



Chapter 4

Accounting for Governmental Operating Activities---- Illustrative Transactions & Financial Statements



Govt'l Funds Review

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



Budgetary Accounting

◆ Journal Entries:

Estimated Revenues

Est. Other Financing Source

Appropriations

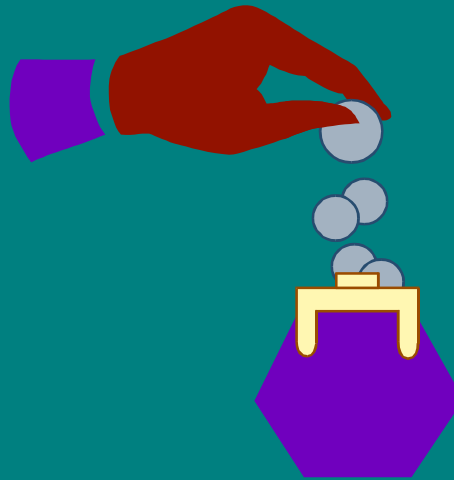
Est. Other Financing Use

Fund Balance



Revisions to Budget

- ◆ Evaluate Inflows & Outflows
- ◆ Adjust Budget through Journal Entry



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 Entries:**

Res. For Encumb. (Est.)

Encumb. (Est.)

Expenditure (Actual)

Vouchers Payable (Actual)

GA: Expense-Program



... Encumbrance Accounting

- ◆ Payroll Accounting
- ◆ Encumbrances closed
- ◆ Reserved Encumbrances



... Encumbrance Accounting

- ◆ Order Received in Ensuing Fiscal Period

- ◆ **Journal Entry:**

- Expenditure (x1)

- Expenditure (x2)

- Vouchers Payable

- GA: Expense-Program



... Encumbrance Accounting

- ◆ Closing Journal Entry:
Reserved for Encumbrances
Expenditure (x1)





Alternate Encumbrance Treatment

- ◆ Close Encumbrances & Reserve for Encumbrances
- ◆ Re-Appropriate
- ◆ Continue with Usual Journal Entries



Property Tax Accounting

◆ Journal Entry:

Taxes Receivable-Current

Estimated Uncoll.-Current

Property Tax Revenue

GA: Property Tax revenue - General



... Property Tax Accounting

- ◆ Short-Term Cash Disbursement Needs
- ◆ Tax Anticipation Notes
- ◆ **Journal Entries:**

Cash

Tax Anticipation N / P

N / P

Expenditure

Cash

// GA: Expense-Interest

... Property Tax Accounting

- ◆ Delinquent Taxes

- ◆ Journal Entries:

Taxes Receivable-Delinquent

Taxes Receivable-Current

Est. Uncoll.-Current

Est. Uncoll.-Delinquent

GA: Same



... Property Tax Accounting

- ◆ Penalties & Interest May be Accrued
- ◆ Write-off Uncollectibles

- ◆ **Journal Entry:**

Est. Uncoll. Taxes - Delinquent

Taxes Rec. – Delinquent

GA: Same



Additional General Fund Entries

- ◆ Cash Basis Revenues

- ◆ Journal Entry:

Cash

Revenue

GA: Allocate revenue between programs and general



General Concept

- ◆ General Fund Expenditures become Expense for governmental activities
 - ◆ Allocated between programs





... Additional General Fund Entries

- ◆ Interfund Transactions
 - ◆ Internal Exchange Transaction
 - ◆ **Journal Entry:**

Due from Fund

Revenue

GA: Due from Business Activities

General Revenues



... Additional General Fund Entries

- ◆ Supplies Inventory

- ◆ Two Methods

- ⇒ Consumption Method

- ✂ Purchases Method



Consumption Method

- ◆ Purchase of Supplies

 - ◆ Journal Entry:

Supplies Inventory

V/P

- ◆ Use of Inventory

 - ◆ Journal Entry:

Expenditure

Supplies Inventory

GA: Expenses

... Consumption Method

- ◆ Year-End Inventory

 - ◆ Journal Entry:

F.B. - Unreserved

F.B. - Reserved Inventory

GA: Not Applicable



Purchase Method

- ◆ Purchase of Supplies

 - ◆ Journal Entry:

Expenditure

V/P

GA: Expense



Purchase Method cont'd

- ◆ Physical Count Year-End

 - ◆ Journal Entry:

Supplies Inventory

F.B.-Reserved Inventory

GA: Inventory

Expenses



Closing Entries

- ◆ Reverse Nominal Accounts
- ◆ Reverse Budgetary Accounts
- ◆ Fund Balance Available for Appropriation



Financial Statements

- ◆ Interim Financial Statements
- ◆ Annual Financial Statements
- ◆ Reconciliation Between Budget Basis & GAAP



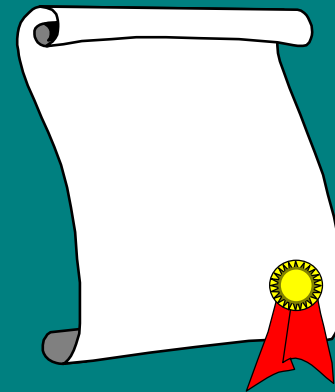
Special Revenue Funds

- ◆ Legal Compliance
- ◆ GF Accounting and Reporting Applicable
- ◆ Operating Grants
- ◆ Reimbursement



... Special Revenue Funds

- ◆ Granted Award (Reimbursement Grant):
 - ◆ No Entry



... Special Revenue Funds

- ◆ Expenditure Made:

 - ◆ Journal Entries:

Expenditure

Vouchers Payable

Cash

Revenues

GA: Expenses & Program Revenue



...Special Revenue Funds

- ◆ No Reimbursement-Recognize Receivable & Revenue
- ◆ No Reimbursement & Granted for Future Period-Recognize Receivable & Deferred Revenue



Interfund Transactions

- ◆ Interfund Exchange Transactions
 - ◆ DueTo/DueFrom
- ◆ Interfund Loans
 - ◆ Recble/Pble (Noncurrent Reserve Fund balance)
 - ◆ None in Gov't-wide if both gov't activities



Interfund Transfers Cont'd

Interfund Transfers

Other Financing Source/Use

Recurring/Nonrecurring

Reimbursements

Reduction of Expenditures/Expense



General Concept-Gov't-Wide F/S's

- ◆ Eliminate if between same activity
 - ◆ Internal Service is Governmental
- ◆ Report if between Governmental & Business



Permanent Funds

- ◆ Public Purpose Trusts
 - ◆ Principal Nonexpendable-Permanent Fund
 - ◆ Earnings Expendable-Special Revenue Fund



Permanent Funds cont'd

- ◆ Receipt of Assets-recognize as revenue
- ◆ Interfund Transfers for earnings
- ◆ End of Period Fair Value Adjustments
 - ◆ Increase or Decrease asset Account
 - ◆ Recognize Revenue-Changes in Fair Value