

Overview of Governmental Accounting

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Training Objectives

- Accounting Purpose and Goal
- Accounting Standards
- Accounting Responsibilities and Records
- Uniform Accounting System
- Resources

Purpose of Accounting

- To provide a standardized, systematic method of communicating relevant, complete and accurate information (primarily financial) to appropriate decision makers and user groups.

Primary Users

- Management
- Taxpayers
- Investment Analysts
- State and Federal

System Must Provide...

- Controls to ensure you follow the Law.
- Adherence to Generally Accepted Accounting Principles (GAAP)
- Reporting on what has happened.
- Reporting on what is happening.
- Orderly analysis of financial condition.
- Audit trail so you can trace back to origin.

Generally Accepted Accounting Principles (GAAP)

- Uniform minimum standards and guidelines for financial accounting and reporting.
- Assure that all state and local government financial reports contain the same type of financial statements and disclosures.

Governmental Accounting Standards Board (GASB)

- Promulgates financial accounting and reporting standards.
- Establishes GAAP for State and local governments.
- www.gasb.org
- Interpreted by OSC for application in the State by Local Governments.

Measurement Focus and Basis of Accounting (MFBA)

- Measurement Focus – Refers to what is measured and reported in fund financial statements.
- Basis of Accounting – Refers to when transactions are recognized in the funds.

Governmental Funds

Measurement Focus

Measure Flow of Current Financial Resources

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

Proprietary and Fiduciary Funds

Measurement Focus

Measure Flow of Total Economic Financial Resources

- Proprietary – Enterprise, Internal Service
- Fiduciary – Custodial, Private-Purpose Trusts, Pension and Other Employee Benefit Trusts and Investment Trusts

Basis of Accounting

Cash Basis

- Recognize transactions when cash has been received or disbursed.
 - Fire Districts with annual revenues less than \$500,000.

Accrual Basis

- Recognize transactions when they occur.
 - Receivables and payables
 - Due to/due from
 - Prepaids, inventory, deferred inflows/outflows

Basis of Accounting

- Full Accrual Basis
 - Proprietary and Fiduciary Funds
 - Revenues – Earned and Measurable.
 - Expenses – As incurred; an order or expense is placed/realized.
- Modified Accrual Basis
 - Governmental Funds
 - Revenues – Earned, Measurable and Available.
 - Expenditures – As incurred utilizing current financial resources (invoice received).
 - Use of encumbrances for holds on appropriations (orders).

Accruals During Year

Revenue examples:

- Real Property Taxes (Account code 1001)
- Metered Water Sales (Account code 2140)
- Sewer Rents (Account code 2120)
- State Aid (Account codes 3001-3997)

Account and Explanation	Subsidiary	Debit	Credit
A250 Taxes Receivable		\$1,000,000	
A980 Revenues			\$1,000,000
A1001 Real Property Taxes	\$1,000,000		

Governmental Funds

Supplemental Schedules:

- Non-Current Governmental Assets (K)
- Non-Current Governmental Liabilities (W)

Summary of Funds

	Governmental	Proprietary and Fiduciary
Measurement Focus	Current Financial Resources	Total Economic Resources
Basis of Accounting	Modified Accrual	Full Accrual
Revenues	Earned, Measurable and Available	Earned and Measurable
Expenditures / Expenses	When Incurred (Some Exceptions)	When Incurred

Accounting Responsibilities

- Budgeting
- Accounting
 - Budget
 - Ledgers
 - Journals
 - Trial Balance
 - Bank Reconciliations
- Reporting

Books of Account

Journals:

- General Journal
- Special Journals
 - Cash Receipts
 - Cash Disbursements

Books of Account (cont'd)

Ledgers:

- General Ledger
 - Assets
 - Liabilities
 - Revenues
 - Expenditures
 - Fund Balance
- Subsidiary Ledgers
 - Revenues and expenditures

Uniform System of Accounts

Required by General Municipal Law Section 36:

- Facilitates uniformity in budgeting, accounting and reporting.
- Contained in the Accounting and Reporting Manual and the on-line account code query:
- <https://www.osc.state.ny.us/local-government/required-reporting/chart-accounts-query>



Uniform System of Accounts

A, FX, G, H	General Ledger 980, 522
CODING STRUCTURE	<u>Revenue Subsidiary</u> 1001 Real Property Taxes
	<u>Expenditure Subsidiary</u> 3120.1 Police – Personal Services

Budgetary Accounts

- Financing Sources:
 - 510 Estimated Revenues
 - 511 Appropriated Reserves
 - 599 Appropriated Fund Balance
 - 530 Obligations Authorized
- 960 Appropriations
- 962 Other Budgetary Purposes

Account Structure

Balance Sheet:

- Assets ⇒ 100 - 499
- Liabilities ⇒ 600 - 699
- Fund Balance ⇒ 800 - 917
- Revenues ⇒ 980
- Expenditures ⇒ 522
- Encumbrances ⇒ 521

