Chapter 4

Accounting for Governmental Operating Activities----
Illustrative Transactions & Financial Statements
Gov’t’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