FGFOA
2017 School of Governmental Finance

Introduction to Governmental Accounting

Learning Objectives

At the end of the session, the participant should be able to:

- Recall concepts of fund accounting
- Recall the basis of accounting and measurement focus
- Define the governmental chart of accounts
- Discuss double entry accounting
- Recall basic transactions involving assets, liabilities, revenues and expenditures

Fund Accounting

Fund Defined

A fund is an accounting entity with a separate set of accounting records for resources, in which related liabilities and equities are segregated for conducting a specific activity.

Separate set of financial statements

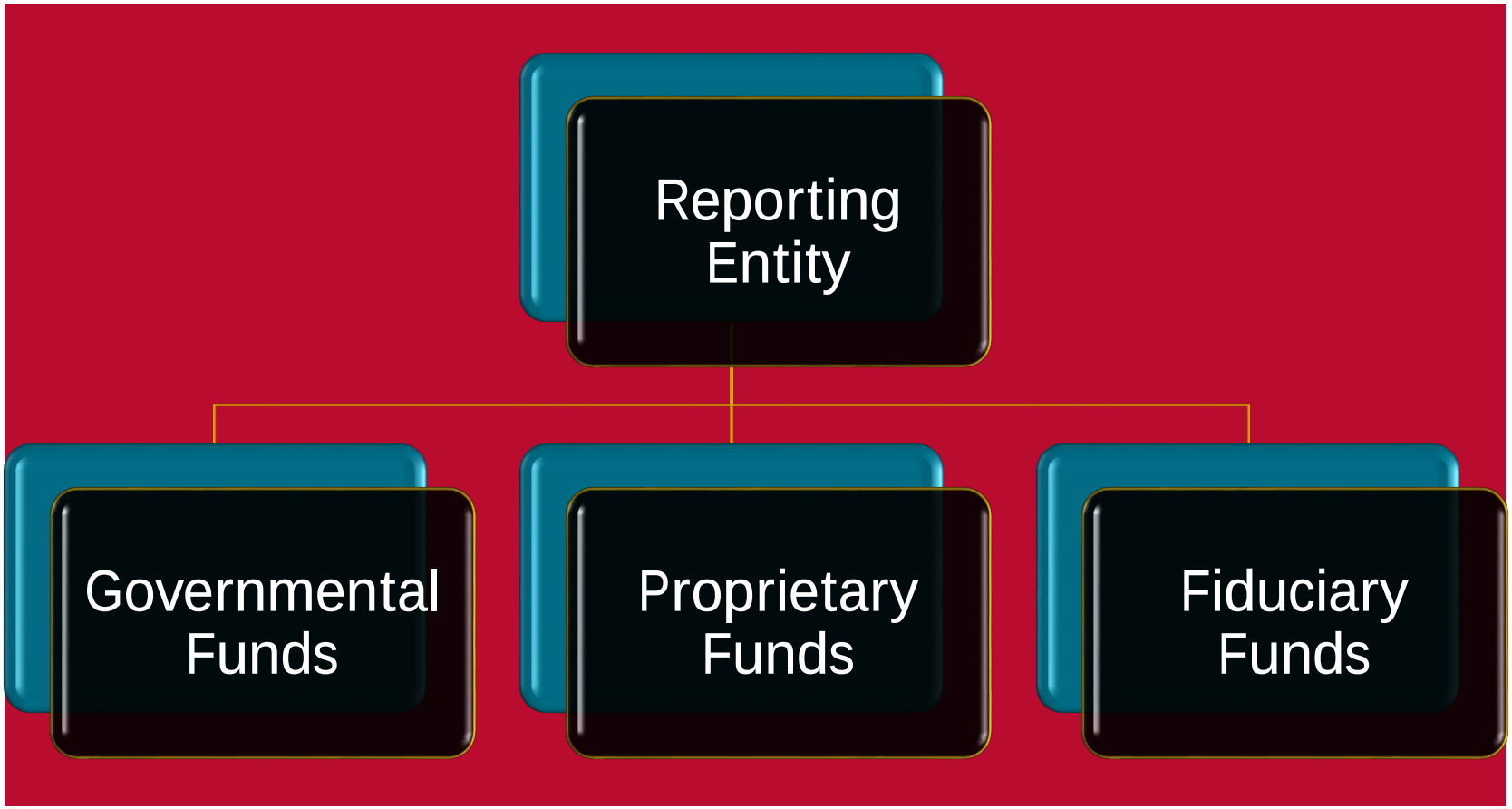
Three categories of funds

Minimum Number of Funds Concept

Generally Accepted Accounting Principles **(GAAP)** require governments to maintain as few funds as possible to meet legal requirements and for sound financial administration.

This is known as the "Minimum Number of Funds Concept."

