
Illustrative Journal Entries

Illustrative journal entries

This appendix provides information to support the fund financial statements presented in the illustrative CAFR found in Appendix D. This appendix relies exclusively on journal entries to illustrate how activity is recorded.¹ A complete set of journal entries is provided for each fund type used in the illustrative financial statements,² with the exception of the special revenue fund type (which reports the same basic types of transactions as the general fund). When the illustrative financial statements include more than one fund of a given fund type, sample journal entries are provided for only one of the individual funds. The sample journal entries are presented by fund type in the following order, with the page numbers for each fund's entries in parenthesis:

General fund	(A-2 – A-30)
Debt service fund	(A-30 – A-36)
Capital projects fund	(A-37 – A-46)
Permanent fund	(A-46 – A-47)
Enterprise fund	(A-48 – A-55)
Internal service fund	(A-56 – A-59)
Pension (and other employee benefit) trust fund	(A-60 – A-63)
Private purpose trust fund	(A-63 – A-64)
Investment trust fund	(A-64 – A-67)
Custodial fund	(A-67 – A-68)

Journal entries have been numbered sequentially throughout this appendix for journal entries of all fund types. Also, amounts throughout are expressed in whole

1. In practice, other techniques often are used for the initial recording of certain types of transactions during the fiscal year.
 2. The illustrative financial statements do not include agency funds as that fund type has been replaced with custodial funds.

dollars. As discussed in Chapter 21, ALL CAPS are used to indicate accounts used for budgetary integration. The government used in the illustrative CAFR found in Appendix D adopts budgets for the general, library, debt service and capital projects funds. The beginning balances (prior year balances) for the funds can be found in Appendix B.

Appendix A is available electronically at www.gfoa.org/GAAFR/AppendixA

General fund

Reversal of the prior fiscal year's assignment of fund balance for encumbrances

When an encumbrance that was open at the end of the prior year relates to goods that will be received by, or services that will be provided to, the government in the subsequent fiscal year, those outstanding purchase orders and executory contracts are automatically incorporated into the subsequent year's budget (*reappropriated*).

Those reappropriated encumbrances that will be liquidated with restricted, committed, or assigned resources have no effect on the classification of fund balance. Those that will *not* be liquidated from these resources, however, constitute an in-substance assignment of fund balance. Accordingly, a portion of *unassigned* fund balance must be reclassified as *assigned* fund balance at the end of each fiscal year (journal entry 76). The need for this assignment of fund balance disappears with the start of the subsequent fiscal year. Consequently, the journal entry made at the end of the prior fiscal year to assign fund balance for encumbrances not payable from restricted, committed, or assigned resources had to be reversed at the start of the current fiscal year:

	DR	CR
1. Fund balance – assigned for open purchase orders for goods and services	\$ 1,094,044	
Fund balance – unassigned		\$ 1,094,044
(To reverse the prior-year assignment of fund balance for open purchase orders for goods and services)		

Governments normally are required to pass a balanced budget (estimated revenues \geq appropriations) for the subsequent fiscal year. If the government anticipates that appropriations will exceed estimated revenues, a government may still be able to meet the requirement for a balanced budget by applying (*appropriating*) a portion of existing fund balance as a surrogate for the missing revenue (*appropriated fund balance*). In that case, a portion of unassigned fund balance (not to exceed the difference between appropriations and estimated revenues) has to be reclassified as *assigned* fund balance at the end of the fiscal year.

In the prior fiscal year, the government did, in fact, appropriate fund balance to make up for an anticipated difference between appropriations and estimated revenues in the current fiscal year's budget. Accordingly, the government reclassified \$5,040,894 of *unassigned* fund balance as *assigned* fund balance at the end of the prior fiscal year (\$131,056,197 appropriations – \$126,015,303 estimated revenues = \$5,040,894). The need for this assignment of fund balance disappeared with the start of the current fiscal year. Consequently, the journal entry made at the end of the

prior fiscal year to assign a portion of fund balance to reflect appropriated fund balance was reversed at the start of the current fiscal year:

	DR	CR
2. Fund balance – assigned for appropriation of fund balance in subsequent year’s budget	\$ 5,040,894	
Fund balance – unassigned		\$ 5,040,894
(To reverse prior-year assignment of fund balance for an appropriation of fund balance in the subsequent year’s budget)		

Integration of the annual appropriated budget

The annual appropriated budget for the current fiscal year included \$131,056,197 of appropriations, \$126,015,303 of estimated revenues, and authorization for a \$6,727,010 transfer out. The government decided to appropriate existing fund balance to bridge the budgetary gap between appropriations and estimated revenues (\$5,040,894). The government used the following journal entry to integrate its annual appropriated budget for the general fund into its accounting system:

	DR	CR
3. ESTIMATED REVENUES – PROPERTY TAXES	\$ 32,077,856	
ESTIMATED REVENUES – SALES TAX	45,400,000	
ESTIMATED REVENUES – FRANCHISE TAXES	1,345,000	
ESTIMATED REVENUES – INTERGOVERNMENTAL	11,381,830	
ESTIMATED REVENUES – CHARGES FOR SERVICES	17,738,732	
ESTIMATED REVENUES – LICENSES AND PERMITS	4,166,256	
ESTIMATED REVENUES – FINES	7,762,650	
ESTIMATED REVENUES – INVESTMENT EARNINGS	1,258,200	
ESTIMATED REVENUES – MISCELLANEOUS BUDGETARY CONTROL	11,767,904 ³	
APPROPRIATIONS – GENERAL GOVERNMENT – COUNCIL		\$ 369,990
APPROPRIATIONS – GENERAL GOVERNMENT – MANAGER		838,614
APPROPRIATIONS – GENERAL GOVERNMENT – ATTORNEY		2,013,374
APPROPRIATIONS – GENERAL GOVERNMENT – CLERK		601,729

3. \$5,040,894 appropriated fund balance + \$6,727,010 authorized transfer out = \$11,767,904.

3. (continued)	DR	CR
APPROPRIATIONS – GENERAL GOVERN- MENT – PERSONNEL		\$ 883,087
APPROPRIATIONS – GENERAL GOVERN- MENT – FINANCIAL ADMINISTRATION		17,113,359
APPROPRIATIONS – GENERAL GOVERN- MENT – OTHER – UNCLASSIFIED		7,156,598
APPROPRIATIONS – PUBLIC SAFETY – POLICE		34,440,844
APPROPRIATIONS – PUBLIC SAFETY – FIRE		22,104,801
APPROPRIATIONS – PUBLIC SAFETY – PROTECTIVE INSPECTION		1,562,911
APPROPRIATIONS – HIGHWAYS AND STREETS – ENGINEERING		8,003,477
APPROPRIATIONS – HIGHWAYS AND STREETS – MAINTENANCE		16,255,388
APPROPRIATIONS – SANITATION		8,841,384
APPROPRIATIONS – CULTURE AND RECREATION		10,177,528
APPROPRIATIONS – DEBT SERVICE – PRINCIPAL		473,234
APPROPRIATIONS – DEBT SERVICE – INTEREST		219,879
APPROPRIATIONS – OTHER FINANCING USES – TRANSFERS OUT		6,727,010
(To record the annual appropriated budget)		

Property tax levy

The government levied \$31,496,684 of property taxes during the current fiscal year to finance the current fiscal year’s budget. Payment of the taxes was due during the current fiscal year. Experience indicates that approximately 0.1 percent of the property tax levy ultimately will prove to be uncollectible (\$31,496). As a practical matter, it is the government’s policy to initially record the entire amount that it ultimately expects to collect as *revenue*, and then reclassify an appropriate portion of that amount as *unavailable revenue* at the end of the fiscal year (journal entry 76):

	DR	CR
4. Taxes receivable – property taxes	\$ 31,496,684	
Allowance for uncollectible taxes – property taxes		\$ 31,496
Revenues – property taxes		31,465,188
(To record property tax levy)		

Payments in lieu of taxes

In addition to the taxes levied on property owners, the government also assessed both the water fund and the transit fund a payment in lieu of property taxes equivalent to the value of the services that these funds received from the government

(*interfund services provided and used*).⁴ The current fiscal year's assessments to the water and transit funds were \$354,452 (journal entry 155) and \$234,455, respectively. Both funds paid the assessment in full during the current fiscal year:

	DR	CR
5. Due from other funds – water fund	\$ 354,452	
Due from other funds – transit fund	234,455	
Revenues – miscellaneous – payments in lieu of taxes		\$ 588,907
(To record assessments for payments in lieu of taxes from the water and transit funds)		
	DR	CR
6. Cash	\$ 588,907	
Due from other funds – water fund		\$ 354,452
Due from other funds – transit fund		234,455
(To record receipts of payments in lieu of taxes from the water and transit funds)		

The state has several facilities (a mental health facility and a driver licensing center) located in the government's taxing jurisdiction. Similarly, other governments have property and facilities within the government's taxing jurisdiction (the county courthouse and educational facilities of the school district). State statutes prohibit the assessment of local property taxes on the facilities and property of the state and other governments. However, the state and these other governments annually remit a payment in lieu of taxes equivalent to the cost of the services that the government provided for their facilities and property. The government billed \$1,756,638 (\$990,253 to the state and \$766,385 to other governments) for payments in lieu of taxes in the current fiscal year, and was paid promptly:

	DR	CR
7. Intergovernmental receivable – state	\$ 90,253	
Intergovernmental receivable – local	766,385	
Revenues – miscellaneous – payments in lieu of taxes		\$ 1,756,638
(To record assessments for payments in lieu of taxes from the state and other governments)		
	DR	CR
8. Cash	\$ 1,756,638	
Intergovernmental receivable – state		\$ 990,253
Intergovernmental receivable – local		766,385
(To record receipt of payments in lieu of taxes from the state and other governments)		

4. If the amount paid had *not* been approximately equivalent to the value of the services received, the payment in lieu of taxes would properly have been reported as a *transfer*.

Donation

The government received donations from various interest groups in the amount of \$70,766. These donations are subject to the restriction that they be used exclusively for various youth-related activities and programs (a purpose restriction):⁵

	<u>DR</u>	<u>CR</u>
9. Restricted cash	\$ 70,766	
Revenues– miscellaneous – contributions		\$ 70,766
(To record receipt of restricted cash contributions)		

Encumbrances

The government uses an encumbrance accounting system and during the current fiscal year recorded \$63,897,054 of encumbrances for purchase orders and contracts. This amount included all of the encumbrances of the prior fiscal period that were automatically reappropriated, including those expected to be paid from restricted, committed, or assigned resources:

Encumbrances payable from restricted, committed, or assigned resources	\$ 1,967,814
Encumbrances <i>not</i> payable from restricted, committed or assigned resources ⁶	<u>1,094,044</u>
Total encumbrances reappropriated from prior year	\$ 3,061,858

The following journal entry aggregates the individual journal entries made throughout the year as purchase orders were issued and contracts were signed:

	<u>DR</u>	<u>CR</u>
10. ENCUMBRANCES – GENERAL		
GOVERNMENT –COUNCIL	\$ 1,204,078	
ENCUMBRANCES – GENERAL		
GOVERNMENT –MANAGER	406,204	
ENCUMBRANCES – GENERAL		
GOVERNMENT –ATTORNEY	772,658	
ENCUMBRANCES – GENERAL		
GOVERNMENT – CLERK	314,853	
ENCUMBRANCES – GENERAL		
GOVERNMENT – PERSONNEL	424,283	
ENCUMBRANCES – GENERAL		
GOVERNMENT – FINANCIAL		
ADMINISTRATION	8,381,268	
ENCUMBRANCES – GENERAL		
GOVERNMENT – OTHER –		
UNCLASSIFIED	3,563,753	
ENCUMBRANCES – PUBLIC SAFETY –		
POLICE	16,728,894	
ENCUMBRANCES – PUBLIC SAFETY – FIRE	10,931,627	
ENCUMBRANCES – PUBLIC SAFETY –	827,769	
PROTECTIVE INSPECTION		

