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

\[
\text{Est. Revs. (DR) - Act. Revs. (CR)} = \text{Revenues to be Earned}
\]

\[
\text{Approp. (CR) - Act. Expend. (DR)} = \text{Balance Available for Expend.}
\]
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

- 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