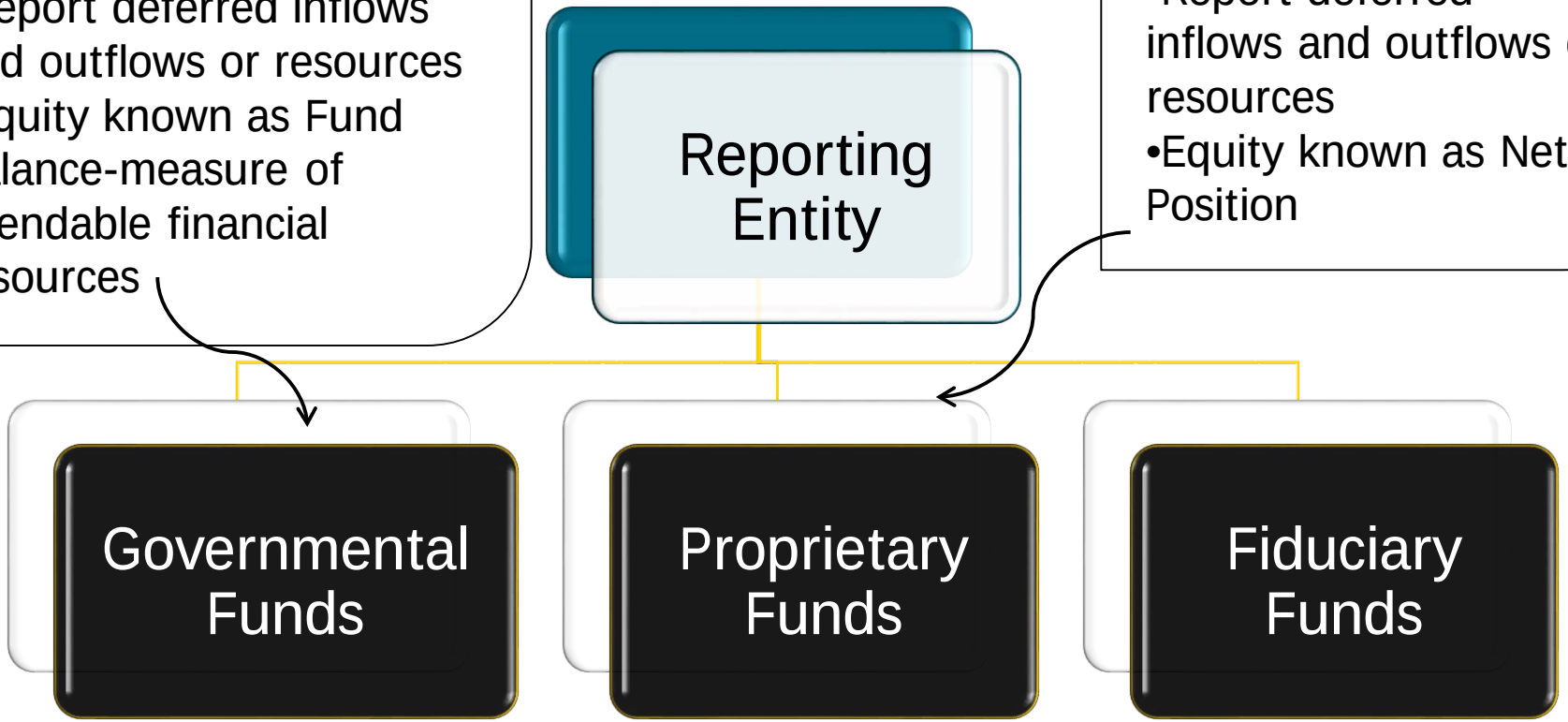
Fund Categories



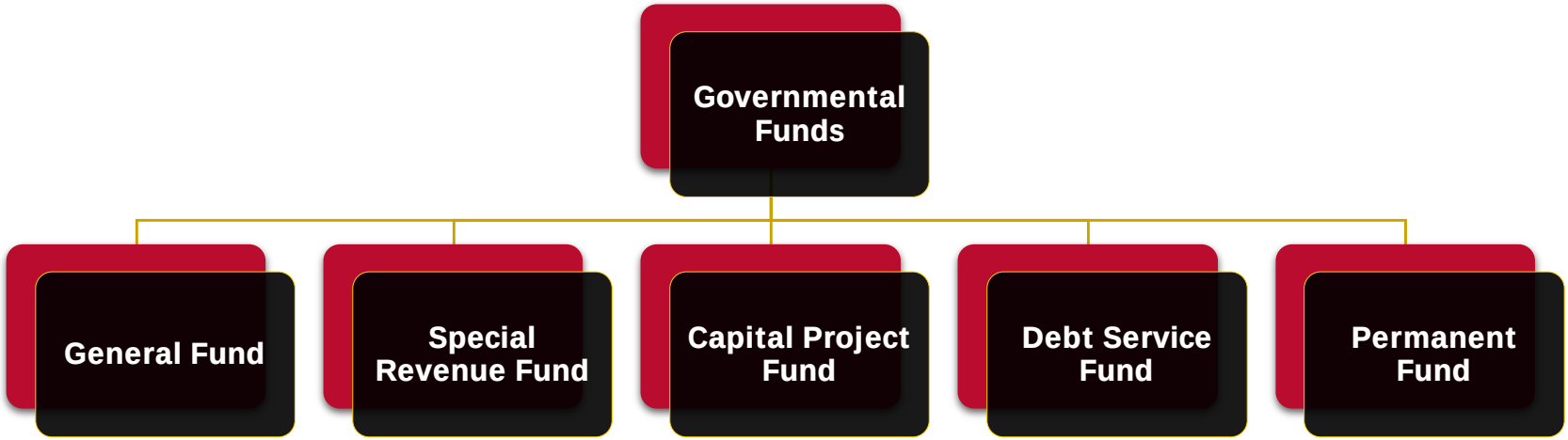
Fund Categories

- Most government functions financed
- Report current assets and current liabilities
- Report deferred inflows and outflows or resources
- Equity known as Fund Balance-measure of spendable financial resources

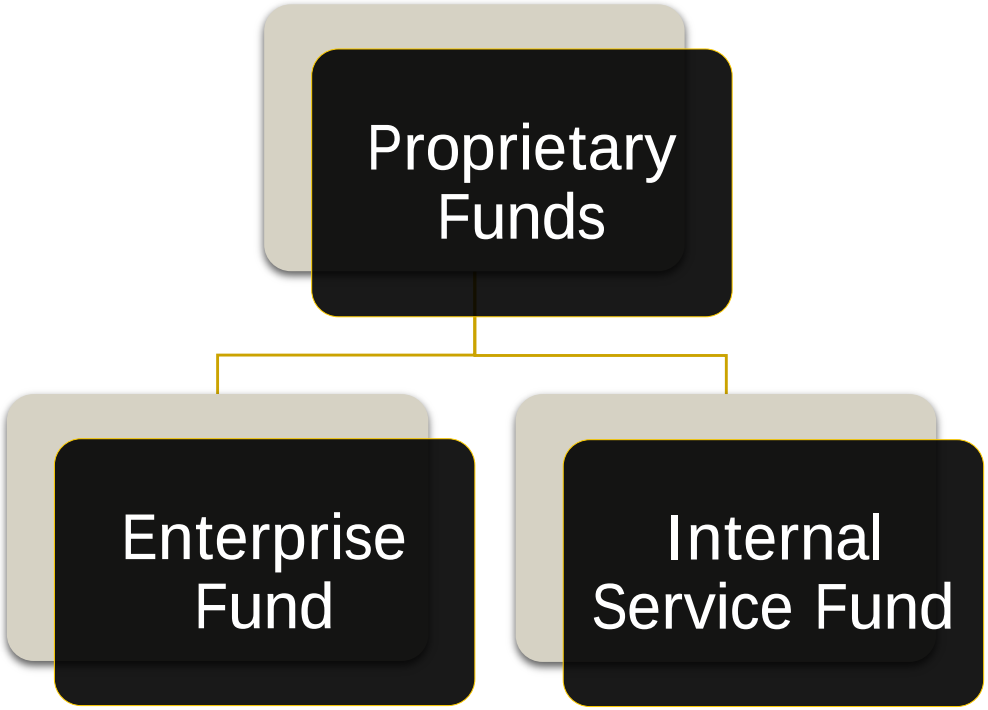
- Business Type Activities
- Reports total assets and total liabilities
- Report deferred inflows and outflows or resources
- Equity known as Net Position