5. The expenditures are included in journal entry 44

6. See journal entry 1.

10. (continued)	<u>DR</u>	<u>CR</u>
ENCUMBRANCES – HIGHWAYS AND STREETS – ENGINEERING	\$ 3,953,116	
ENCUMBRANCES – HIGHWAYS AND STREETS – MAINTENANCE	7,811,116	
ENCUMBRANCES – SANITATION	4,137,420	
ENCUMBRANCES – CULTURE AND RECREATION	4,440,015	
BUDGETARY CONTROL		\$ 63,897,054
(To record encumbrances for purchase orders and contracts)		

Collection of accounts receivable

The general fund received \$5,695,044 in cash during the current fiscal year related to amounts that had been recognized as accounts receivable and revenue in the prior fiscal year:

	<u>DR</u>	<u>CR</u>
11. Cash	\$ 5,695,044	
Accounts receivable		\$ 5,695,044
(To record collection of prior year accounts receivable)		

Collection of property taxes

The government collected \$31,247,691 of the current fiscal year's property tax levy during the current fiscal year:

	<u>DR</u>	<u>CR</u>
12. Cash	\$ 31,247,691	
Taxes receivable – property tax		\$ 31,247,691
(To record collection of current fiscal year's property taxes)		

The government also collected \$32,692 of delinquent property taxes, including amounts related to interest, penalties, and liens. Receivables and unavailable revenue had previously been recognized for the entire amount:

	<u>DR</u>	<u>CR</u>
13. Cash	\$ 32,692	
Taxes receivable – property taxes		\$ 31,462
Interest and penalties receivable – property taxes		780
Tax liens receivable – property taxes		450
(To record collection of property-tax related receivables)		

	<u>DR</u>	<u>CR</u>
14. Unavailable revenue – property taxes	\$ 31,462	
Unavailable revenue – interest and penalties – property taxes		\$ 780
Unavailable revenue – tax liens – property taxes		450
Revenues – property taxes		32,692
(To recognize revenue from the collection of property taxes, interest, penalties, and liens)		

Interest and penalties – property taxes

Interest and penalty charges begin to accrue as soon as property taxes become delinquent, with penalty and interest rates being set by state statute. These amounts are *not* considered to be available to liquidate liabilities of the current period. Related *unavailable revenue* is recorded net of uncollectible amounts. During the current fiscal year, the government accrued \$151,992 in interest and penalties related to delinquent property taxes:

	DR	CR
15. Interest and penalties receivable – property taxes	\$ 151,992	
Allowance for uncollectible interest and penalties – property taxes		\$ 30,398
Unavailable revenue – interest and penalties – property taxes		121,594
(To record interest and penalties on delinquent property taxes)		

When delinquent property taxes are not paid within a specified period established by state statute, a lien attaches to the property. The property is then subject to sale for the delinquent taxes. During the current fiscal year, the government placed a lien on property for \$117,121 of uncollected taxes, interest, and penalties, which required that related receivable, uncollectible, and unavailable revenue accounts be reclassified:

	DR	CR
16. Unavailable revenue – property taxes	\$ 113,631	
Allowance for uncollectible taxes – property taxes	1,148	
Taxes receivable – property taxes		\$ 114,779
(To eliminate property taxes receivable and related accounts for amounts to be reclassified as tax liens receivable)		

	DR	CR
17. Unavailable revenue – interest and penalties – property taxes	\$ 1,874	
Allowance for uncollectible interest and penalties – property taxes	468	
Interest and penalties receivable – property taxes		\$ 2,342
(To eliminate interest and penalties receivable and related accounts for amounts to be reclassified as tax liens receivable)		

	DR	CR
18. Tax liens receivable – property taxes	\$ 117,121	
Allowance for uncollectible tax liens receivable – property taxes		\$ 29,280
Unavailable revenue – tax liens – property taxes		87,841
(To record tax liens receivable and related accounts)		

User charges

Various city departments provide services that are financed, in part, by user charges (for example, garbage collection, recreation programs). Total billings and collections for the current fiscal year, including activity involving other funds, amounted to \$16,955,893:

	<u>DR</u>	<u>CR</u>
19. Accounts receivable	\$ 16,896,500	
Due from other funds – library fund	25,398	
Due from other funds – city center garage fund	22,683	
Due from other funds – fleet management fund	11,312	
Revenues – charges for services		\$ 16,955,893
(To record user-charge billings)		
	<u>DR</u>	<u>CR</u>
20. Cash	\$ 16,955,893	
Accounts receivable		\$ 16,896,500
Due from other funds – library fund		25,398
Due from other funds – city center garage fund		22,683
Due from other funds – fleet management fund		11,312
(To record collection of user charges)		

Sales taxes

The government levies a 2¼ percent sales tax that is collected by merchants and forwarded to the state. The state distributes the taxes to the government approximately one month after collection as part of its normal processing cycle. The government received \$42,539,829 in payments from the state related to the current fiscal year. In addition, a payment of \$2,727,003 was received for amounts that had been recognized as a receivable and revenue in the prior fiscal year:

	<u>DR</u>	<u>CR</u>
21. Cash	\$ 42,539,289	
Revenues – sales taxes		\$ 42,539,289
(To record the receipt of the current fiscal year's sales taxes)		
	<u>DR</u>	<u>CR</u>
22. Cash	\$ 2,727,003	
Taxes receivable – sales taxes		\$ 2,727,003
(To record the collection of sales taxes accrued in the prior fiscal year)		

Franchise taxes

The government levies a 1 percent tax on every utility that does business in the city. The government collected \$1,286,623 in franchise taxes during the current fiscal year. It also recognized \$251,210 in franchise taxes as a receivable and revenue in the current fiscal year (because the amount was collected within the availability period⁷):

7. Note that if financial statements were issued prior to the end of the government's availability period, an estimate of the amount expected to be collected within the availability period could have been used.

	DR	CR
23. Cash	\$ 1,286,623	
Accounts receivable	251,210	
Revenues – franchise taxes		\$ 1,537,833
(To recognize revenue for franchise taxes relating to the current fiscal year)		

Transfer to special revenue fund

The government transferred \$1,615 from the general fund to the housing grant special revenue fund during the current fiscal year:

	DR	CR
24. Other financing uses – transfers out – housing grant fund	\$ 1,615	
Cash		\$ 1,615
(To record transfer to special revenue fund)		

Sale of capital assets

During the current fiscal year, the government sold various capital assets of the general government with a carrying value of \$9,174 (\$922,275 historical cost – \$913,101 accumulated depreciation) in return for a single cash payment of \$31,450. The general fund, of course, does *not* report capital assets:

	DR	CR
25. Cash	\$ 31,450	
Other financing sources – sales of general capital assets		\$ 31,450
(To record proceeds from the sale of general capital assets)		

Note: Had the amount been judged immaterial, the government could have elected to report the proceeds of the sale as *other revenues* rather than as an *other financing source*.

Reimbursement

During the current fiscal year, the general fund received a \$10,000 reimbursement for current-year expenditures initially reported in the general fund but properly applicable to the self-insurance internal service fund (journal entry 190)⁸:

	DR	CR
26. Cash	\$ 10,000	
Expenditures – general government – other – unclassified		\$ 10,000
(To record reimbursement from the self-insurance fund)		

Receipt of interest

During the current fiscal year, the government received interest payments of \$1,250,755. Of this amount, \$138,972 represents the payment of interest accrued

8. The expenditures are included in journal entry 43.

during the prior fiscal year. Of the receivable amount, \$90,657 was recognized as revenue in the prior year and \$48,315 was reported as unavailable revenue. The latter was recognized as revenue upon receipt in the current year:

	<u>DR</u>	<u>CR</u>
27. Cash	\$ 1,250,755	
Unavailable revenue – investment earnings	48,315	
Interest receivable – investments		\$ 138,972
Revenues – investment earnings		1,160,098
(To record interest receipts for the year)		

Accrual of interest receivable

As of the end of the current fiscal year, the government had earned \$37,151 in interest on its investments. This entire amount was considered to be available, and thus recognized as revenue of the current fiscal year:

	<u>DR</u>	<u>CR</u>
28. Interest receivable – investments	\$ 37,151	
Revenues – investment earnings		\$ 37,151
(To record interest accrued at year end)		

Transfer from capital projects fund

During the current fiscal year, the general fund received a transfer of \$20,944 from the capital projects fund for unused funds related to closed construction projects (see journal entry 128). The closing of the construction projects removed all constraints on the use of the resources, thereby permitting a transfer to the general fund:

	<u>DR</u>	<u>CR</u>
29. Cash	\$ 20,944	
Other financing sources – transfers in – capital projects fund		\$ 20,944
(To record receipt of transfer from the capital projects fund)		

Grants

During the current fiscal year the general fund collected \$9,539,352 from expenditure-driven grants. Of this amount, \$347,000 had been recognized as accounts receivable and revenue in the prior fiscal year. The balance of \$9,192,352 was recognized as revenue in the current fiscal year because all eligibility requirements had been satisfied:

	<u>DR</u>	<u>CR</u>
30. Cash	\$ 347,000	
Intergovernmental receivable – federal		\$ 42,000
Intergovernmental receivable – local		305,000
(To record receipt of grants recognized as revenue in the prior fiscal year)		

	DR	CR
31. Cash	\$ 9,192,352	
Revenues – intergovernmental		\$ 9,192,352
(To record revenues for grants where all eligibility requirements were met during the current fiscal year and cash was received during the current fiscal year)		

The government also met all eligibility requirements for an additional \$513,579 of expenditure-driven grants during the current fiscal year. It was reimbursed subsequent to the end of the current fiscal year, but within the government’s availability period:

	DR	CR
32. Intergovernmental receivable – federal	\$ 33,128	
Intergovernmental receivable – state	188,770	
Intergovernmental receivable – local	291,681	
Revenues – intergovernmental		\$ 513,579
(To record revenues for grants for which all eligibility requirements were met during the current fiscal year and for which cash was received within the availability period for grants)		

Miscellaneous revenues

Revenue not previously susceptible to accrual was received from several sources. Amounts collected during the current fiscal year totaled \$11,109,706. An additional \$425,542 was recognized as revenue because it was collected after the close of the current fiscal year, but still within the availability period:⁹

	DR	CR
33. Cash	\$ 11,109,706	
Accounts receivable	425,542	
Revenues – licenses and permits		\$ 2,649,889
Revenue – fines		6,670,562
Revenues – miscellaneous		2,214,797
(To recognize revenue for license and permit fees, fines, and other miscellaneous revenues relating to the current fiscal year)		

Insurance recovery

Some of the government’s equipment and buildings were damaged in a flood that occurred during the prior fiscal year. The government reported an impairment loss in the prior fiscal year. During the current fiscal year, the government received the related insurance proceeds (the claim was *not* considered to be realizable prior to the current fiscal year):

9. See journal entry 11 for receipt of prior year receivables.

	DR	CR
34. Cash	\$ 194,082	
Other financing sources – insurance recoveries		\$ 194,082
(To recognize insurance recoveries received during the current fiscal year)		

Accrual of sales tax

The state remits sales taxes on a monthly basis. Each monthly report indicates the amount related to sales of the current fiscal year that were collected in the subsequent fiscal year. These state reports indicated that an additional \$1,829,576 of sales taxes related to the current fiscal year were ultimately collected within the government’s availability period:

	DR	CR
35. Taxes receivable – sales taxes	\$ 1,829,576	
Revenues – sales taxes		\$ 1,829,576
(To accrue current fiscal year sales taxes collected by the state)		

Liquidation of encumbrances

The government was billed \$56,952,369 during the current fiscal year for expenditures associated with encumbrances in the amount of \$60,523,478. Of these billings, \$2,576,222 related to interfund services provided by the risk management internal service fund (see journal entry 178). The government removed the full amount of the encumbrances, even though the related expenditures were less than originally anticipated (an encumbrance becomes obsolete once the related expenditure has occurred):

