

New York State Comptroller  
THOMAS P. DiNAPOLI

# Accounting and Reporting Manual

Counties, Cities, Towns, Villages, Libraries,  
Soil and Water Conservation Districts

**April 2024**

Prepared by the Division of Local Government and School Accountability

- Industrial Development Agencies.
- County Nursing Homes and Health Related Facilities (if a separate legal entity).
- County Public Hospitals (if a separate legal entity).

## **Joint Ventures and Jointly Governed Organizations**

The following entities normally would qualify as joint ventures:

- Jointly Sponsored Community Colleges.
- Regional Off-Track Betting Corporations.
- Regional Planning Boards.

Local governments are also empowered pursuant to Article 5-G of the GML to join together in inter-municipal cooperation agreements. This statute authorizes joint involvement in any undertaking that each participant has the power to perform on their own. In no instance does an Article 5-G agreement create a legal entity. However, such agreements may create a joint venture or jointly governed activity. Consequently, an analysis of these activities must be made applying the previously mentioned criteria.

## **Other Entities**

Many organizations providing public services in New York State cannot be universally categorized into the types of units contained in GAAP, but must be individually evaluated. For example:

Public Libraries – If sponsored by counties, cities, towns, villages or school districts, in most circumstances public libraries would be considered CUs of the PG because of the existence of financial accountability. Financial accountability is evidenced by how the operation is funded, who has approval of and responsibility for the issuance and payment of debt and the ownership of real property. While this is the norm, situations do exist where the library is virtually autonomous and could be considered a special purpose government.

Fire Companies – In most instances, for accounting purposes, fire companies are considered special purpose units. However, in certain situations, they may constitute a CU or, as in the case of a village fire department, a blended unit.

Local Development Corporations – Not-for-profit local development corporations (LDCs) are incorporated in many different ways with different levels of involvement by PGs. Although many LDCs may not seem to meet the financial accountability criteria at first glance, special care should be used to assess whether a financial benefit or financial burden exists, or whether it would be misleading to exclude them from the PG.

## **Audits of Financial Statements**

Local officials and their independent auditors should note that for financial statements to be presented in accordance with GAAP, the statements must include all elements of the financial reporting entity. If a PG issues financial statements without adding CUs material to the presentation of the financial statements, the independent auditor would be required to issue a qualified or adverse opinion.

# Governmental Accounting Standards Series

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Statement No. 14 of the  
Governmental Accounting  
Standards Board

**The Financial  
Reporting Entity**



Governmental Accounting Standards Board  
of the Financial Accounting Foundation

overcome the need for additional statements or disclosures as described above by presenting columns on the combined financial statements for each component unit.

### ***“Memorandum Only” Label***

122. In a nonauthoritative illustration in an appendix, the ED illustrated the component units column with the label “memorandum only.” Some respondents questioned the illustration, especially because this labeling had not been addressed in the Standards section of the ED. The ED illustration presented the “memorandum only” total based on the requirements of Cod. Sec. 2200.113. That section requires that a total column on a combined financial statement be labeled “memorandum only” because the total is not comparable to a consolidation. In response to comments on the illustration, the Board considered the need for the heading and decided that, although the data in the component units column are not comparable to a consolidation, the label is not necessary. The component unit aggregation does not purport to be a reporting entity total. Instead, the component units column is similar to financial data combined by fund type in the combined statements of the primary government. Fund-type combined totals are also “not comparable to a consolidation” and are not designated as memorandum only. The Board intends to address the use of memorandum only totals in general in its financial reporting model project.

### **Blended Component Units**

123. In this Statement the Board’s objective is to refrain from obscuring the financial data of a primary government by blending them with the data of component units. Only in specific situations in which a component unit is, in substance, an integral part of the primary government should a component unit be blended. Although ED respondents supported this objective, a few suggested that the criteria should allow component units to be included if they serve or benefit a primary government *almost* exclusively. The Board agreed and modified the criteria to recognize that component units should continue to qualify for blending if the component unit’s service to others is incidental to the component unit’s operations.

**Fire Companies** – In most instances, for accounting purposes, fire companies are considered special purpose units. However, in certain situations, they may constitute a CU or, **as in the case of a village fire department, a blended unit.**

**Village of Sherman**

**"Blending"**

**"for accounting purposes"...**

"for reporting purposes" to the NYS OSC, the fire company is 'blended' into the General Fund of a Village (Exp Code A3410).

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THOMAS P. DI NAPOLI

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April 2024

Approved by the Division of Local Government and School Accounting

Pg 42 of the ARM, April 2024, updated.

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Pg 42 of the ARM, April 2024, updated.

**Village of Sherman**

**"Blending"**

**For Accounting Purposes ONLY**

**Fire Companies** are either accounted for:

1. As a special purpose unit – as in a fire district.
2. As a CU Component Unit – **A legally separate organization** for which **"the elected officials of the primary government are financially accountable"**.
3. As a blended unit in the case of a village fire department.

**Fire Companies** – In most instances, for accounting purposes, fire companies are considered special purpose units. However, in certain situations, they may constitute a CU or, **as in the case of a village fire department, a blended unit.**

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**GASB Statement 14 The Financial Reporting Entity**

Governmental Accounting Standards Board NO. 078-B / June 1991

**Village of Sherman**

**Pg 52**

**Blended Component Units**

123. ...Only in specific situations in which the **fire company** is, in substance, an integral part of the village government should a **fire company** be blended.

... **fire companies** should continue to qualify for blending if the **fire company's** service to others is incidental to the **fire company's** operations.

**\*\*A legally separate organization for which "the elected officials of the primary government are financially accountable".**

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UNDERSTANDING THE CHANGES

❖ **NO**  
**OPERATIONAL**  
**OR FINANCIAL**  
**CHANGES**

No Change

➤ **STRUCTURAL**  
**PROCEDURAL**  
**& REPORTING**  
**CHANGES**  
**ONLY**

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UNDERSTANDING THE CHANGES

❖ **SHC approves**  
**the budget**  
**and manages**  
**the finances.**

No Change

➤ **SHC Budget to**  
**be INCLUDED**  
**(not approved)**  
**by Village**

"Blending"

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UNDERSTANDING THE CHANGES

❖ **SHC keeps all**  
**control and**  
**management of**  
**\$ & assets**

No Change

➤ **SHC \$ to be**  
**reported &**  
**aligned with the**  
**Village's Fiscal**  
**Year End 5/31**

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