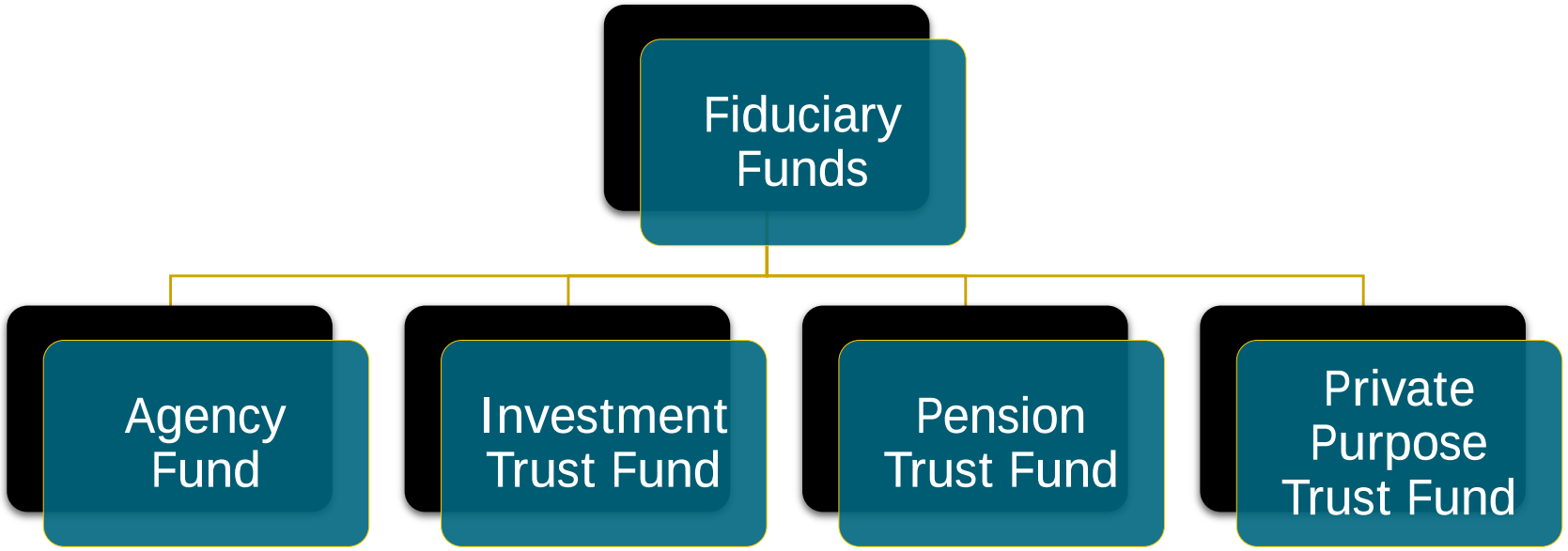
Governmental Funds

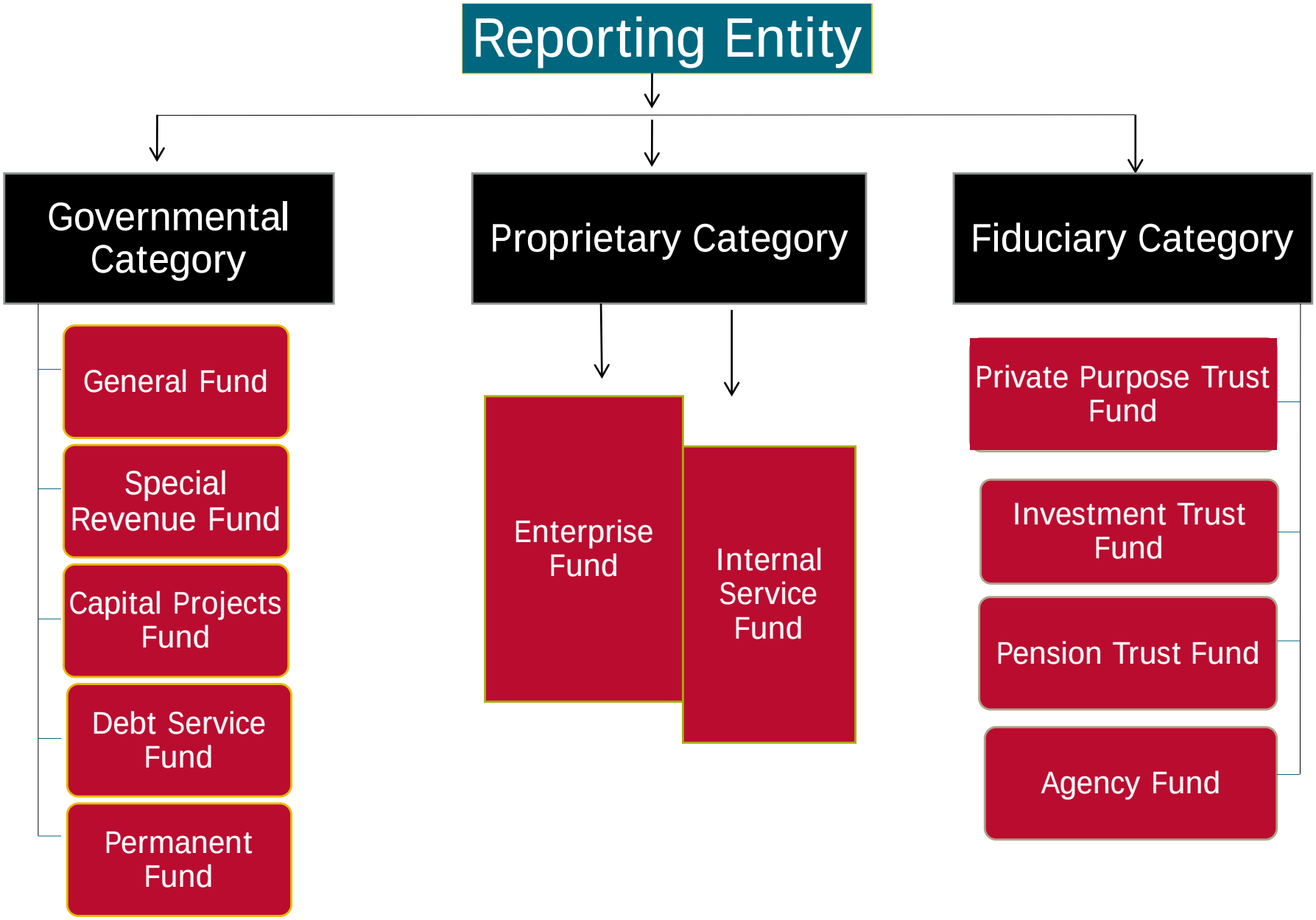


Proprietary Funds



Fiduciary Funds




Reporting Entity
Governmental Category
Proprietary Category
Fiduciary Category
General Fund
Special Revenue Fund
Capital Projects Fund
Debt Service Fund
Permanent Fund
Enterprise Fund
Internal Service Fund
Private Purpose Trust Fund
Investment Trust Fund
Pension Trust Fund
Agency Fund

Measurement Focus

What are we measuring?

Financial Position

- Can we pay our bills as they become due?
- Short term, narrow focus
- Little picture

Economic Condition

- How much are we worth?
- Big picture
- Focus is on overall entity

Financial Statements

- Balance Sheet
  - A fund's financial position on a certain date
- Statement of Net Position
  - A fund's economic condition on a certain date

Financial Statements

- Statement of revenues, expenditures and changes in fund balance
  - The results of operations for a period of time ending on a certain date

- Statement of revenues, expenses and changes in net position
  - The results of operations for a period of time ending on a certain date

Balance Sheet/Statement of Net Position

A financial statement which includes what is owned, what is owed and net worth. It is similar to a snapshot. It demonstrates where a government stands financially at a single point in time. It is dated on a single day, such as September 30, 2016.

POLK COUNTY, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2016

	General
ASSETS	
Cash and Investments	$ 90,540,045
Cash with Fiscal Agent	150,000
Accounts Receivable	18,348,316
Interest Receivable	154,963
Due from Other Governments	5,990,620
Due from Other Funds	730,530
Advances to Other Funds	1,526,341
Inventory, at Cost	207,869
Other Assets	665,627
Total Assets	$ 118,314,311

As of September 30, 2016 – Polk County, Florida reported total Cash and Investments - $90,540,045

Basic Accounting Equation

- ✓ Summarizes elements of balance sheet
- ✓ Assets = Items a government Owns
- ✓ Liabilities = Amounts a government Owes
- ✓ Impact of deferred inflows and outflows – related to future periods
- ✓ Basic Accounting Equation = Assets + Deferred Outflows = Liabilities + Deferred Inflows + Fund Balance / Net Positon

Polk County, Florida
General Fund – FY2016

Assets	-	Liabilities	-	Deferred Inflows	=	Fund Balance
$118,314,311		$26,794,406		$17,281,033		$74,238,872

Polk County, Florida
General Fund – FY2016

Assets	=	Liabilities	+	Deferred Inflows	+	Fund Balance
$118,314,311		$26,794,406		$17,281,033		$74,238,872

POLK COUNTY, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 90,540,045	$ 238,351,179	$ 328,891
Cash with Fiscal Agent	150,000	-	150
Accounts Receivable	18,348,316	533,626	18,88
Interest Receivable	154,963	526,488	68
Due from Other Governments	5,990,620	11,832,879	17,823
Due from Other Funds	730,530	1,817,942	2,54
Advances to Other Funds	1,526,341	-	1,526
Inventory, at Cost	207,869	-	207
Other Assets	665,627	77,390	743
Total Assets	$ 118,314,311	$ 253,139,504	$ 371,453
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Vouchers Payable	$ 12,004,749	$ 6,953,504	$ 18,958
Accrued Liabilities	6,267,643	3,685,455	9,95
Customer Deposits	1,525,161	2,507,325	4,032
Due to Other Governments	3,413,036	1,857,874	5,270,9
Due to Other Funds	3,554,775	809,897	4,364,6
Advances from Other Funds	-	1,526,341	1,526
Unearned Revenue	29,042	3,729,251	3,758
Total Liabilities	26,794,406	21,069,647	47,864
Deferred Inflows:			
Taxes Received in Advance	1,300,506	972,511	2,273,0
Unavailable Revenue	15,980,527	-	15,980
Total Deferred Inflows	17,281,033	972,511	18,253
Fund Balances:			
Nonspendable	2,375,422	77,390	2,452
Restricted	3,632,172	130,308,479	133,940
Committed	3,699,649	88,860,554	92,560
Assigned	21,609,306	13,405,998	35,01
Unassigned	42,922,323	(1,555,075)	41,36
Total Fund Balances	74,238,872	231,097,346	305,336
Total Liabilities, Deferred Inflows and Fund Balances	$ 118,314,311	$ 253,139,504	$ 371,45