	DR	CR
36. BUDGETARY CONTROL	\$ 60,523,478	
ENCUMBRANCES – GENERAL GOVERNMENT – COUNCIL		\$ 1,140,506
ENCUMBRANCES – GENERAL GOVERNMENT – MANAGER		384,757
ENCUMBRANCES – GENERAL GOVERNMENT – ATTORNEY		731,864
ENCUMBRANCES – GENERAL GOVERNMENT – CLERK		298,230
ENCUMBRANCES – GENERAL GOVERNMENT – PERSONNEL		401,882
ENCUMBRANCES – GENERAL GOVERNMENT – FINANCIAL ADMINISTRATION		7,938,762
ENCUMBRANCES – GENERAL GOVERNMENT – OTHER – UNCLASSIFIED		3,375,597
ENCUMBRANCES – PUBLIC SAFETY – POLICE		15,845,657
ENCUMBRANCES – PUBLIC SAFETY – FIRE		10,354,469
ENCUMBRANCES – PUBLIC SAFETY – PROTECTIVE INSPECTION		784,065

	DR	CR
36. (continued)		
ENCUMBRANCES – HIGHWAYS AND STREETS – ENGINEERING		\$ 3,744,403
ENCUMBRANCES – HIGHWAYS AND STREETS – MAINTENANCE		7,398,713
ENCUMBRANCES – SANITATION		3,918,977
ENCUMBRANCES – CULTURE AND RECREATION		4,205,596
(To cancel encumbrances related to billings for goods and services received)		

	DR	CR
37. Expenditures – general government – council	\$ 1,073,212	
Expenditures – general government – manager	362,055	
Expenditures – general government – attorney	688,681	
Expenditures – general government – clerk	280,633	
Expenditures – general government – personnel	378,169	
Expenditures – general government – financial administration	7,470,346	
Expenditures – general government – other – unclassified	3,176,425	
Expenditures – public safety – police	14,910,705	
Expenditures – public safety – fire	9,743,517	
Expenditures – public safety – protective inspection	737,802	
Expenditures – highways and streets – engineering	3,523,469	
Expenditures – highways and streets – maintenance	6,962,161	
Expenditures – sanitation	3,687,743	
Expenditures – culture and recreation	3,957,451	
Accounts payable		\$ 51,872,087
Accrued liabilities		2,504,060
Due to other funds – risk management fund		2,576,222
(To record goods and services received except for material and supplies inventory)		

During the current fiscal year, the government also purchased \$203,728 of inventories for which \$205,012 had been encumbered:

	DR	CR
38. BUDGETARY CONTROL	\$ 205,012	
ENCUMBRANCES – GENERAL GOVERN- MENT – COUNCIL		\$ 3,863
ENCUMBRANCES – GENERAL GOVERN- MENT – MANAGER		1,303
ENCUMBRANCES – GENERAL GOVERN- MENT – ATTORNEY		2,479

	DR	CR
38. (continued)		
ENCUMBRANCES – GENERAL GOVERN- MENT – CLERK		\$ 1,010
ENCUMBRANCES – GENERAL GOVERN- MENT – PERSONNEL		1,361
ENCUMBRANCES – GENERAL GOVERN- MENT – FINANCIAL ADMINISTRATION		26,891
ENCUMBRANCES – GENERAL GOVERN- MENT – OTHER – UNCLASSIFIED		11,434
ENCUMBRANCES – PUBLIC SAFETY – POLICE		53,674
ENCUMBRANCES – PUBLIC SAFETY – FIRE		35,074
ENCUMBRANCES – PUBLIC SAFETY – PROTECTIVE INSPECTION		2,656
ENCUMBRANCES – HIGHWAYS AND STREETS – ENGINEERING		12,683
ENCUMBRANCES – HIGHWAYS AND STREETS – MAINTENANCE		25,062
ENCUMBRANCES – SANITATION		13,275
ENCUMBRANCES – CULTURE AND RECREATION		14,247
(To cancel encumbrances related to materials and supplies inventories received)		
	DR	CR
39. Inventories	\$ 203,728	
Accounts payable		\$ 203,728
(To record billings for material and supplies inventories received during the year)		

Consumption of inventories

The government accounts for its materials and supplies inventories on a consumption basis. The government determined that it consumed \$160,469 in inventories during the current fiscal year:

	DR	CR
40. Expenditures – general government – council	\$ 3,024	
Expenditures – general government – manager	1,020	
Expenditures – general government – attorney	1,940	
Expenditures – general government – clerk	791	
Expenditures – general government – personnel	1,066	
Expenditures – general government – financial administration	21,048	
Expenditures – general government – other – unclassified	8,950	
Expenditures – public safety – police	42,012	

	DR	CR
40. (continued)		
Expenditures – public safety – fire	\$ 27,453	
Expenditures – public safety – protective inspection	2,079	
Expenditures – highways and streets – engineering	9,928	
Expenditures – highways and streets – maintenance	19,617	
Expenditures – sanitation	10,391	
Expenditures – culture and recreation	11,150	
Inventories		\$ 160,469
(To record consumption of materials and supplies inventories during the year)		

Prepaid insurance

The government acquired an insurance policy during the current fiscal year to provide coverage for the subsequent fiscal year. No amount had previously been encumbered for this purpose. The government uses the consumption method to account for prepaid items:

	DR	CR
41. Prepaid items	\$ 48,114	
Cash		\$ 48,114
(To record prepaid insurance)		

Amortization of prepaid items

At the beginning of the current fiscal year, the government reported a balance of \$67,090 for prepaid rent. The prepaid rent was related to temporary office space that the government needed for the finance department during the renovation of its offices. The renovation took place and was completed during the current fiscal year:

	DR	CR
42. Expenditures – general government – financial administration	\$ 67,090	
Prepaid items		\$ 67,090
(To record the amortization of prepaid items during the year)		

Recognition of expenditures

The government also recorded \$68,381,827 of accounts payable, including employer contributions due to the pension (see journal entry 202) and other postemployment benefit plans, during the current fiscal year related to transactions that did *not* involve encumbrances:

	DR	CR
43. Expenditures – general government – council	\$ 1,288,589	
Expenditures – general government – manager	434,714	
Expenditures – general government – attorney	826,889	
Expenditures – general government – clerk	336,952	

43. (continued)	DR	CR
Expenditures – general government – personnel	\$ 454,062	
Expenditures – general government – financial administration	8,969,528	
Expenditures – general government – other – unclassified	3,813,884	
Expenditures – public safety – police	17,903,052	
Expenditures – public safety – fire	11,698,890	
Expenditures – public safety – protective inspection	885,868	
Expenditures – highways and streets – engineering	4,230,575	
Expenditures – highways and streets – maintenance	8,359,359	
Expenditures – sanitation	4,427,816	
Expenditures – culture and recreation	4,751,649	
Accounts payable		\$ 68,381,827
(To record salaries, benefits, and other nonencumbered expenditures)		

Liquidation of liabilities

The government liquidated \$129,223,862 in liabilities during the current fiscal year, including \$2,576,222 that it paid to the internal service fund for services that it provided (see journal entry 178). Included in the liquidation was \$70,766 of payments related to donated, restricted cash (see journal entry 9):

	DR	CR
44. Accounts payable	\$ 124,282,230	
Accrued liabilities	2,365,410	
Due to other funds – risk management fund	2,576,222	
Cash		\$ 129,153,096
Restricted cash		70,766
(To record payment of liabilities during the year)		

Special assessment project

During the current fiscal year, the government agreed to participate in a special assessment street construction project in a newly developed area at an estimated cost of \$1,200,000 before change orders. The government made \$1,025,000 in payments to the capital projects fund during the current fiscal year in partial fulfillment of this commitment:

	DR	CR
45. Other financing uses – transfers out – capital projects fund	\$ 1,200,000	
Due to other funds – capital projects fund		\$ 1,200,000
(To record the government’s portion of special assessment project)		

	DR	CR
46. Due to other funds – capital projects fund	\$ 1,025,000	
Cash		\$ 1,025,000
(To record partial payment of project construction costs)		

As part of the special assessment construction project agreement, the government issued \$4,700,000 in special assessment bonds and also committed to provide additional resources in the event of a shortfall resulting from a bond discount. The special assessment bonds, which are reported in the capital projects fund, were sold at a \$10,000 original issue discount; therefore, the government was obligated to transfer an amount equal to the discount to the capital projects fund (journal entry 115). Furthermore, the government agreed to pay the special assessment bond issuance costs of \$150,000 from general fund resources, which required a transfer of \$150,000 to the capital projects fund and an adjustment to the general fund's budget (journal entry 116):

	DR	CR
47. Other financing uses – transfers out – capital projects fund	\$ 10,000	
Due to other funds – capital projects fund		\$ 10,000
(To record government commitment to provide additional resources)		

	DR	CR
48. APPROPRIATIONS – GENERAL		
GOVERNMENT – OTHER – UNCLASSIFIED	\$ 150,000	
APPROPRIATIONS – OTHER FINANCING USES – TRANSFERS		\$ 150,000
(To record budgetary adjustment)		

	DR	CR
49. Other financing uses – transfers out – capital projects fund	\$ 150,000	
Due to other funds – capital projects fund		\$ 150,000
(To record amount due to capital projects fund for reimbursement of bond issuance costs)		

Lease obligation

During the current fiscal year, the government entered into a five-year lease agreement to acquire playground equipment for the government's parks. The lease term began at the beginning of the fourth month of the government's fiscal year. The monthly payments are \$1,000 due at the beginning each month with an interest rate of three percent. The government also has the option to purchase the equipment for \$2,000 at the end of the lease which is reasonably certain to occur. The lease liability was determined to be \$57,517 (present value sixty \$1,000 monthly lease payments due at the beginning of the month, with an annual interest rate of three percent, \$55,791; and the purchase option, \$2,000, present value, \$1,726; \$55,791 + \$1,726 = \$57,517). Originally, \$60,000 had been encumbered for the purchase of the

equipment. The intangible right-to-use asset was determined to be \$60,017 (initial value of the lease liability plus \$2,500 incurred to get the equipment ready for use):

	<u>DR</u>	<u>CR</u>
50. BUDGETARY CONTROL	\$ 60,000	
ENCUMBRANCES – CULTURE		
AND RECREATION		\$ 60,000
(To cancel encumbrances related to lease acquisition)		
	<u>DR</u>	<u>CR</u>
51. Expenditures – culture and recreation	\$ 57,517	
Other financing sources – capital leases		\$ 57,517
(To record lease equipment acquisition)		

Lease receivable

During the current fiscal year, the government entered into a ten-year lease agreement with an outside party to lease two floors of one of the government's buildings. The lease term began halfway through the government's fiscal year. The government is charging an interest rate of 2.5 percent to the lessee. The monthly payments are \$3,000 due at the beginning of each month. The lessee was required to pay the government the last month's rent at the inception of the lease. The lease receivable was determined to be \$316,556 (present value of 119 monthly lease receipts of \$3,000 due at the beginning each month with an annual interest rate of 2.5 percent). The deferred inflow of resources was determined to be \$319,556 (initial value of the lease receivable plus \$3,000 receipt of last month's rent from lessee):

	<u>DR</u>	<u>CR</u>
52. Cash	\$ 3,000	
Lease receivable	316,556	
Deferred inflow of resources – leases		\$ 319,556
(To record lease of facilities)		

During the current year, the government received six monthly payments of \$3,000 from the lessee:

	<u>DR</u>	<u>CR</u>
53. Cash	\$ 18,000	
Lease receivable		\$ 14,783
Interest revenue		3,217
(To record lease payments received)		

The government will recognize six months of lease revenue in the current fiscal year, which was already included in the estimated revenues for the current year:

	<u>DR</u>	<u>CR</u>
54. Deferred inflow of resources - leases	\$ 15,978	
Lease revenue		\$ 15,978
(To recognize six months of deferred lease revenue)		

Issuance of note payable

The government issued a note payable in the amount of \$2,000,000 via private placement at the end of the current fiscal year for the purchase of new vehicles that will be purchased in the subsequent fiscal year. The government incurred issuance costs associated with the private placement note that were paid on the day of issuance, which required a \$50,000 budget increase to the bond issuance costs line item. The \$50,000 was originally budgeted as part of debt service principal:

	DR	CR
55. Cash	\$ 1,984,746	
Expenditures – debt service – note issuance costs	15,254	
Other financing sources – note proceeds		\$ 2,000,000
(To record issuance of private placement note)		
	DR	CR
56. APPROPRIATIONS – DEBT SERVICE – PRINCIPAL	\$ 50,000	
APPROPRIATIONS – DEBT SERVICE – OTHER – BOND ISSUANCE COSTS		\$ 50,000
(To record budgetary adjustment)		

Payment of pension-related debt

Several years ago, the government's contribution rates to the Statewide General Employees Retirement Fund (GERF), a cost-sharing multiple-employer defined benefit pension plan, were significantly increased because of several factors, including investment losses. To ease the immediate burden on employers participating in the plan, the GERF allowed certain amounts to be converted to pension-related debt, thereby excluding these amounts from the annual contractually required contributions. This year a payment of \$697,896 was made to reduce the outstanding balance of the pension-related debt. The government allocates pension costs to functions based on each function's proportionate share of covered payroll:

	DR	CR
57. Expenditures – general government – council	\$ 20,937	
Expenditures – general government – manager	14,935	
Expenditures – general government – attorney	12,841	
Expenditures – general government – clerk	9,352	
Expenditures – general government – personnel	10,468	
Expenditures – general government – financial administration	15,493	
Expenditures – general government – other – unclassified	3,140	
Expenditures – public safety – police	156,398	
Expenditures – public safety – fire	167,984	
Expenditures – public safety – protective inspection	60,090	
Expenditures – highways and streets – engineering	77,397	
Expenditures – highways and streets – maintenance	50,528	
Expenditures – sanitation	14,237	
Expenditures – culture and recreation	84,096	
Cash		\$ 697,896
(To record payment of pension-related debt)		

Asset forfeitures

During the current fiscal year, the parking violations bureau seized a number of vehicles for “scofflaw” violations. The vehicles were sold at auction for \$13,600, which was less than the amount of unpaid violations, meaning the government was able to retain all of the proceeds from the sale of the vehicles:

	DR	CR
58. Cash	\$ 13,600	
Revenues – miscellaneous – seized property		\$ 13,600
(To record receipt of proceeds for vehicles seized and sold at auction)		

Reimbursement from component unit

The general fund billed the Urban Renewal Agency, a discretely presented component unit, \$32,615 for a utility bill that the government’s financial administration department paid on the agency’s behalf as a matter of convenience:

	DR	CR
59. Due from component unit – Urban Renewal Agency	\$ 32,615	
Expenditures – general government – financial administration		\$ 32,615
(To record government’s billing of component unit for a reimbursement)		

Routine acquisition of general government capital assets

The government paid \$784,625 for the routine purchase of light-duty vehicles for use in the government’s various recreational activities:

	DR	CR
60. Expenditures – culture and recreation	\$ 784,625	
Cash		\$ 784,625
(To record the routine acquisition of light duty vehicles)		

Subsidy to enterprise fund

The general fund provided \$3,728,209 to support the operations of its transit enterprise fund:

	DR	CR
61. Other financing uses – transfers out – transit fund	\$ 3,728,209	
Cash		\$ 3,728,209
(To record general support provided to the transit enterprise fund)		

Subsidy to component unit

The general fund provided \$75,043 to support the operations of the Urban Renewal Agency, a discretely presented component unit:

	<u>DR</u>	<u>CR</u>
62. Expenditures – general government – other – unclassified	\$ 75,043	
Cash		\$ 75,043
(To record general support provided to component unit)		

Purchase of investments

The government purchased \$40,000,000 of investments during the current fiscal year:

	<u>DR</u>	<u>CR</u>
63. Investments	\$ 40,000,000	
Cash		\$ 40,000,000
(To record the purchase of investments)		

Maturing investments

During the current fiscal year various investments of the government matured. As a result, the government received \$45,550,086 in proceeds, including \$1,326,702 of interest:

	<u>DR</u>	<u>CR</u>
64. Cash	\$ 45,550,086	
Investments		\$ 44,223,384
Revenues – investment earnings		1,326,702
(To record proceeds including interest revenue from matured investments)		

Interfund loans

At the start of the current fiscal year, the government had \$281,913 in advances and \$1,000 in due from other funds outstanding from the prior fiscal year. It made two additional advances during the current fiscal year: \$92,235 to the youth development and recreation fund and \$61,000 to the public safety grant fund. All advances were scheduled for repayment over the following three years. Meanwhile, the community development block grant fund paid the \$1,000 due in the current fiscal year on its outstanding advance of \$16,000:

	<u>DR</u>	<u>CR</u>
65. Advances to other funds – youth development and recreation fund	\$ 92,235	
Advances to other funds – public safety grant fund	61,000	
Cash		\$ 153,235
(To record advances to the youth development and recreation fund and the public safety grant fund)		
66. Cash	\$ 1,000	
Due from other funds – community development block grant fund		\$ 1,000
(To record payment from the community development block grant fund for an interfund loan)		

Reclassification of current portion of advances

At the end of the current fiscal year, the government reclassified the portion of advances scheduled for repayment in the following fiscal year, during the government’s availability period (advance to other funds → due from other funds):

	DR	CR
67. Due from other funds – youth development and recreation fund	\$ 105,000	
Due from other funds – public safety grant fund	35,000	
Due from other funds – community development block grant fund	5,000	
Advances to other funds – youth development and recreation fund		\$ 105,000
Advances to other funds – public safety grant fund		35,000
Advances to other funds – community development block grant fund		5,000
(To reclassify current portion of long-term loans to other funds)		

Unearned revenue

Certain revenues typically involve advance payments (for example, parking permits). Advance payments must be treated as a liability until they are earned. During the current fiscal year, \$2,136,000 of advance payments from the prior fiscal period were earned and recognized as revenue. Meanwhile, the government received an additional \$2,089,936 in advance payments:

68. Unearned revenue – other	DR	CR
Revenues – charges for services	\$ 2,136,000	\$ 2,136,000
(To recognize revenue earned during the current fiscal year)		
69. Cash	DR	CR
Unearned revenue – other	\$ 2,089,936	\$ 2,089,936
(To record cash receipts for various items that were not earned during the current fiscal year)		

Unavailable property tax revenues

The government, as a matter of convenience, recorded the full amount of collectible property taxes as *revenue* at the time of the levy (journal entry 4). The government reclassified the uncollected balance at year end as *unavailable revenue* (\$31,465,188 revenue [journal entry 4] – \$31,247,691 collections [journal entry 12] = \$217,497):

70. Revenues – property taxes	DR	CR
Unavailable revenue – property taxes	\$ 217,497	\$ 217,497
(To adjust unavailable revenue for property taxes that remain uncollected)		

During the 60-day availability period immediately following the end of the current fiscal year, the government collected an additional \$50,700 in property taxes, which it then recognized as revenue of the current fiscal year:

	DR	CR
71. Unavailable revenue – property taxes	\$ 50,700	
Revenues – property taxes		\$ 50,700
(To recognize revenue for taxes received within 60 days of the year end)		

Appreciation in the fair value of investments

At the end of the current fiscal year, the fair value of the government’s investments reported at fair value had increased by \$825,579:

	DR	CR
72. Investments	\$ 825,579	
Revenues – investment earnings		\$ 825,579
(To record an increase in the fair value of investments)		

Budgetary amendments

In addition to the budgetary adjustments discussed earlier (journal entries 48, 50 and 56), the government adopted several budgetary amendments during the current fiscal year:

	DR	CR
73. ESTIMATED REVENUES –		
INTERGOVERNMENTAL	\$ 32,561	
ESTIMATED REVENUES – MISCELLANEOUS	1,800	
BUDGETARY CONTROL	188,088	
APPROPRIATIONS – GENERAL		
GOVERNMENT – FINANCIAL		
ADMINISTRATION	19,898	
APPROPRIATIONS – PUBLIC SAFETY –		
POLICE	709,049	
APPROPRIATIONS – PUBLIC SAFETY – FIRE	275,202	
APPROPRIATIONS – HIGHWAYS AND		
STREETS – MAINTENANCE	177,284	
APPROPRIATIONS – SANITATION	400,034	
APPROPRIATIONS – CULTURE AND		
RECREATION	299,124	
APPROPRIATIONS – OTHER FINANCING		
USES – TRANSFERS OUT	243,476	
APPROPRIATIONS – GENERAL GOVERN-		
MENT – COUNCIL		\$ 2,033,040
APPROPRIATIONS – GENERAL GOVERN-		
MENT – MANAGER		2,549
APPROPRIATIONS – GENERAL GOVERN-		
MENT – ATTORNEY		9,557
APPROPRIATIONS – GENERAL GOVERN-		
MENT – CLERK		33,498

73. (continued)	DR	CR
APPROPRIATIONS – GENERAL		\$ 4,210
GOVERNMENT – PERSONNEL		
APPROPRIATIONS – GENERAL		
GOVERNMENT – OTHER –		
UNCLASSIFIED		139,606
APPROPRIATIONS – PUBLIC SAFETY –		
PROTECTIVE INSPECTION		101,181
APPROPRIATIONS – HIGHWAYS AND		
STREETS – ENGINEERING		18,091
APPROPRIATIONS – DEBT SERVICE –		
INTEREST		4,784
(To record budgetary amendments)		

Closing of budgetary accounts

At the end of the current fiscal year, the government closed its regular budgetary accounts (compare this journal entry with journal entry 3, as modified by journal entries 48, 50, 56 and 73):

74.	DR	CR
APPROPRIATIONS – GENERAL		
GOVERNMENT – COUNCIL	\$ 2,403,030	
APPROPRIATIONS – GENERAL GOVERNMENT		
– MANAGER	841,163	
APPROPRIATIONS – GENERAL GOVERNMENT		
– ATTORNEY	2,022,931	
APPROPRIATIONS – GENERAL GOVERNMENT		
– CLERK	635,227	
APPROPRIATIONS – GENERAL GOVERNMENT		
– PERSONNEL	887,297	
APPROPRIATIONS – GENERAL GOVERNMENT		
– FINANCIAL ADMINISTRATION	17,093,461	
APPROPRIATIONS – GENERAL GOVERNMENT		
– OTHER – UNCLASSIFIED	7,146,204	
APPROPRIATIONS – PUBLIC SAFETY – POLICE	33,731,795	
APPROPRIATIONS – PUBLIC SAFETY – FIRE	21,829,599	
APPROPRIATIONS – PUBLIC SAFETY –		
PROTECTIVE INSPECTION	1,664,092	
APPROPRIATIONS – HIGHWAYS AND		
STREETS – ENGINEERING	8,021,568	
APPROPRIATIONS – HIGHWAYS AND		
STREETS – MAINTENANCE	16,078,104	
APPROPRIATIONS – SANITATION	8,441,350	
APPROPRIATIONS – CULTURE AND		
RECREATION	9,878,404	
APPROPRIATIONS – DEBT SERVICE –		
PRINCIPAL	423,234	
APPROPRIATIONS – DEBT SERVICE – INTEREST	224,663	
APPROPRIATIONS – DEBT SERVICE – OTHER –		
BOND ISSUANCE COSTS	50,000	

74. (continued)		<u>DR</u>	<u>CR</u>
	APPROPRIATIONS – OTHER FINANCING		
	USES – TRANSFERS OUT	\$ 6,633,534	
	ESTIMATED REVENUES – PROPERTY TAXES		\$ 32,077,856
	ESTIMATED REVENUES – SALES TAX		45,400,000
	ESTIMATED REVENUES – FRANCHISE TAXES		1,345,000
	ESTIMATED REVENUES –		
	INTERGOVERNMENTAL		11,414,391
	ESTIMATED REVENUES – CHARGES FOR		
	SERVICES		17,738,732
	ESTIMATED REVENUES – LICENSES AND		
	PERMITS		4,166,256
	ESTIMATED REVENUES – FINES		7,762,650
	ESTIMATED REVENUES – INVESTMENT		
	EARNINGS		1,258,200
	ESTIMATED REVENUES – MISCELLANEOUS		4,886,579
	BUDGETARY CONTROL		11,955,992
	(To close budgetary accounts)		