Revenue Accounts

Major Sources:

- 1001 - 2999 ⇒ Local Sources
- 3000 - 3999 ⇒ State Sources
- 4000 - 4999 ⇒ Federal Sources
- 5000 - 5999 ⇒ Interfund Subsidy - Debt

Expenditures

Major Functional Areas:

- 1000.0 ⇒ General Government Support
- 2000.0 ⇒ Education
- 3000.0 ⇒ Public Safety
- 4000.0 ⇒ Health
- 5000.0 ⇒ Transportation
- 6000.0 ⇒ Economic Assistance and Opportunity
- 7000.0 ⇒ Culture - Recreation
- 8000.0 ⇒ Home and Community Services
- 9000.0 ⇒ Employee Benefits - Undistributed; Transfers; Debt

Objects of Expenditure

- .1 Personal Services
- .2 Equipment and Capital Outlay
- .4 Contractual Expenditures
- .6 Debt Principal
- .7 Debt Interest
- .8 Employee Benefits
- .9 Interfund Transfers
- .0 Total

Optional Coding

- .4 Contractual Expenditures
- .401 Travel
- .405 Repairs
- .410 Telephone
- .415 Light and Heat
- .420 Insurance
- .450 Materials and Supplies
- *Report in total on AFR as .4

Revenue Subsidiary

Subsidiary for:
A510 Estimated Revenues
A980 Actual Revenues

Account – Interest and Earnings				A2401	
Date	Explanation	Ref.	A510 Estimated Revenues	A980 Actual Revenues	Balance Unearned
6-1	Budget	JE-1	3,500		3,500
6-30	Cash Receipts	CR-1	3,500	1,990	1,510

Expenditure Subsidiary

Subsidiary for:

- A960 Appropriations
- A521 Encumbrances
- A522 Expenditures

Account – Parks- Contractual A7110.4

Date 20XX	Description	Ref.	A960 Appropriations	A521 Encumbrances	A522 Expenditures	Unencumbered Balance
6-1	Budget	JE-1	17,000			17,000
6-15	Encumb.	JE-2		2,000		15,000
6-30	Reverse	JE-4		(2,000)		17,000
6-30	Abstract	CD-1			2,050	14,950

Reconciliations

- Trial Balance
- Inventories
- Bank Accounts
- Deferred Inflows
- Receivables
- Interfund Activity
- Payables
- Investments
- Encumbrances

Year-End Closing Process

Review General Ledger accounts, compare to source documents, adjust if necessary.

- Cash
- Encumbrances
- Accounts Payable
- Accounts Receivable
- Other Assets
- Other Liabilities

Year-End Closing Process

- Accrue revenues earned but not previously recorded.
 - Sales Tax
 - Grants
- Accrue expenditures incurred but not previously recorded.
 - Payroll (.1 and .8)
 - Accounts Payable
- Record encumbrances not previously recognized.

Year-End Closing Process

- Close all temporary accounts.

Account and Explanation	Subsidiary	Debit	Credit
980 Revenues		\$XXX	
912 Fund Balance, Unrestricted			\$XXX

Account and Explanation	Subsidiary	Debit	Credit
912 Fund Balance, Unrestricted		\$XXX	
522 Expenditures			\$XXX

Account and Explanation	Subsidiary	Debit	Credit
912 Fund Balance, Unrestricted		\$XXX	
521 Encumbrances			\$XXX

Temporary Accounts

Budgetary Accounts:

- 510 Estimated Revenues
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- 511 Appropriated Reserves
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Financial Statements

- Balance Sheet
- Statement of Revenues and Expenditures
- Statement of Changes in Fund Balance

Annual Financial Report (AFR)

- Annual Report to the State Comptroller
 - General Municipal Law Section 30(5)
 - “It shall be the duty of the incumbent officer at the time such reports are required to be filed with the comptroller to file such report. The refusal or willful neglect of such officer to file a report as herein prescribed shall be a misdemeanor...”

OSC Accounting Schools

Introduction to Governmental Accounting

- Designed to familiarize participants with the basic concepts of governmental accounting and give them a working knowledge of basic bookkeeping procedures such as understanding debits and credits, a discussion of the modified accrual system of accounting, the practice of maintaining the books and records, developing and accounting for the annual budget, as well as the year-end closing process.

Accounting Principles and Procedures

- Designed to familiarize participants with accounting and financial reporting requirements for local governments in New York. The course provides guidance on certain operational issues, such as cash management, purchasing, processing claims for payment, accounting for capital projects and utilizing reserve funds.

<https://www.osc.state.ny.us/local-government/academy/osc-government-accounting-schools>

Resources

- Publications
 - <https://www.osc.state.ny.us/local-government/publications>
 - Accounting and Reporting Manual (ARM)
 - Accounting Bulletins
 - Local Government Management Guides (LGMG)
- Training
 - <https://www.osc.state.ny.us/local-government/academy>



Thank You

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