CURRENT ASSETS

- Things you own
- Cash/Converted to cash within one year
- Used within one year (inv.)
- Examples:
  - Cash
  - Investments
  - Receivables
  - Inventory
  - Pre-paids

CAPITAL ASSETS

- Things you own
- Longer life than one year
- Examples:
  - Land
  - Buildings
  - Equipment

CURRENT LIABILITIES

- Things you owe for
- Paid within one year
- Examples:
  - Accounts Payable
  - Contracts Payable
  - Accrued Salaries Payable
  - Payroll Deductions Payable

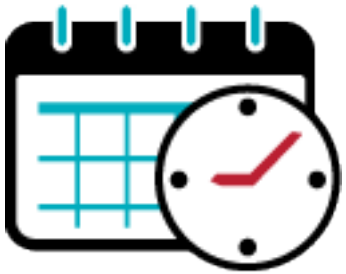
NONCURRENT LIABILITIES

- Things you owe for
- Paid over longer than one year
- Examples:
  - Bonds Payable
  - Capital Leases Payable

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

- Shows net change in fund balance
- Dated for a period of time (for the year ended)



Statement of Revenues, Expenditures, and Changes in Fund Balance

Revenues
(Increase Fund Balance)

Expenditures
(Decrease Fund Balance)

Other Financing Sources (Uses)
(Increase or (Decrease)
Fund Balance)

Governmental Fund Type

Relationship between the financial statements

POLK COUNTY, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 190,327,171	$ 116,520,412	$ 306,847,583
Licenses and Permits	1,802,873	6,555,268	8,358,141
Intergovernmental	37,204,664	44,043,441	81,248,105
Charges for Services	56,799,779	13,453,336	70,253,115
Fines and Forfeitures	1,825,014	6,203,931	8,028,945
Special Assessments	161,558	41,925,658	42,087,216
Interest Income	1,538,224	4,303,123	5,841,347
Net Change in Fair Value of Investments	(251,009)	(852,795)	(1,103,804)
Miscellaneous Revenue	4,736,029	19,062,513	23,798,542
Total Revenues	294,144,303	251,214,887	545,359,190
EXPENDITURES			
Current:			
General Government	94,120,512	13,528,215	107,648,727
Public Safety	181,515,044	51,620,122	233,135,166
Physical Environment	5,324,281	402,378	5,726,659
Transportation	3,302,918	68,840,551	72,143,469
Economic Environment	1,732,044	13,990,709	15,722,753
Human Services	4,809,122	41,084,920	45,894,042
Culture and Recreation	524,179	14,581,782	15,105,961
Debt Service:			
Principal Retirement	-	10,152,382	10,152,382
Interest and Fiscal Charges	-	7,366,054	7,366,054
Capital Projects	-	24,971,025	24,971,025
Total Expenditures	291,328,100	246,538,138	537,866,238
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,816,203	4,676,749	7,492,952
OTHER FINANCING SOURCES (USES)			
Transfers In	7,324,055	22,021,826	29,345,881
Transfers Out	(7,594,640)	(15,121,629)	(22,716,269)
Proceeds from Long-Term Debt	-	17,375,000	17,375,000
Payments to Escrow Agent	-	(17,375,000)	(17,375,000)
Proceeds from the Sale of Capital Assets	173,648	-	173,648
Total Other Financing Sources (Uses)	(96,937)	6,900,197	6,803,260
NET CHANGE IN FUND BALANCES	2,719,266	11,576,946	14,296,212
Fund Balances - Beginning of Year	71,519,606	219,520,400	291,040,006
FUND BALANCES - END OF YEAR	$ 74,238,872	$ 231,097,346	$ 305,336,218

Fund Balance

POLK COUNTY, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2016

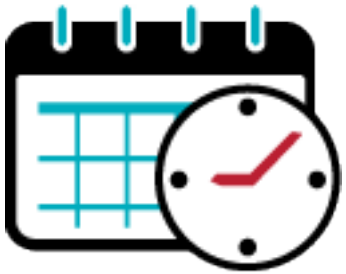
	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 90,540,045	$ 238,351,179	$ 328,891,224
Cash with Fiscal Agent	150,000	-	150,000
Accounts Receivable	18,348,316	533,626	18,881,942
Interest Receivable	154,963	526,488	681,451
Due from Other Governments	5,990,620	11,832,879	17,823,499
Due from Other Funds	730,530	1,817,942	2,548,472
Advances to Other Funds	1,526,341	-	1,526,341
Inventory, at Cost	207,869	-	207,869
Other Assets	665,627	77,390	743,017
Total Assets	$ 118,314,311	$ 253,139,504	$ 371,453,815
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Vouchers Payable	$ 12,004,749	$ 6,953,504	$ 18,958,253
Accrued Liabilities	6,267,643	3,685,455	9,953,098
Customer Deposits	1,525,161	2,507,325	4,032,486
Due to Other Governments	3,413,036	1,857,874	5,270,910
Due to Other Funds	3,554,775	809,897	4,364,672
Advances from Other Funds	-	1,526,341	1,526,341
Unearned Revenue	29,042	3,729,251	3,758,293
Total Liabilities	26,794,406	21,069,647	47,864,053
Deferred Inflows:			
Taxes Received in Advance	1,300,506	972,511	2,273,017
Unavailable Revenue	15,980,527	-	15,980,527
Total Deferred Inflows	17,281,033	972,511	18,253,544
Fund Balances:			
Nonspendable	2,375,422	77,390	2,452,812
Restricted	3,632,172	130,308,479	133,940,651
Committed	3,699,649	88,860,554	92,560,203
Assigned	21,609,306	13,405,998	35,015,304
Unassigned	42,922,323	(1,555,075)	41,367,248
Total Fund Balances	74,238,872	231,097,346	305,336,218
Total Liabilities, Deferred Inflows and Fund Balances	$ 118,314,311	$ 253,139,504	$ 371,453,815

Fund Balance

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

- Shows change in net position
- Dated for a period of time (for the year ended)



Statement of Revenues, Expenses, and Changes in Net Position

Operating and Non-Operating Revenues

(Increase Net Position)

Operating and Non-Operating Expenses

(Decrease Net Position)

Capital Contributions and Transfers

(Increase or Decrease Net Position)