The government also closed its encumbrance accounts, which totaled \$3,108,564:

		<u>DR</u>	<u>CR</u>
75.	BUDGETARY CONTROL	\$ 3,108,564	
	ENCUMBRANCES – GENERAL GOVERN-		
	MENT – COUNCIL		\$ 59,709
	ENCUMBRANCES – GENERAL GOVERN-		
	MENT – MANAGER		20,144
	ENCUMBRANCES – GENERAL GOVERN-		
	MENT – ATTORNEY		38,315
	ENCUMBRANCES – GENERAL GOVERN-		
	MENT – CLERK		15,613
	ENCUMBRANCES – GENERAL GOVERN-		
	MENT – PERSONNEL		21,040
	ENCUMBRANCES – GENERAL GOVERN-		
	MENT – FINANCIAL ADMINISTRATION		415,615
	ENCUMBRANCES – GENERAL GOVERN-		
	MENT – OTHER – UNCLASSIFIED		176,722
	ENCUMBRANCES – PUBLIC SAFETY –		
	POLICE		829,563
	ENCUMBRANCES – PUBLIC SAFETY – FIRE		542,084
	ENCUMBRANCES – PUBLIC SAFETY –		
	PROTECTIVE INSPECTION		41,048
	ENCUMBRANCES – HIGHWAYS AND		
	STREETS – ENGINEERING		196,030
	ENCUMBRANCES – HIGHWAYS AND		
	STREETS – MAINTENANCE		387,341
	ENCUMBRANCES – SANITATION		205,168
	ENCUMBRANCES – CULTURE AND		
	RECREATION		160,172

(To cancel all encumbrances at year end for outstanding purchase orders and contracts)

Closing of temporary accounts

The government closed its temporary accounts for the general fund at the close of the current fiscal year, as follows:

	DR	CR
76. Revenues – property taxes	\$ 31,331,083	
Revenues – sales tax	44,368,865	
Revenues – licenses and permits	2,649,889	
Revenues – franchise taxes	1,537,833	
Revenues – intergovernmental	9,705,931	
Revenues – charges for services	19,107,871	
Revenues – fines	6,670,562	
Revenues – investment earnings	3,352,747	
Revenues – miscellaneous – payments in lieu of taxes	2,345,545	
Revenues – miscellaneous – contributions	70,766	
Revenues – miscellaneous – seized property	13,600	
Revenues – miscellaneous	2,214,797	
Other financing sources – sales of general capital assets	31,450	
Other financing sources – insurance recoveries	194,082	
Other financing sources – transfers in – capital projects fund	20,944	
Other financing sources – capital leases	57,517	
Other financing sources – issuance of note payable	2,000,000	
Fund balance – unassigned	6,565,817	
Expenditures – general government – council		\$ 2,385,762
Expenditures – general government – manager		812,724
Expenditures – general government – attorney		1,530,351
Expenditures – general government – clerk		627,728
Expenditures – general government – personnel		843,765
Expenditures – general government – financial administration		16,510,890
Expenditures – general government – other – unclassified		7,067,442
Expenditures – public safety – police		33,012,167
Expenditures – public safety – fire		21,637,844
Expenditures – public safety – protective inspection		1,685,839
Expenditures – highways and streets – engineering		7,841,369
Expenditures – highways and streets – maintenance		15,391,665
Expenditures – sanitation		8,140,187
Expenditures – culture and recreation		9,646,488

76. (continued)	DR	CR
Expenditures – debt service – other – bond issuance costs		\$ 15,254
Other financing uses – transfers out – capital projects fund		1,360,000
Other financing uses – transfers out – transit fund		3,728,209
Other financing uses – transfers out – housing grant fund		1,615
(To close operating statement accounts)		

Nonspendable fund balance

Fund balance may include items (1) that are *permanently not in spendable form*, (2) that are *temporarily not in spendable form* (assuming there is no constraint on spending when they eventually convert to spendable form), or (3) that the government is legally or contractually required to maintain intact. These amounts need to be classified as *nonspendable fund balance*. Accordingly, the government must perform an analysis at year end to determine the amount of fund balance that needs to be classified as *nonspendable* at the end of the current fiscal year and then adjust the balance of *nonspendable fund balance* reported at the end of the preceding fiscal year to arrive at that amount.

The government’s analysis identified inventories and prepaid items as resources that were permanently not in spendable form. The analysis also identified long-term interfund loans as items that were temporarily not in spendable form and for which there was no constraint on spending once they did eventually convert to spendable form. Thus the government determined that the following adjustment was required:

Item	Beginning balance	Ending balance	Adjustment amount
Inventories	\$ 763,364	\$ 806,623	\$ 43,259
Prepaid items	67,090	48,114	(18,976)
Advances to other funds	281,913	290,148	8,235

These adjustments were made as follows:

77. Fund balance – unassigned	DR	CR
Fund balance – nonspendable – not in spendable form – inventories	\$ 43,259	
(To adjust nonspendable fund balance for inventories at year end)		\$ 43,259
78. Fund balance – nonspendable – not in spendable form – prepaid items	DR	CR
Fund balance – unassigned	\$ 18,976	
(To adjust nonspendable fund balance for prepaid items at year end)		\$ 18,976

	DR	CR
79. Fund balance – unassigned	\$ 8,235	
Fund balance – nonspendable – not in spendable form – advances to other funds		\$ 8,235
(To adjust nonspendable fund balance for advances to other funds at year end)		

Stabilization arrangement

During the current fiscal year, the city council adopted an ordinance, not through enabling legislation, to establish and maintain a revenue stabilization arrangement. The principal resource to provide the stabilization amount is a one-quarter of one percent (0.25 percent) sales tax. The ordinance provides the circumstances for which the stabilization amount can be used. These circumstances are both specific and non-routine. Accordingly, the balance of the stabilization fund meets the criteria to be reported as *committed fund balance*. Accordingly, an appropriate portion of fund balance needs to be classified as *committed*:

	DR	CR
80. Fund balance – unassigned	\$ 407,377	
Fund balance – committed – revenue stabilization		\$ 407,377
(To reclassify fund balance for amount committed for revenue stabilization)		

Restricted fund balance

The government spent only \$500,000 of the private placement note for new vehicles (see entry 55). The government will *restrict* the unspent proceeds of \$1,500,000:

	DR	CR
81. Fund balance – unassigned	\$ 1,500,000	
Fund balance – restricted – public service vehicles		\$ 1,500,000
(To reclassify fund balance for restriction)		

Assignments of fund balance

As a matter of law, when an encumbrance that is open at year end relates to goods that will be received by or services that will be provided to the government in the subsequent fiscal year, the amount is automatically reappropriated as part of the subsequent year’s budget, as previously discussed. Reappropriated encumbrances that are expected to be liquidated with restricted, committed, or assigned resources have no effect on the classification of fund balance. Those that will be liquidated from other resources, however, constitute an in-substance assignment of resources that needs to be reflected in the amount classified as *assigned fund balance*. Consequently, at the end of the current fiscal year, the government reclassified \$592,659 of *unassigned* fund balance as *assigned* fund balance:

	DR	CR
82. Fund balance – unassigned	\$ 592,659	
Fund balance – assigned for open purchase orders for goods and services		\$ 592,659
(To reclassify fund balance for open purchase orders for goods and services)		

In the process of developing the annual appropriated budget for the subsequent fiscal year, the government determined that it would need to appropriate existing resources to balance the budget. The government calculated the amount of appropriated fund balance as follows:

Original subsequent year budget – appropriations expenditures	\$ 135,035,857
Original subsequent year budget – estimated revenues	132,820,129
Amount of assigned fund balance	\$ 2,215,728

The government then reclassified fund balance accordingly:

	DR	CR
83. Fund balance – unassigned	\$ 2,215,728	
Fund balance – assigned for appropriation of fund balance in subsequent year’s budget		\$ 2,215,728
(To reclassify appropriation of fund balance for the subsequent fiscal year’s budget as an assignment)		

Debt service fund

Integration of the appropriated budget

The following journal entry illustrates the integration of the original annual appropriated budget for the current fiscal year into the government’s accounts:

	DR	CR
84. ESTIMATED REVENUES – PROPERTY TAXES	\$ 7,732,456	
ESTIMATED REVENUES – SPECIAL ASSESSMENTS	470,000	
ESTIMATED OTHER FINANCING SOURCES – TRANSFERS IN	1,226,340	
APPROPRIATIONS – DEBT SERVICE – PRINCIPAL		\$ 5,492,653
APPROPRIATIONS – DEBT SERVICE – INTEREST		3,314,518
APPROPRIATIONS – OTHER FINANCING USES – TRANSFERS OUT		621,625
(To record the original annual appropriated budget)		

Property tax levy

The government levied \$7,961,825 of property taxes for the debt service fund during the current fiscal year to finance the current fiscal year’s budget. Payment of the taxes was due during the current fiscal year. As a practical matter, it is the government’s policy to initially record the entire amount that it ultimately expects to collect as *revenue*, and then reclassify an appropriate portion of that amount as *unavailable revenue* at the end of the fiscal year (journal entry 92):

	DR	CR
85. Taxes receivable – property taxes	\$ 7,961,825	
Revenues – property taxes		\$ 7,961,825
(To record debt service property tax levy)		

Special assessment levy

The government approved a special assessment levy of \$4,700,000 in the current fiscal year to repay special assessment debt. The special assessment debt proceeds were recorded in the capital projects fund in the current fiscal year. Interest accrues on outstanding balances assessed to property owners at the rate of 8 percent. The government does not consider special assessments to be available until collected:

	DR	CR
86. Special assessment receivable	\$ 4,700,000	
Unavailable revenue – special assessments		\$ 4,700,000
(To record special assessment levy)		

Advance refunding

The government decided during the current fiscal year to use an advance refunding to replace \$5,730,000 of outstanding general obligation debt (*refunded bonds*) with \$5,810,000 of new debt bearing a lower interest rate (*refunding bonds*). The net proceeds of the refunding bonds, which were immediately placed into escrow, amounted to \$5,937,204:

Face value of refunding bonds	\$ 5,810,000
Premium on refunding bonds	249,914
Less: issuance costs	<u>(\$122,710)</u>
Net proceeds	\$ 5,937,204

The advance refunding resulted in a \$276,773 economic gain (the difference between the present value of the debt service stream for the refunded debt and the present value of the debt service stream for the refunding debt). The advance refunding was approved by the governing body through the adoption of a \$6,059,914 supplemental appropriation (\$5,810,000 bonds + \$249,914 premium = \$6,059,914):

	DR	CR
87. ESTIMATED OTHER FINANCING SOURCES – REFUNDING BONDS ISSUED	\$ 5,810,000	
ESTIMATED OTHER FINANCING SOURCES – PREMIUM ON REFUNDING BONDS ISSUED	249,914	
APPROPRIATIONS – OTHER FINANCING USES – PAYMENT TO REFUNDED BOND ESCROW AGENT		\$ 5,937,204
APPROPRIATIONS – DEBT SERVICE – OTHER – REFUNDING BOND ISSUANCE COSTS		122,710
(To record budget amendment related to advance refunding)		

	DR	CR
88. Cash	\$ 5,937,204	
Expenditures – debt service – other – refunding bond issuance costs	122,710	
Other financing sources – refunding bonds issued		\$ 5,810,000
Other financing sources – premium on refunding bonds issued		249,914
(To record refunding bond issuance and related costs)		

	DR	CR
89. Other financing uses – payment to refunded bond escrow agent	\$ 5,937,204	
Cash		\$ 5,937,204
(To record payment to refunded bond escrow agent)		

The government also used its own cash that was available in the debt service fund to advance refund \$500,000 of outstanding bonds. The government placed \$510,567 into escrow for the future repayment of the bonds, which was included in the original appropriation:

	DR	CR
90. Expenditures – debt service – principal	\$ 500,000	
Expenditures – debt service – interest	10,567	
Cash		\$ 510,567
(To record bond refunding using existing resources)		

Special assessment collections

The government collected the first installment of the special assessment levy from property owners, which amounted to \$658,000 (including \$188,000 in interest):¹⁰

	DR	CR
91. Cash	\$ 658,000	
Special assessment receivable		\$ 470,000
Revenues – investment earnings		188,000
(To record annual collection of special assessment levy)		

	DR	CR
92. Unavailable revenue – special assessments	\$ 470,000	
Revenues – special assessments		\$ 470,000
(To recognize revenue associated with special assessment collections)		

10. $\$4,700,000 \text{ outstanding balance} \times .08 \times 6/12 = \$188,000.$

Purchase of investments

The government invested \$1,000,000 of idle resources during the year:

	DR	CR
93. Investments	\$ 1,000,000	
Cash		\$ 1,000,000
(To record purchase of investments)		

Transfers from other funds

The government's debt service fund received transfers from the library special revenue fund and the capital projects fund (journal entry 128) for the retirement of general obligation debt:

	DR	CR
94. Cash	\$ 380,340	
Other financing sources – transfers in – library fund		\$ 284,231
Other financing sources – transfers in – capital projects fund		96,109
(To record transfers from the library and capital projects funds for debt service payments)		

Transfer to establish debt service reserve

The government's debt service fund received \$846,000 from the capital projects fund (journal entry 127) to establish a subaccount for the payment of special assessment debt. Debt service payments were scheduled to begin in the following year:

	DR	CR
95. Cash	\$ 846,000	
Other financing sources – transfers in – capital projects fund		\$ 846,000
(To record transfer of debt service reserve from the capital projects fund)		

Debt service payments

The government made the regular debt service payments on its general obligation bonds as they came due during the current fiscal year (\$4,718,317 principal + \$3,236,206 interest):

	DR	CR
96. Expenditures – debt service – principal	\$ 4,718,317	
Expenditures – debt service – interest	3,236,206	
Cash		\$ 7,954,523
(To record payment of accrued interest and principal and interest due during the current fiscal year)		

During the current fiscal year, the government made monthly principal and interest payments totaling \$9,000 to the lessor.

	DR	CR
97. Expenditures – debt service principal	\$ 7,930	
Expenditures – debt service interest	1,070	
Cash		\$ 9,000
(To record debt service payments for the current fiscal year)		

Liquidation of liabilities

The government made a \$19,908 payment in the current fiscal year for accrued expenditures related to professional fees for servicing the outstanding bonds.

	DR	CR
98. Accounts payable	\$ 19,908	
Cash		\$ 19,908
(To record debt service payments for the current fiscal year)		

Collection of property taxes

The government collected \$7,882,207 of the current fiscal year's property tax levy prior to year end:

	DR	CR
99. Cash	\$ 7,882,207	
Taxes receivable – property taxes		\$ 7,882,207
(To record collection of current fiscal year's property taxes)		

Receipt of interest

The government received \$53,967 of interest on its investments:

	DR	CR
100. Cash	\$ 53,967	
Revenues – investment earnings		\$ 53,967
(To record interest received in the current fiscal year)		

Unavailable property tax revenues

The government, as a matter of convenience, recorded the full amount of collectible property taxes as *revenue* at the time of the levy (journal entry 85). Of the \$79,618 that remained uncollected at year end (\$7,961,825 levy [journal entry 85] – \$7,882,207 collections [journal entry 99]), \$53,189 was collected within the government's 60-day availability period. The remainder (\$79,618 – \$53,189 = \$26,429) had to be reclassified as unavailable revenue:

	DR	CR
101. Revenues – property taxes	\$ 26,429	
Unavailable revenue – property taxes		\$ 26,429
(To adjust unavailable revenue for property taxes receivable not meeting revenue recognition criteria)		

Transfer to capital projects fund

During the year, the debt service fund transferred \$621,625 to the capital projects fund to retire a portion of outstanding bond anticipation notes (journal entry 112) reported as a fund liability in the capital projects fund:

	DR	CR
102. Other financing uses – transfers out – capital projects fund	\$ 621,625	
Cash		\$ 621,625
(To record transfer to the capital projects fund to retire bond anticipation notes)		

Closing of budgetary accounts

At the end of the current fiscal year, all budgetary accounts are closed (compare this journal entry with journal entry 84, as modified by journal entry 87):

	DR	CR
103. APPROPRIATIONS – DEBT SERVICE – PRINCIPAL	\$ 5,492,653	
APPROPRIATIONS – DEBT SERVICE – INTEREST	3,314,518	
APPROPRIATIONS – DEBT SERVICE – OTHER – REFUNDING BOND ISSUANCE COSTS	122,710	
APPROPRIATIONS – OTHER FINANCING USES – PAYMENT TO BOND ESCROW AGENT	5,937,204	
APPROPRIATIONS – OTHER FINANCING USES – TRANSFERS OUT	621,625	
ESTIMATED REVENUES – PROPERTY TAXES		\$ 7,732,456
ESTIMATED REVENUES – SPECIAL ASSESSMENTS		470,000
ESTIMATED OTHER FINANCING SOURCES – TRANSFERS IN		1,226,340
ESTIMATED OTHER FINANCING SOURCES – REFUNDING BONDS ISSUED		5,810,000
ESTIMATED OTHER FINANCING SOURCES – PREMIUM ON REFUNDING BONDS ISSUED		249,914
(To close budgetary accounts)		

Closing of temporary accounts

The government closes its temporary accounts for the debt service fund at the close of the current fiscal year:

	DR	CR
104. Revenues – investment earnings	\$ 241,967	
Revenues – property taxes	7,935,396	
Revenues – special assessments	470,000	
Other financing sources – transfer in – library fund	284,231	
Other financing sources – transfer in – capital projects fund	942,109	
Other financing sources – refunding bonds issued	5,810,000	
Other financing sources – premium on refunding bonds issued	249,914	
Expenditures – debt service – principal		\$ 5,226,247
Expenditures – debt service – interest		3,247,843
Expenditures – debt service – other – refunding bond issuance costs		122,710
Other financing uses – payment to refunded bond escrow agent		5,937,204
Other financing uses – transfers out – capital projects fund		621,625
Fund balance – unassigned		777,988
(To close operating statement accounts at year end)		

Restricted fund balance

The debt service fund has assets available for debt service payments on outstanding general obligation bonds and special assessment bonds. These resources are restricted by debt covenants for debt service payments. Accordingly, a portion of fund balance is restricted to indicate that there are external restrictions on the resources for each of these purposes.

The amounts restricted for the payment of special assessment bonds totals \$1,504,000 (\$658,000 in special assessment collections plus the \$846,000 debt service reserve established by a transfer from the capital projects fund). The remainder of the fund balance of the debt service fund of \$391,993 is restricted for the payment of debt service on general obligation bonds. The balance at the beginning of the year restricted for debt service on general obligation bonds was \$1,118,005. Accordingly, an adjustment of \$726,012 must be made to reduce the fund balance restricted for this purpose to arrive at the appropriate amount at year end:

	DR	CR
105. Fund balance – unassigned	\$ 777,988	
Fund balance – restricted for general obligation bonds	726,012	
Fund balance – restricted for special assessment bonds		\$ 1,504,000
(To reclassify fund balance to report restricted amounts by purpose)		

Capital projects fund

Integration of the budget

It is the government's policy to adopt a project-length budget for each individual capital project at the start of the project. In the initial year of the project, the government budgets the full amount of appropriations and estimated revenues for the entire length of the project. In each subsequent year that the project is outstanding, the government budgets only the unused balance of appropriations and the portion of estimated revenues not yet realized. During the current fiscal year, the government used the following journal entry to integrate the project-length budget for a new capital project and to appropriate the unused balance of appropriations and the portion of estimated revenues not yet realized for ongoing projects:

	DR	CR
106. ESTIMATED REVENUES –		
INTERGOVERNMENTAL – STATE	\$ 2,000,000	
ESTIMATED REVENUES –		
MISCELLANEOUS – OTHER	942,980	
ESTIMATED OTHER FINANCING SOURCES		
– TRANSFERS IN	1,821,625	
ESTIMATED OTHER FINANCING SOURCES		
– GENERAL OBLIGATION BONDS		
ISSUED	19,500,000	
ESTIMATED OTHER FINANCING SOURCES		
– SPECIAL ASSESSMENT BONDS		
ISSUED	4,700,000	
APPROPRIATIONS – CAPITAL OUTLAY –		
GENERAL GOVERNMENT		\$ 1,059,936
APPROPRIATIONS – CAPITAL OUTLAY –		
PUBLIC SAFETY		3,361,804
APPROPRIATIONS – CAPITAL OUTLAY –		
HIGHWAYS AND STREETS		15,125,472
APPROPRIATIONS – CAPITAL OUTLAY –		
SANITATION		3,889,727
APPROPRIATIONS – CAPITAL OUTLAY –		
CULTURE AND RECREATION		3,310,041
APPROPRIATIONS – OTHER FINANCING		
USES – TRANSFERS OUT		1,596,000
BUDGETARY CONTROL		621,625
(To record the project-length budgets)		

State grants

During the current fiscal year the government received \$1,413,828 in cash from a state grant restricted to capital purposes, which it had recognized as a receivable and revenue at the end of the prior fiscal year because all eligibility criteria had been met and the amount was considered available:

	DR	CR
107. Cash	\$ 1,413,828	
Intergovernmental receivable – state		\$ 1,413,828
(To record receipt of grants receivable)		

During the current fiscal year, the government met the eligibility requirements of a grant from the state for street reconstruction and maintenance. The total amount of the grant will be \$874,480. During the current fiscal year, the state made a \$367,021 payment to the government. The balance was collected within the government's 60-day availability period for grants, and therefore was recognized as revenue during the current fiscal year:

	DR	CR
108. Intergovernmental receivable – state	\$ 874,480	
Revenues – intergovernmental – state		\$ 874,480
(To record receivable from the state)		
	DR	CR
109. Cash	\$ 367,021	
Intergovernmental receivable – state		\$ 367,021
(To record receipt of grants receivable)		

Transfer from the general fund

The government established an interfund receivable of \$1,200,000 in the capital projects fund for the general fund's portion of the cost of the special assessment project (journal entry 45):

	DR	CR
110. Due from other funds – general fund	\$ 1,200,000	
Other financing sources – transfers in –		\$ 1,200,000
general fund		
(To record the general fund's portion of special		
assessment project costs)		

The capital projects fund received \$1,025,000 as partial payment from the general fund for its portion of the cost of the special assessment project (journal entry 46):

	DR	CR
111. Cash	\$ 1,025,000	
Due from other funds – general fund		\$ 1,025,000
(To record collection of part of the amount		
receivable from the general fund)		

Transfer from the debt service fund

The government's capital projects fund received a \$621,625 transfer from the debt service fund (journal entry 102) for the retirement of a portion of outstanding bond anticipation notes reported as a fund liability in the capital projects fund (journal entry 123):

	DR	CR
112. Cash	\$ 621,625	
Other financing sources – transfers in – debt		\$ 621,625
service fund		
(To record transfer from the debt service fund)		

Issuance of bond anticipation notes

During the current fiscal year, the government issued \$5,440,575 in bond anticipation notes to fund various ongoing capital projects. The notes bear an interest rate of 2 percent and will be repaid within the next fiscal year. These notes were *not* replaced by long-term bonds prior to the issuance of the financial statements, nor was there an agreement in place to guarantee their refinancing on a long-term basis. As a result, the notes were reported as a liability of the capital projects fund:

	DR	CR
113. Cash	\$ 5,440,575	
Bond anticipation notes payable		\$ 5,440,575
(To record the issuance of bond anticipation notes)		

Issuance of special assessment debt

The government issued special assessment bonds with a face value of \$4,700,000. The government received net proceeds of \$4,540,000 as follows:

