDS**

This Local Finance Notice is to clarify and set forth accounting and budgetary practices related to the receipts of various types of refunds. It is to be considered as interim direction until formalized through a rule adopted by the Local Finance Board. It may be utilized for municipal and county financial transactions until such time that it is modified, and is restricted as to purpose and practice as defined herein. It is issued to expedite handling of several unusual circumstances for which other practices are unsuitable and other treatment leads to inefficiencies in financial administration.

For the purposes listed below, municipalities and counties may apply revenues as refunds to appropriations after the adoption of the annual budget when **all** of the following three conditions are met:

1. Revenues could not be reasonably anticipated in the budget; and
2. Expenditures were initially required at the time of the event; provided that
3. Any excess revenues above the cost of the related expenditure be recorded as miscellaneous revenue not anticipated.

This practice may be utilized only for the following categories of refunds:

1. Refunds from an insurance company, joint insurance fund, or self-insurance fund, resulting from a claim, and as an offset to an expenditure related to the claim.
2. Receipts of Federal or State aid as reimbursement for initial expenditures required by law or emergent conditions, when such expenditure was made prior to execution of formal agreements or notification of assistance, and when a budget amendment (Chapter 159 resolution) would not be applicable.
3. Refunds from vendors, resulting from overcharges or duplicate payment and for which initial payment was made within the same fiscal year.

This policy is effective immediately and is retroactive to the beginning of calendar fiscal year 1996.



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