Proprietary Fund Type

Relationship between the financial statements

POLK COUNTY, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Waste and Recycling	Rohr Nursing Home (Nonmajor Fund)	Total	
OPERATING REVENUES					
Charges for Services	$ 68,436,965	$ 35,638,509	$ 5,122,598	$ 109,198,072	$ 67,958,390
Other Revenue	2,470,124	951,051	14,589	3,435,764	893,296
Total Operating Revenues	70,907,089	36,589,560	5,137,187	112,633,836	68,851,686
OPERATING EXPENSES					
Personnel Services	11,874,222	2,485,351	2,506,717	16,866,290	11,734,679
Operations and Maintenance	16,775,892	17,846,799	2,414,217	37,036,908	10,480,250
Indirect	1,788,894	531,654	140,419	2,460,967	144,406
Depreciation/Amortization	14,654,457	4,283,969	245,244	19,183,670	7,476,932
Closure and Long-Term Care	-	750,354	-	750,354	-
Health Care Program	-	-	-	-	50,248,598
Total Operating Expenses	45,093,465	25,898,127	5,306,597	76,298,189	80,084,865
OPERATING INCOME (LOSS)	25,813,624	10,691,433	(169,410)	36,335,647	(11,233,179)
NONOPERATING REVENUES (EXPENSES)					
Grant Revenue	1,906	-	-	1,906	-
Transfer of Capital Assets	(37,756)	19,266	-	(18,490)	(26,533)
Interest Income	1,673,395	2,968,575	(6,512)	4,635,458	672,255
Net Change in Fair Value of Investments	(367,064)	(622,096)	-	(989,160)	(138,745)
Interest Expense	(7,613,802)	-	-	(7,613,802)	-
Gain (Loss) on Disposition of Equipment	(1,274,846)	(100,687)	-	(1,375,533)	859,117
Total Nonoperating Revenues (Expenses), Net	(7,618,167)	2,265,058	(6,512)	(5,359,621)	1,366,094
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	18,195,457	12,956,491	(175,922)	30,976,026	(9,867,085)
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital Contributions	7,046,400	-	-	7,046,400	-
Transfers In	3,087,049	46,114	-	3,133,163	375,000
Transfers Out	(4,657,096)	(5,480,679)	-	(10,137,775)	-
Total Capital Contributions and Transfers	5,476,353	(5,434,565)	-	41,788	375,000
CHANGE IN NET POSITION	23,671,810	7,521,926	(175,922)	31,017,814	(9,492,085)
Total Net Position - Beginning of Year	361,245,871	133,565,714	214,535		64,560,704
TOTAL NET POSITION - END OF YEAR	$ 384,917,681	$ 141,087,640	$ 38,613		$ 55,068,619
Adjustments to Reflect Consolidation of Internal Service Fund Activities Related to Enterprise Funds:					
Current Year Adjustment				(1,097,436)	
Change in Net Position of Business-Type Activities				$ 29,920,378	

Net Position

Net Positon

POLK COUNTY, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
SEPTEMBER 30, 2016

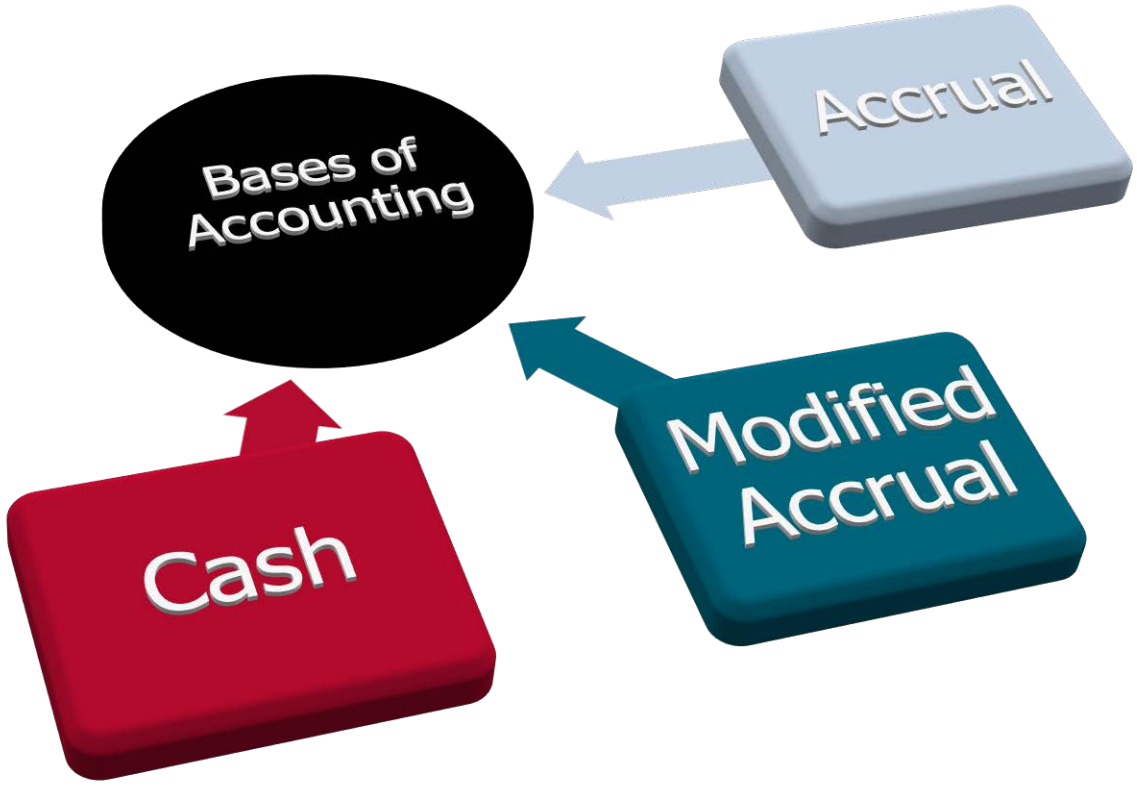
	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Waste and Recycling	Rohr Nursing Home (Nonmajor Fund)	Total	
LIABILITIES AND DEFERRED INFLOWS					
CURRENT LIABILITIES, Payable from Current Assets					
Vouchers Payable	$ 1,595,739	$ 2,392,942	$ 117,865	$ 4,106,546	$ 2,794,529
Accrued Liabilities	640,651	443,304	37,566	1,130,611	130,815
Due to Other Funds	2,781	134,145	-	136,926	-
Due to Other Governments	42,405	-	-	42,405	-
Unearned Revenue	5,380	-	-	5,380	282,168
Accrued Compensated Absences, Current Portion	80,043	15,460	15,255	110,758	110,758
Interlocal Agreement, Current Portion	201,217	-	-	201,217	-
Revenue Bonds Payable, Current Portion	4,055,891	-	-	4,055,891	-
Claims Payable	-	-	-	-	3,608,000
Total Current Liabilities, Payable from Current Assets	6,033,107	2,985,941	170,686	9,709,734	6,926,270
CURRENT LIABILITIES, Payable from Restricted Assets					
Vouchers Payable	-	10,324	-	10,324	-
Accrued Liabilities	-	2,293	-	2,293	-
Customer Deposits	4,918,137	238,426	-	5,156,563	-
Total Current Liabilities, Payable from Restricted Assets	4,918,137	251,013	-	5,169,150	-
Total Current Liabilities	11,551,244	3,236,954	170,686	14,958,884	6,926,270
NONCURRENT LIABILITIES					
Accrued Compensated Absences	612,943	118,387	116,813	848,143	438,083
Closure and Long-Term Care	-	58,933,597	-	58,933,597	-
Contracts Payable	50,000	-	-	50,000	-
Interlocal Agreement, Net of Current Portion	2,702,339	-	-	2,702,339	-
Revenue Bonds Payable (Net of Unamortized Premiums)	184,474,534	-	-	184,474,534	-
Other Postemployment Benefits	7,938,852	1,876,192	2,547,853	12,362,897	3,804,234
Net Pension Liability	8,200,922	1,045,540	1,744,374	11,990,844	5,707,685
Other Noncurrent Liabilities	277,905	-	-	277,905	-
Total Noncurrent Liabilities	204,504,455	62,773,724	4,409,040	271,687,219	10,030,202
Total Liabilities	216,055,699	66,010,678	4,579,726	286,646,103	16,956,472
DEFERRED INFLOWS OF RESOURCES					
Deferred Amounts on Pension	331,326	99,830	68,556	499,712	230,779
Taxes Received in Advance	2,182	347,990	-	350,172	-
Total Deferred Inflows of Resources	333,508	447,820	68,556	849,884	230,779
NET POSITION					
Net Investment in Capital Assets	303,398,912	35,669,831	3,228,734	342,297,477	30,016,786
Restricted for					
Revenue Bonds Debt Service	4,030,000	-	-	4,030,000	-
Renewal, Replacement and Improvements	1,000,000	-	-	1,000,000	-
Landfill Closure and Long Term Care Costs	-	12,888,034	-	12,888,034	-
Unrestricted (Deficit)	75,862,769	92,529,775	(3,190,121)	165,222,423	25,051,833
Total Net Position	$ 384,917,681	$ 141,087,640	$ 38,613	526,043,934	$ 55,068,619