	\$4,700,000	face value	
Less:	150,000	issuance costs withheld by underwriter	
Less:	10,000	original issue discount (stated rate of interest lower than market)	
	\$4,540,000		

	DR	CR
114. Cash	\$ 4,540,000	
Expenditures – debt service – other – bond issuance costs	150,000	
Other financing uses – discount on special assessment bonds issued	10,000	
Other financing sources – special assessment bonds issued		\$ 4,700,000
(To record the issuance of special assessment bonds)		

The government also had agreed that the general fund would be used to make up the amount of any original issue discount. Accordingly, the government recorded an interfund receivable for the general fund’s obligation to make up the \$10,000 original issue discount (journal entry 47):

	DR	CR
115. Due from other funds – general fund	\$ 10,000	
Other financing sources – transfers in – general fund		\$ 10,000
(To record the general fund’s commitment to make up the difference between the face value of the special assessment bonds and their present value)		

The government also had agreed that the general fund would be used to pay the amount of any issuance costs. Accordingly, the government recorded an interfund

receivable for the general fund's obligation to make up the \$150,000 issuance costs (journal entry 49):

	<u>DR</u>	<u>CR</u>
116. Due from other funds – general fund	\$ 150,000	
Other financing sources – transfers in – general fund		\$ 150,000
(To record the general fund's commitment to reimburse the capital projects fund for bond issuance costs)		

Encumbrances

The government recorded \$15,543,436 of encumbrances for issued purchase orders and approved contracts:

	<u>DR</u>	<u>CR</u>
117. ENCUMBRANCES – CAPITAL OUTLAY – GENERAL GOVERNMENT	\$ 484,562	
ENCUMBRANCES – CAPITAL OUTLAY – PUBLIC SAFETY	1,478,562	
ENCUMBRANCES – CAPITAL OUTLAY – HIGHWAYS AND STREETS	10,438,000	
ENCUMBRANCES – CAPITAL OUTLAY – SANITATION	1,698,752	
ENCUMBRANCES – CAPITAL OUTLAY – CULTURE AND RECREATION	1,443,560	
BUDGETARY CONTROL		\$ 15,543,436
(To record encumbrances for purchase orders and contracts)		

Purchase of investments

The government determined that it could invest \$2,167,343 of the cash in the capital projects fund and still meet its cash needs for the immediate future:

	<u>DR</u>	<u>CR</u>
118. Investments	\$ 2,167,343	
Cash		\$ 2,167,343
(To record the purchase of investments)		

Sale of investments

The government sold \$1,947,367 of capital projects fund investments. The sales price of \$2,083,682 included \$136,315 of interest earned during the current fiscal year that had not yet been recognized as revenue:

	<u>DR</u>	<u>CR</u>
119. Cash	\$ 2,083,682	
Investments		\$ 1,947,367
Revenues – investment earnings		136,315
(To record the sale of investments)		

Progress billings and related payments for special assessment project

The government received progress billings of \$2,979,000 (previously encumbered) related to its special assessment project. The government withheld \$148,615 of that amount as retainage pending the successful completion of the project:

	DR	CR
120. BUDGETARY CONTROL	\$ 2,979,000	
ENCUMBRANCES – CAPITAL OUTLAY – HIGHWAYS AND STREETS		\$ 2,979,000
(To cancel encumbrances related to progress billings)		

	DR	CR
121. Expenditures – capital outlay – highways and streets	\$ 2,979,000	
Contracts payable		\$ 2,830,385
Retainage payable		148,615
(To record progress billings)		

The government proceeded to pay the \$2,830,385 due on contracts payable:

	DR	CR
122. Contracts payable	\$ 2,830,385	
Cash		\$ 2,830,385
(To record the payment of progress billings less retainage)		

Retirement of bond anticipation notes

The government retired a portion of the outstanding bond anticipation notes payable reported in the capital projects fund:

	DR	CR
123. Bond anticipation notes payable	\$ 621,625	
Cash		\$ 621,625
(To record the retirement of a portion of bond anticipation notes payable)		

Other progress billings and payments

The government received progress billings during the current fiscal year of \$11,662,909 (previously encumbered) related to various capital projects. Of this amount, \$1,166,291 is to be withheld as retainage. During the current fiscal year, the government paid \$9,367,422 of the amount due on contracts payable. In addition, a number of capital projects were certified as having been completed, which allowed the government to remit \$1,435,039 of retainage payable:

	DR	CR
124. BUDGETARY CONTROL	\$ 11,662,909	
ENCUMBRANCES – CAPITAL OUTLAY – GENERAL GOVERNMENT		\$ 462,180
ENCUMBRANCES – CAPITAL OUTLAY – PUBLIC SAFETY		1,465,901

	DR	CR
124. (continued)		
ENCUMBRANCES – CAPITAL OUTLAY – HIGHWAYS AND STREETS		\$ 6,595,399
ENCUMBRANCES – CAPITAL OUTLAY – SANITATION		1,696,099
ENCUMBRANCES – CAPITAL OUTLAY – CULTURE AND RECREATION		1,443,330
(To cancel encumbrances related to progress billings and invoices for goods and services received)		
	DR	CR
125. Expenditures – capital outlay – general government	\$ 462,180	
Expenditures – capital outlay – public safety	1,465,901	
Expenditures – capital outlay – highways and streets	6,595,399	
Expenditures – capital outlay – sanitation	1,696,099	
Expenditures – capital outlay – culture and recreation	1,443,330	
Contracts payable		\$ 10,496,618
Retainage payable		1,166,291
(To record progress billings and invoices for goods and services received)		
	DR	CR
126. Contracts payable	\$ 9,367,422	
Retainage payable	1,435,039	
Cash		\$ 10,802,461
(To record the payment of progress billings and retainage that has been released on completed projects)		

Transfer to debt service fund

The government transferred an amount equal to the following year’s principal and interest requirements for special assessment debt to establish a subaccount for that purpose in the debt service fund (journal entry 95):

	DR	CR
127. Other financing uses – transfers out – debt service fund	\$ 846,000	
Cash		\$ 846,000
(To record transfer to debt service fund to establish mandatory reserve of one year’s principal and interest)		

Transfers to other funds

The capital projects fund made several transfers to other funds during the current fiscal year. A transfer of \$20,944 was made to the general fund for unused funds related to closed construction projects (journal entry 29). The closing of the construction projects removed any constraints on the use of the resources. Also, a transfer of \$96,109 was made to the debt service fund for the retirement of general obligation debt (journal entry 94). Finally, the capital projects fund transferred \$251,080 originally provided by the youth development and recreation special revenue fund back to that fund because the related project had been significantly delayed and the resources would not be needed in the near term:

	DR	CR
128. Other financing uses – transfers out – general fund	\$ 20,944	
Other financing uses – transfers out – debt service fund	96,109	
Other financing uses – transfers out – youth development and recreation fund	251,080	
Cash		\$ 368,133
(To record transfers to various other governmental funds)		

Appreciation in the fair value of investments

At the end of the current fiscal year, the fair value of the government’s investments reported at fair value had increased by \$65,305:

	DR	CR
129. Investments	\$ 65,305	
Revenues – investment earnings		\$ 65,305
(To record increase in the fair value of investments)		

Closing of budgetary accounts

At the end of the current fiscal year, all budgetary accounts were closed (compare this journal entry with journal entry 106):¹¹

	DR	CR
130. APPROPRIATIONS – CAPITAL OUTLAY – GENERAL GOVERNMENT	\$ 1,059,936	
APPROPRIATIONS – CAPITAL OUTLAY – PUBLIC SAFETY	3,361,804	
APPROPRIATIONS – CAPITAL OUTLAY – HIGHWAYS AND STREETS	15,125,472	
APPROPRIATIONS – CAPITAL OUTLAY – SANITATION	3,889,727	
APPROPRIATIONS – CAPITAL OUTLAY – CULTURE AND RECREATION	3,310,041	
APPROPRIATIONS – OTHER FINANCING USES – TRANSFERS OUT	1,596,000	

11. The unused balance of appropriations and the unrealized portion of estimated revenues will be integrated as the budget for the following year, as was done for the current year in journal entry 106.

130. (continued)		DR	CR
	BUDGETARY CONTROL	\$ 621,625	
	ESTIMATED REVENUES –		
	INTERGOVERNMENTAL – STATE		\$ 2,000,000
	ESTIMATED REVENUES –		
	MISCELLANEOUS – OTHER		942,980
	ESTIMATED OTHER FINANCING		
	SOURCES – TRANSFERS IN		1,821,625
	ESTIMATED OTHER FINANCING		
	SOURCES –GENERAL OBLIGATION		
	BONDS ISSUED		19,500,000
	ESTIMATED OTHER FINANCING		
	SOURCES –SPECIAL ASSESSMENT		
	BONDS ISSUED		4,700,000
	(To close budgetary accounts)		

Likewise, the government closed \$901,527 of outstanding encumbrances at the end of the current fiscal year:

		DR	CR
131.	BUDGETARY CONTROL	\$ 901,527	
	ENCUMBRANCES – CAPITAL OUTLAY –		
	GENERAL GOVERNMENT		\$ 22,382
	ENCUMBRANCES – CAPITAL OUTLAY –		
	PUBLIC SAFETY		12,661
	ENCUMBRANCES – CAPITAL OUTLAY –		
	HIGHWAYS AND STREETS		863,601
	ENCUMBRANCES – CAPITAL OUTLAY –		
	SANITATION		2,653
	ENCUMBRANCES – CAPITAL OUTLAY –		
	CULTURE AND RECREATION		230
	(To cancel encumbrances at year end for outstanding purchase orders and contracts)		

Closing of temporary accounts

The government closed its temporary accounts for the capital projects fund at the close of the current fiscal year as follows:

		DR	CR
132.	Revenues – intergovernmental – state	\$ 874,480	
	Revenues – investment earnings	201,620	
	Other financing sources – transfers in – general fund	1,360,000	
	Other financing sources – special assessment bonds issued	4,700,000	
	Other financing sources – transfers in – debt service fund	621,625	
	Fund balance – unassigned	8,258,317	
	Expenditures – capital outlay – general government		\$ 462,180
	Expenditures – capital outlay – public safety		1,465,901
	Expenditures – capital outlay – highways and streets		9,574,399

132. (continued)	DR	CR
Expenditures – capital outlay – sanitation		\$ 1,696,099
Expenditures – capital outlay – culture and recreation		1,443,330
Expenditures – debt service – other – bond issuance		150,000
Other financing uses – transfers out – general fund		20,944
Other financing uses – transfers out – debt service fund		942,109
Other financing uses – transfers out – youthdevelopment and recreation fund		251,080
Other financing uses – discount on special assessment bonds issued		10,000
(To close operating statement accounts)		

Restricted and committed fund balance

During the current fiscal year, the government received \$4,540,000 from the issuance of special assessment bonds. The use of the bond proceeds was legally restricted to the government's special assessment project (journal entry 114). The government also transferred \$1,200,000 from the general fund to finance the public benefit portion of the project (journal entry 110). The council passed an ordinance prior to the end of the fiscal year to authorize the transfer, meaning that the resources qualified for classification as committed fund balance.

It is the government's policy that when both *restricted* and *unrestricted* (*committed, assigned, and unassigned*) resources are available for the same purpose, restricted resources are considered to be used first for purposes of classifying *fund balance*. At the end of the current fiscal period \$875,000 remained of the net restricted resources provided from the special assessment bonds, which left the entire balance of committed resources intact. Accordingly, the government made the following journal entry to classify *fund balance*:

133. Fund balance – unassigned	DR	CR
Fund balance – committed for special assessment project	\$ 2,075,000	\$ 1,200,000
Fund balance – restricted for special assessment project		875,000
(To adjust fund balance to report the restricted and committed net resources related to the special assessment project)		

At the end of the previous fiscal year, the government had reported total restricted fund balance of \$6,066,996 in the capital projects fund. The government spent all of those resources during the current fiscal year. Accordingly, the government made the following adjustment to eliminate the amount reported as *restricted fund balance* in the prior fiscal year:

	DR	CR
134. Fund balance – restricted for capital purposes	\$ 6,066,996	
Fund balance – unassigned		\$ 6,066,996
(To eliminate fund balance restricted for capital purposes reported at the end of the prior fiscal year)		

Ultimately, *restricted* fund balance and *committed* fund balance in the capital projects fund exceeded total fund balance by \$4,266,321. The difference was reported as deficit *unassigned fund balance*.

