



Chapter 3

Governmental Operating Statement Accounts; Budgetary Accounting



Definitions

- ◆ General Fund (GF)
 - ◆ General Administration
 - ◆ Traditional Services
- ◆ Special Revenue Fund (SRF)
 - ◆ Revenue used for Specified Purpose
 - ◆ Authorized



Governmental Funds Review

- ◆ Spending Focus
- ◆ Current Financial Resources
- ◆ Modified Accrual
- ◆ Revenues & Expenditures
- ◆ No Fixed Assets
- ◆ No Long Term (LT) Debt



Additional Characteristics

- ◆ Budgetary Accounting
- ◆ Encumbrance Accounting



Governmental Budgeting

- ◆ Decisions Reflected in Budget
- ◆ Fiscal Accountability



Appropriations Budgets

- ◆ GF Current / Operating Budget
- ◆ Expenditure Authority & Revenue Estimates



Expenditure Classification

- ◆ Aggregation & Analysis of Data
- ◆ Crosses Fund & Organizational Lines



... Expenditure Classification

- ◆ Fund -- Each Activity
- ◆ Function -- Service
Or Program -- Purpose
- ◆ Organizational Unit -- Departments
- ◆ Activity -- Line of Work
Contributing to Program



... Expenditure Classification

- ◆ Character -- Fiscal Period
Benefit
- ◆ Object -- Type of Item or Service



Phases of Budget Cycle

- ◆ Preparation
- ◆ Adoption & Approval
- ◆ Execution (Allotments)
- ◆ Reporting & Auditing



Basis of Accounting

- ◆ GASB / GAAP / Financial Reporting
- ◆ Government / Budgeting
- ◆ Reconciliation may be Necessary



Recording the Budget

- ◆ Formally Record into Accounting System
- ◆ Reverse out EOP
- ◆ No Impact on Financial Statements



Entry

◆ Journal Entry:

Estimated Revenues

Fund Balance

Fund Balance

Appropriations
(Estimated Expenditures)



Budget Accounts Linked to Actual Accounts

Est. Revs. (DR) - Act. Revs. (CR)
= Revenues to be Earned

Approp. (CR) - Act. Expend. (DR)
= Balance Available for Expend.



Impact

- ◆ Fund Balance Increased or Decreased through budget adoption
- ◆ Temporary Impact
- ◆ Budgetary Fund Balance



Encumbrance Accounting

- ◆ Additional Appropriation Control
- ◆ Issuance of Purchase Order Key Event
- ◆ Journal Entry:
Encumbrance (Est.)
Reserve for Encumbrance



Encumbrance Accounting

- ◆ Goods Received / Payment Approved
- ◆ Journal Entry:

Res. For Encumb. (Est.)
 Encumb. (Est.)

Expenditure (Actual)
 Vouchers Payable (Actual)



Encumbrance Accounting

- ◆ $\text{Approp.} - \text{Expend.} - \text{Encumb.} = \text{Balance Avail. for Expend.}$
- ◆ Ledger for Control
- ◆ Balance Sheet Impact



General Fund Revenues

- ◆ Increase in Financial Resources Other Than Interfund Transfers & Debt Issue Proceeds
- ◆ Other Financing Sources
 - ◆ Interfund Operating Transfers
 - ◆ Debt Issue Proceeds



... Revenues

- ◆ Modified Accrual:
 - ◆ Measurable & Available
- ◆ Classify by Fund & Source



GF Revenues

- ◆ Property Taxes
 - ◆ Accrue When Levied
 - ◆ 60 Days After EOP
 - ◆ Uncollectible Taxes
 - ◆ Penalties & Interest



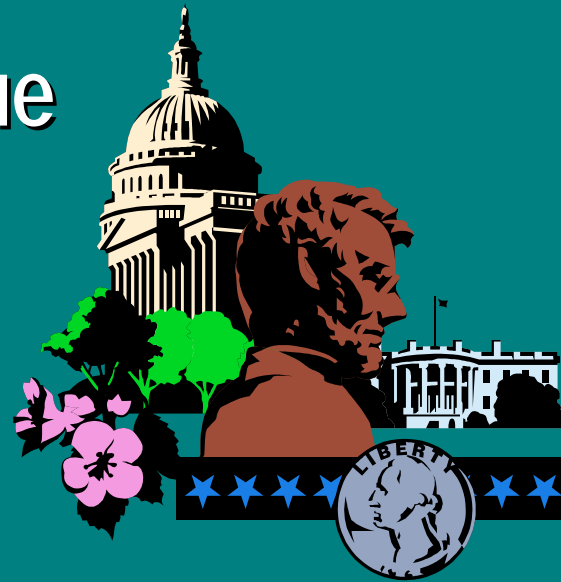
... GF Revenues

- ◆ Sales & Income Taxes
- ◆ Special Assessments
- ◆ Licenses & Permits



... GF Revenues

- ◆ Intergovernmental Revenue
 - ◆ Grants
 - ◆ Entitlements
 - ◆ Shared Revenue



... GF Revenues

- ◆ Charges for Services
- ◆ Fines & Forfeits
- ◆ Miscellaneous



Other Financing Sources

- ◆ Operating Transfers
 - ◆ Recurring Transactions Between Funds
- ◆ Proceeds of Debt Issues
- ◆ Capital Lease





Revision of Budget Entry for Resource Inflows

◆ **Journal Entry:**

Estimated Revenues

Estimated Other Financing Sources

Fund Balance



Additional Expenditure Issues

- ◆ Expenditure --
 - ◆ Decrease in Fund Financial Resources Other than Interfund Operating Transfers
- ◆ Other Financing Use --
 - ◆ Operating Transfer Out
- ◆ Recognize When Liability Incurred



Revision of Budget Entry for Resource Outflows

◆ Journal Entry:

Fund Balance

Appropriations

Est. Other Financing Uses



Compound Budget Entry

◆ Journal Entry:

Estimated Revenues

Est. Other Financing Source

Appropriations

Est. Other Financing Use

Fund Balance





Accounts Closed to Fund Balance


- ◆ All Budget Accounts
- ◆ Encumbrances
- ◆ Actual Revenues / Other Financing Sources
- ◆ Actual Expenditures / Other Financing Uses



Reconciliation of Actual to Budget Amounts

- ◆ Usually Expenditures Only
- ◆ Prior Year Expenditures in GAAP Only
- ◆ Outstanding Encumbrances in Budget Only





Additional Interfund Transaction Issues

- ◆ Operating Transfer In / Out
- ◆ Residual Equity Transfers
- ◆ Reimbursement
- ◆ Quasi External