Basis of Accounting

Basis of Accounting

Refers to the point in time **WHEN** a government recognizes revenues, expenditures or expenses (as appropriate), and the related assets and liabilities in the accounts and reports them in the financial statements

Bases of Accounting



Cash Basis of Accounting

Recognizes transactions only when cash changes hands

Accrual Basis of Accounting

Recognizes transactions when they occur... regardless of the timing of the related cash flows

Accrual Basis of Accounting

Revenues are recognized when they are:

EARNED and

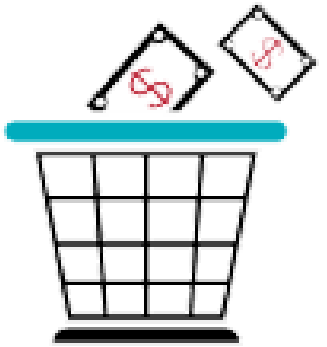
MEASURABLE

Accrual Basis of Accounting

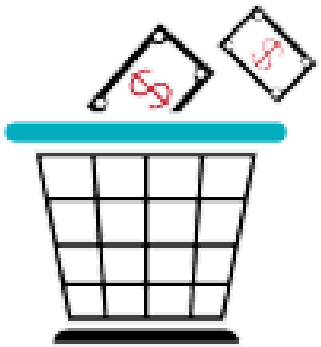
Expense recognition

Measurable – know what the amount is

Incurred – goods received and used or services performed



Modified Accrual Basis of Accounting



Revenue Recognition

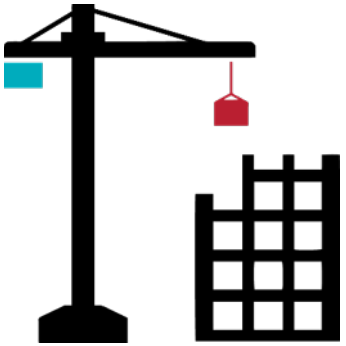
Recognize **REVENUES** in the accounting period in which they are:

- Earned
- Measurable
- Available

Modified Accrual Basis of Accounting

Expenditure recognition:

- Measurable – know what the amount is
- Incurred – goods received or services performed
- Paid with current resources



Summary of Accrual and Modified Accrual Basis of Accounting

	Accrual	Modified Accrual
Revenues are recorded when	Measurable (the amount can be determined) and Earned (the service has been provided)	When earned, if Measurable (the amount can be determined) and Available (the revenue was collected in the current fiscal year or will be collected soon enough after the close of the fiscal year to pay liabilities of the current year)
Expenses/expenditures are recorded when	(Expenses) Measurable (the amount can be determined) and Incurred and consumed (goods received and used or services performed)	(Expenditures) Measurable (the amount can be determined) and Incurred (the liability has been created and will normally be paid from current resources)

Fund Schedule

Fund Type	Basis of Accounting	
	Modified Accrual	Accrual
Governmental Funds:		
General	X	
Special Revenue	X	
Capital Projects	X	
Debt Service	X	
Permanent	X	
Proprietary Funds:		
Enterprise		X
Internal Service		X
Fiduciary Funds:		
Private-Purpose Trust		X
Investment Trust		X
Pension Trust		X
Agency		X

Basis of Accounting

FUND CATEGORY	BASIS OF ACCOUNTING
Governmental Funds	Modified Accrual
Proprietary Funds	Accrual
Fiduciary Funds	Accrual

Summary

Governmental fund types include:

- General
- Special Revenue
- Capital Projects
- Debt service
- Permanent

Proprietary fund types include:

- Enterprise
- Internal Service

Fiduciary fund types include:

- Pension Trust
- Private Purpose Trust
- Investment Trust
- Agency

Governmental chart of accounts

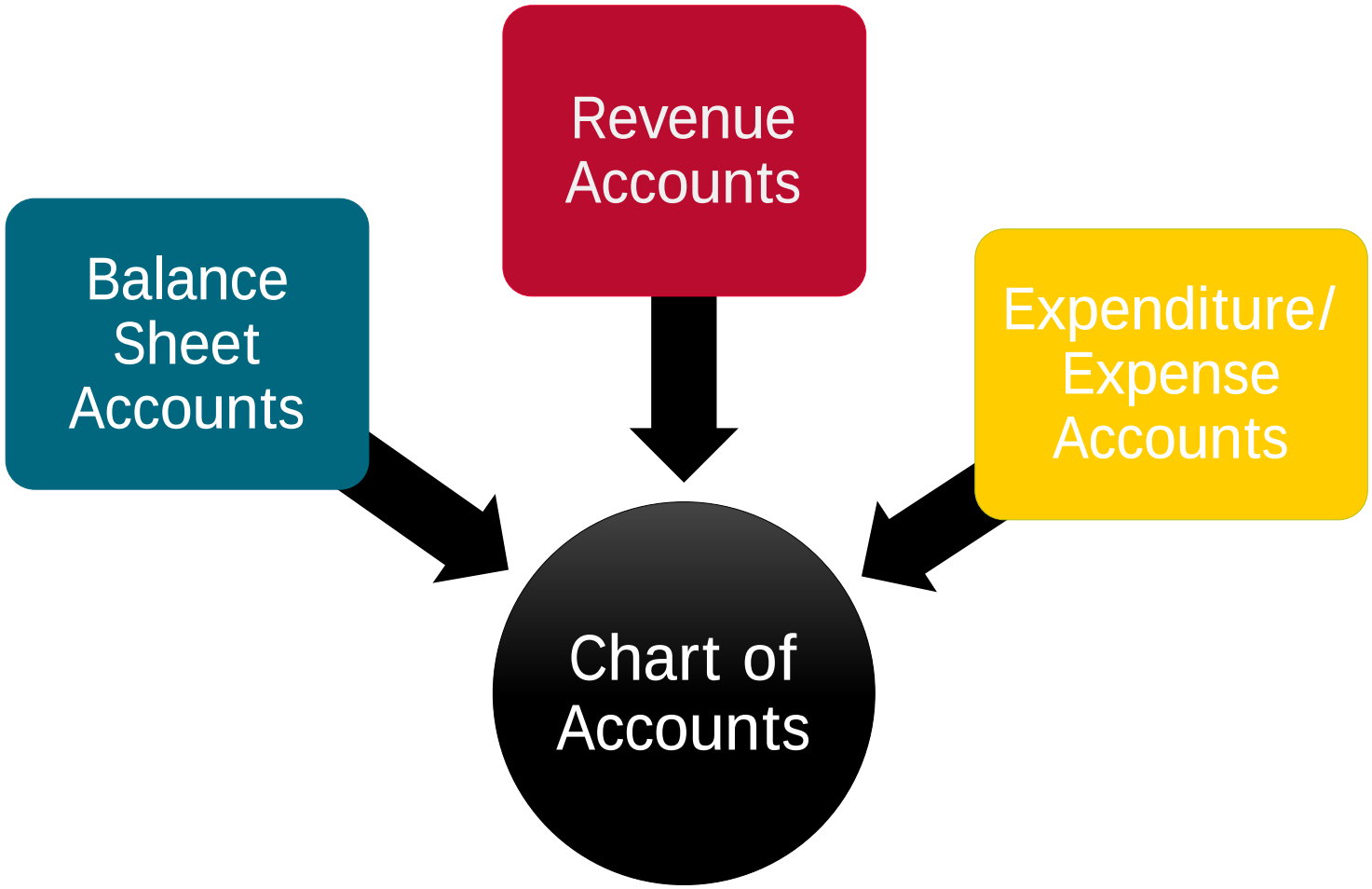
What is a “chart of accounts”?

A chart of accounts is a listing of all accounts available for use in an individual accounting system.

What is an Account?

- A record of all transactions that affect an item, such as cash
- Each account has unique identification number—an account number
- Purpose of accounts
  - Classify financial information
  - Identify location in accounting system

What's included in a chart of accounts?



Why do we use a chart of accounts?

- To facilitate financial reporting
- To evaluate government service delivery and operations
- To account for project costs
- To facilitate fiscal year comparisons

What makes up an individual account?

- Accounts are assigned a unique number—have same number of digits.
- Each account contains a single kind of transaction (cash, accounts payable).
- Accounts are arranged with similar accounts (all cash accounts together).
- Account numbers are made up of ***dimensions***.
  - Balance sheet accounts normally have fewer dimensions

What a chart of accounts looks like:

Account Number	Account Title	Account Description
11.1000	Cash on Hand	This account includes cash on hand - Florida Bank
12.1000	Payables – Goods and Services	This account represents the liabilities on an open account owed to private persons, firms, or corporations for unpaid goods and services
13.1000	Fund Balance - Unassigned	This account represents the unassigned fund balances of an entity that are technically available for any purpose
31.1000	Taxes – Ad Valorem	This account includes an annual tax levied by local governments based on the value of real and tangible personal property as of January 1 of each year
51.1000	Employer Provided Benefits – Salaries	This account includes all salaries, wages to full and part-time employees that will be reported on a W-2 form

Sample of fund identifiers

Fund Number	Fund Title	Fund Description
100	General Fund	The General Fund is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund
500	Utilities Fund	This fund accounts for all activities necessary to provide water and sewer services to residents in certain unincorporated areas of the County
550	Waste and Recycling Fund	This fund accounts for all activities necessary to provide garbage collection and disposal services to the residents and businesses of the County

Number of Funds

GAAP requires that governments establish the minimum number of funds consistent with

- Legal requirements
- Sound financial administration

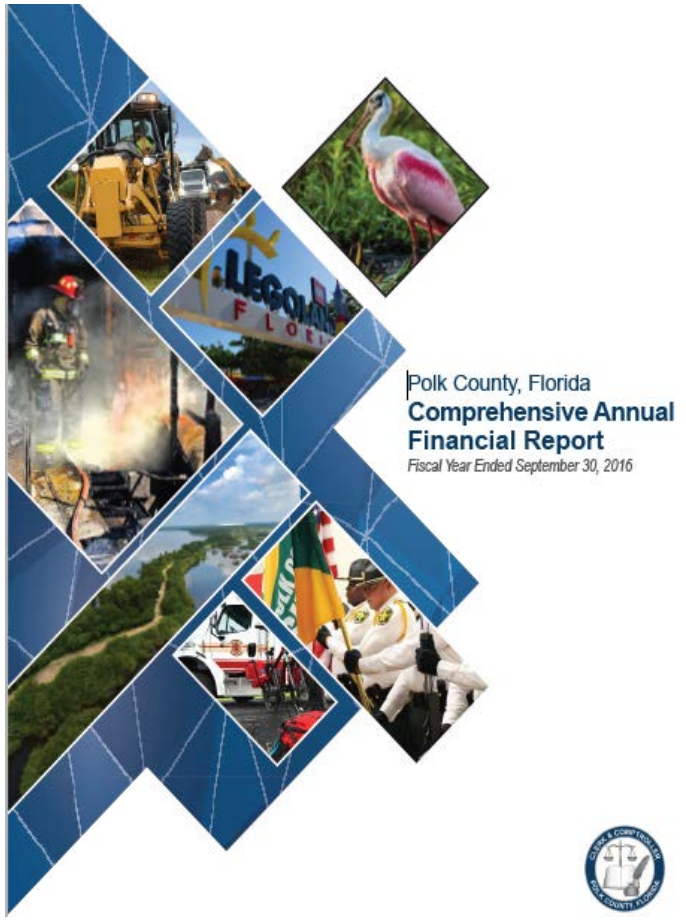
Revenue Accounts

At a minimum revenues are classified by:

- Fund
- Source

POLK COUNTY, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 190,327,171	$ 116,520,412	$ 306,847,583
Licenses and Permits	1,802,873	6,555,268	8,358,141
Intergovernmental	37,204,664	44,043,441	81,248,105
Charges for Services	56,799,779	13,453,336	70,253,115
Fines and Forfeitures	1,825,014	6,203,931	8,028,945
Special Assessments	161,558	41,925,658	42,087,216
Interest Income	1,538,224	4,303,123	5,841,347
Net Change in Fair Value of Investments	(251,009)	(852,795)	(1,103,804)
Miscellaneous Revenue	4,736,029	19,062,513	23,798,542
Total Revenues	294,144,303	251,214,887	545,359,190



Expenditure/Expense Accounts

- Usually the most difficult to code
- Usually requires multiple dimensions
  - Fund
  - Character
  - Function/Program
  - Activity
  - Object

Fund

Character and Function

POLK COUNTY, FLORIDA
GOVERNMENTAL FUNDS
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Miscellaneous Revenue	4,736,029	19,062,513	23,798,542
Total Revenues	294,144,303	251,214,887	545,359,190
EXPENDITURES			
Current:			
General Government	94,120,512	13,528,215	107,648,727
Public Safety	181,515,044	51,620,122	233,135,166
Physical Environment	5,324,281	402,378	5,726,659
Transportation	3,302,918	68,840,551	72,143,469
Economic Environment	1,732,044	13,990,709	15,722,753
Human Services	4,809,122	41,084,920	45,894,042
Culture and Recreation	524,179	14,581,782	15,105,961
Debt Service:			
Principal Retirement	-	10,152,382	10,152,382
Interest and Fiscal Charges	-	7,366,054	7,366,054
Capital Projects	-	24,971,025	24,971,025
Total Expenditures	291,328,100	246,538,138	537,866,238

Control Accounts

- Control accounts, summary accounts in the general ledger, are used for revenues and expenditures/expenses and are supported by a subsidiary ledger.
- The subsidiary ledger supports the control account and contains the details of each revenue and expenditure/expense account.

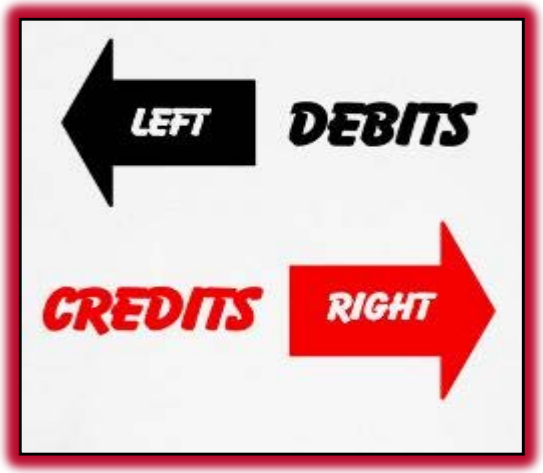
Double Entry Accounting

Double-Entry Accounting

- ✓ Standard accounting method
- ✓ Each financial transaction recorded to at least two accounts
- ✓ Debit to account(s);credit to other account(s)
- ✓ Checks accuracy of transaction
- ✓ Amount of debits = amount of credits

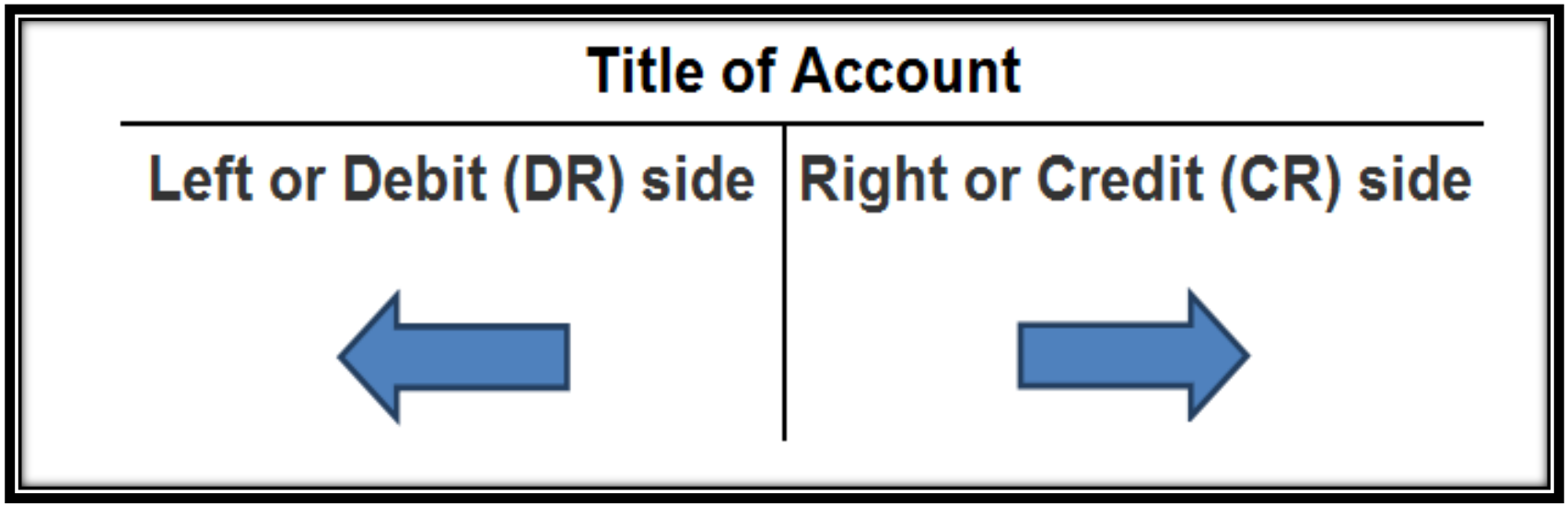
Debits and Credits

- Indicate changes to accounts
  - Increase or decrease amount
- Directional signals
  - Debits = left
  - Credits = right



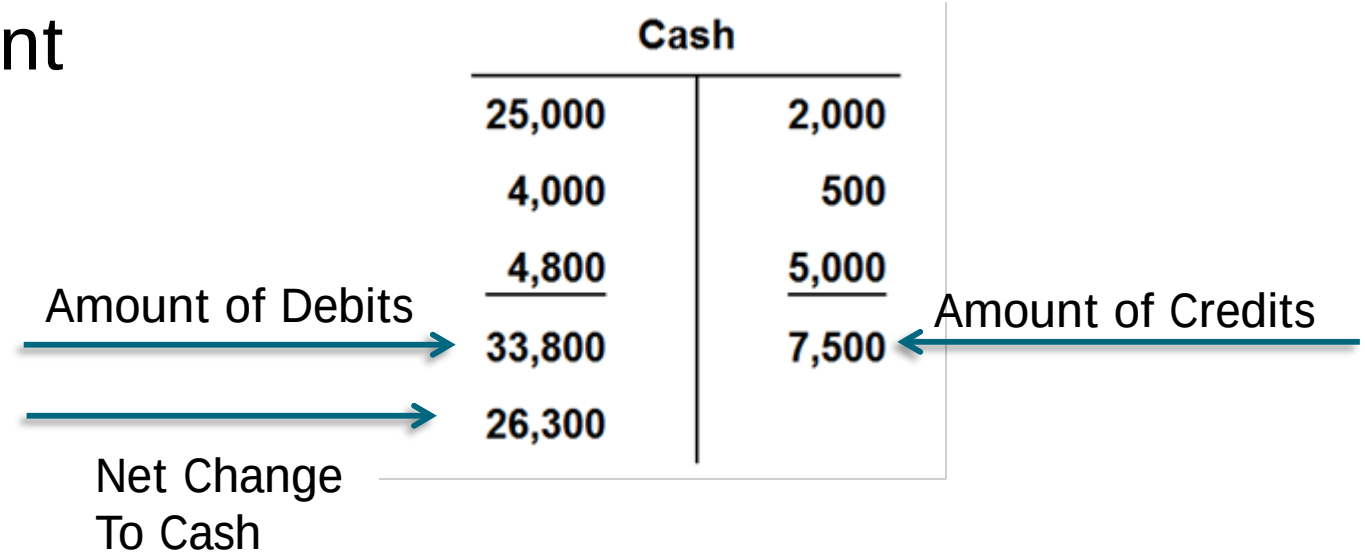
Debits and Credits

Illustration of a “T” account



Debits and Credits

Cash T-Account



Additional rules needed to know if cash increased or decreased

Rules about Debits/Credits

Rule #1—Every part of a financial transaction is either a debit or a credit.

Rule #2—Debits and credits affect accounts depending on the “normal carrying balance” of the account.

Rules about Debits/Credits

Rule #3—Normal carrying balance of accounts:

TYPE OF ACCOUNT	NORMAL CARRYING BALANCE
Asset	Debit
Liabilities	Credit
Fund Equity	Credit
Revenues	Credit
Expenditures/Expenses	Debit

Rules about Debits/Credits

Rule #4—Increases same as normal carrying balance

Rule #5—Decreases opposite of normal carrying balance

Rule #6—Debits = credits

Debits and Credits Rules

Account	Normal Account Balance	Debit	Credit
Assets	Debit	Increase	Decrease
Liabilities	Credit	Decrease	Increase
Fund Equity	Credit	Decrease	Increase
Revenues	Credit	Decrease	Increase
Expenses/Expenditures	Debit	Increase	Decrease

Equity increases and decreases

Equity (Credit – Normal Account Balance)	
Expenditures	Revenues

Basic Accounting Transactions

Steps in Recording Transactions

1. Determine chart of account number
2. Classify accounts according to (Assets, Liabilities, Revenues, Expenses)
3. Determine normal balance of accounts—debit or credit
4. Is each account increasing or decreasing?
5. Record transaction

Comparison of Recording Revenues

CASH

General Journal					Page: 1
Date		Account Titles/Explanation	Ref	Debit	Credit
20xx Sept	15	Cash		450.00	
		Revenue			450.00
		Received Cash for Revenue			

ACCRUAL

General Journal					Page: 1
Date		Account Titles/Explanation	Ref	Debit	Credit
20xx June	15	Accounts Receivable		450.00	
		Revenue			450.00
		Record Revenue Earned			

MODIFIED ACCRUAL

General Journal					Page: 1
Date		Account Titles/Explanation	Ref	Debit	Credit
20xx June	15	Accounts Receivable		450.00	
		Unavailable Revenue			450.00
		Record Amount Earned But Not Available.			

Comparison of Recording Expenses/Expenditures

CASH

General Journal					Page: 1
Date		Account Titles/Explanation	Ref	Debit	Credit
20xx June	15	Office Supply Expense		425.00	
		Cash			425.00
		To record payment to Office Supply Store.			

ACCRUAL

General Journal					Page: 1
Date		Account Titles/Explanation	Ref	Debit	Credit
20xx May	31	Office Supply Expense		425.00	
		Accounts Payable			425.00
		To record invoice from Office Supply Store			

MODIFIED ACCRUAL

General Journal					Page: 1
Date		Account Titles/Explanation	Ref	Debit	Credit
20xx May	31	Office Supply Expenditure		425.00	
		Accounts Payable			425.00
		To record invoice from Office Supply Store			

QUESTIONS?

Thank You!

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