Permanent fund

Sale of investments

The government sold investments for \$10,000 and treated the full amount it received from the sale as a reduction in the amount reported for *investments*, without regard for the actual value of the investments at the time of sale. The government reasoned that any difference between the two amounts would be reflected in the change in the fair value of investments reported at the end of the current fiscal year (journal entry 140):

	DR	CR
135. Cash	\$ 10,000	
Investments		\$ 10,000
(To record sale of investments)		

Receipt of interest

During the current fiscal year, the government received interest payments of \$127 for interest earned during the current fiscal year:

	DR	CR
136. Cash	\$ 127	
Revenues – investment earnings		\$ 127
(To record interest receipts for the current fiscal year)		

Accrual of interest receivable

As of the end of the current fiscal year, the government had earned, but not yet received, \$260 in interest on its investments. This entire amount was considered to be available and therefore was recognized as revenue of the current fiscal year:

	DR	CR
137. Interest receivable – investments	\$ 260	
Revenues – investment earnings		\$ 260
(To record interest accrued at year end)		

Accounts payable

Various services were provided by outside vendors. The government received invoices totaling \$222 and promptly paid them:

	DR	CR
138. Expenditures – culture and recreation	\$ 222	
Cash		\$ 222
(To record payments for goods and services received)		

Purchase of investments

The government used excess cash of \$10,000 to purchase investments:

	DR	CR
139. Investments	\$ 10,000	
Cash		\$ 10,000
(To record purchase of investments)		

Appreciation in the fair value of investments

The fair value of investments held at year end and reported at fair value increased by \$182 during the current fiscal year. This amount includes the effect of any difference between the sale price and carrying value of investments sold during the period (journal entry 135):

	DR	CR
140. Investments	\$ 182	
Revenues – investment earnings		\$ 182
(To record increase in the fair value of investments)		

Closing of temporary accounts

The government closed its temporary accounts for the permanent fund at the end of the current fiscal year:

	DR	CR
141. Revenues – investment earnings	\$ 569	
Expenditures – culture and recreation		\$ 222
Fund balance – unassigned		347
(To close operating statement accounts at year end)		

Restricted fund balance

The principal of the government’s permanent fund was the product of an initial gift of \$10,000, which can never be spent and has been classified ever since as *nonspendable* fund balance. Earnings are restricted for “urban concerns” (for example, after-school programs and homeless programs). Accordingly, the government reclassified the \$347 net increase in fund balance that occurred during the current fiscal year (journal entry 139) as *restricted* fund balance:

	DR	CR
142. Fund balance – unassigned	\$ 347	
Fund balance – restricted for urban concerns		\$ 347
(To reclassify fund balance for the purposes of the endowment)		

Enterprise fund – Water Fund

Billings for services

The water fund issued bills for services totaling \$8,515,227 during the current fiscal year. Approximately one percent of the billings are expected to be uncollectible. Note that revenues are reported net of uncollectibles:

	DR	CR
143. Accounts receivable	\$ 8,515,227	
Operating revenues – water sales		\$ 8,430,075
Allowance for uncollectible accounts receivable		85,152
(To record billings for water sales and related allowance for uncollectible amounts)		

Operating grant

The water fund received a one-time operating grant from the Federal Regional Commission:

	DR	CR
144. Cash	\$ 10,967	
Nonoperating revenues – intergovernmental (To record receipt of operating grant)		\$ 10,967

Miscellaneous revenues

Customers paid amounts totaling \$133,423 for several types of miscellaneous charges (for example, temporary water service, meter testing/service, and seasonal turn-on/off services):

	DR	CR
145. Cash	\$ 133,423	
Operating revenues – miscellaneous (To record the collection of miscellaneous operating revenues)		\$ 133,423

Tap and connection fees

During the current fiscal year, the water fund connected various customers and developers to water lines. Billings for these services amounted to \$12,050, of which 70 percent (\$8,435) was actual connection costs; and 30 percent (\$3,615) was for expanding existing service to meet the needs of new customers:

	DR	CR
146. Accounts receivable	\$ 12,050	
Operating revenues – tap fees		\$ 8,435
Capital contribution – connection fees (To record charges for tap fees)		3,615

Collection of accounts receivable

The water fund collected \$8,902,065 of outstanding accounts receivable during the current fiscal year, including a portion of accounts receivable outstanding at the beginning of the current fiscal year:

	<u>DR</u>	<u>CR</u>
147. Cash	\$ 8,902,065	
Accounts receivable		\$ 8,902,065
(To record the collection of outstanding receivables)		

Write-off of uncollectible accounts receivable

The water fund wrote off \$11,000 of accounts receivable for which allowances had been previously established:

	<u>DR</u>	<u>CR</u>
148. Allowance for uncollectible accounts receivable	\$ 11,000	
Accounts receivable		\$ 11,000
(To write off uncollectible accounts receivable)		

Customer deposits

During the current fiscal year, the water fund collected \$1,215 of deposits from new customers:

	<u>DR</u>	<u>CR</u>
149. Restricted assets – customer deposits	\$ 1,215	
Customer deposits payable – restricted assets		\$ 1,215
(To record collection of new customer deposits)		

Purchase of capital assets

The water fund acquired \$69,454 of machinery, equipment, and vehicles during the current fiscal year:

	<u>DR</u>	<u>CR</u>
150. Machinery, equipment, and vehicles	\$ 69,454	
Accounts payable		\$ 69,454
(To record purchase of capital assets)		

Purchase of investments

The water fund purchased investments of \$3,215,217 with cash generated from operations:

	<u>DR</u>	<u>CR</u>
151. Investments	\$ 3,215,217	
Cash		\$ 3,215,217
(To record purchase of investments)		

Matured investments

Investments matured during the current fiscal year. Proceeds of \$3,198,496 included \$209,247 of interest earned during the current fiscal year:

	<u>DR</u>	<u>CR</u>
152. Cash	\$ 3,198,496	
Investments		\$ 2,989,249
Nonoperating revenues – investment earnings		209,247
(To record proceeds including interest revenue from matured investments)		

Payroll and benefits

Payroll vouchers totaling \$2,570,570 were generated for the current fiscal year, including pension contributions due to the statewide retirement system:

	<u>DR</u>	<u>CR</u>
153. Operating expenses – personnel services	\$ 2,570,570	
Accounts payable		\$ 2,570,570
(To record payroll and benefits)		

Purchase of goods and services

The water fund purchased \$4,336,698 of various goods and services during the normal course of operations. This amount includes a payment in lieu of taxes paid to the general fund for an amount equivalent to the value of services provided to the water fund (journal entry 5):

	<u>DR</u>	<u>CR</u>
154. Operating expenses – materials and supplies	\$ 3,556,232	
Operating expenses – contractual services	780,466	
Accounts payable		\$ 3,982,246
Due to other funds – general fund		354,452
(To record operating expenses incurred)		

The fund paid the amount due to the general fund as a payment in lieu of taxes (journal entry 6):

	<u>DR</u>	<u>CR</u>
155. Due to other funds – general fund	\$ 354,452	
Cash		\$ 354,452
(To record amounts paid to the general fund as a payment in lieu of taxes)		

The water fund liquidated liabilities in the amount of \$6,926,543:

	<u>DR</u>	<u>CR</u>
156. Accounts payable	\$ 6,926,543	
Cash		\$ 6,926,543
(To record payment of liabilities during the year)		

Issuance of bond anticipation notes

During the current fiscal year, the government issued \$1,500,000 of bond anticipation notes to fund various ongoing capital projects. The notes are due on September 17, 2027:

	<u>DR</u>	<u>CR</u>
157. Cash	\$ 1,500,000	
Bond anticipation notes payable		\$ 1,500,000
(To record bond anticipation notes sale)		

Construction capitalization

The water fund used the proceeds of bond anticipation notes issued during the current fiscal year (journal entry 157) to fund a two-phase construction project. The water fund received \$762,714 in progress billings during the current fiscal year. Of this amount, \$76,271 is to be retained by the water fund, in accordance with the provisions of the contracts, until both phases of the project are completed satisfactorily:

	<u>DR</u>	<u>CR</u>
158. Construction in progress	\$ 762,714	
Accounts payable		\$ 686,443
Retainage payable		76,271
(To record construction in progress billings)		

The water fund paid \$863,678 of outstanding liabilities related to capital projects. This amount included payments of \$177,235 for retainage amounts that were released because the related capital projects were certified as complete during the current fiscal year:

	<u>DR</u>	<u>CR</u>
159. Accounts payable	\$ 686,443	
Retainage payable	177,235	
Cash		\$ 863,678
(To record payments of liabilities during the year and the release of retainage for completed projects)		

Interest received

The water fund collected \$44,476 in interest on investments during the current fiscal year:

	<u>DR</u>	<u>CR</u>
160. Cash	\$ 44,476	
Nonoperating revenues – investment earnings		\$ 44,476
(To record collection of interest on investments)		

Return of customer deposits

During the current fiscal year, the water fund returned \$5,915 of deposits to customers:

	<u>DR</u>	<u>CR</u>
161. Customer deposits payable – restricted assets	\$ 5,915	
Restricted assets – customer deposits		\$ 5,915
(To record return of customer deposits)		

Sale of capital assets

The water fund’s plans called for capital assets with a book value of \$22,728 (\$35,710 historical cost – \$12,982 accumulated depreciation) to be replaced as part of a modernization project. Accordingly, those capital assets were sold during the current fiscal year for \$20,450:

	<u>DR</u>	<u>CR</u>
162. Cash	\$ 20,450	
Accumulated depreciation – machinery, equipment, and vehicles	12,982	
Nonoperating expenses – loss on sale of capital assets	2,278	
Machinery, equipment, and vehicles		\$ 35,710
(To record sale of capital assets)		

Debt service

During the current fiscal year, the water fund accrued \$302,248 in interest expense on its general obligation bonds:

	<u>DR</u>	<u>CR</u>
163. Nonoperating expenses – interest	\$ 302,248	
Accrued interest payable		\$ 302,248
(To record accrual of interest on general obligation bonds)		

The water fund remitted \$448,474 to bondholders for interest on its general obligation bonds. This amount included both the \$302,248 of interest expense accrued during the current fiscal year (journal entry 163) and the outstanding balance of accrued interest payable at the start of the current fiscal year (\$146,226):

	<u>DR</u>	<u>CR</u>
164. Accrued interest payable	\$ 448,474	
Cash		\$ 448,474
(To record interest payment to general obligation bondholders)		

The water fund also remitted \$1,027,683 to repay a portion of the principal of its general obligation bonds and an additional \$62,500 to retire a portion of its outstanding bond anticipation notes:

	DR	CR
165. General obligation bonds payable – current	\$ 1,027,683	
Bond anticipation notes payable	62,500	
Cash		\$ 1,090,183
(To record principal payments on general obligation bonds and the retirement of a portion of outstanding bond anticipation notes)		

Accrual of interest receivable

At the end of the current fiscal year, the water fund accrued \$22,468 of interest receivable on its outstanding investments:

	DR	CR
166. Interest receivable – investments	\$ 22,468	
Nonoperating revenues – investments earnings		\$ 22,468
(To accrue interest income at year end)		

Billings for services

The water fund determined that \$891,875 of water sales had not been billed as of the end of the current fiscal year. Approximately 1.1 percent of the unbilled amounts were expected to be uncollectible:

	DR	CR
167. Accounts receivable	\$ 891,875	
Operating revenues – water sales		\$ 882,075
Allowance for uncollectible accounts receivable		9,800
(To record unbilled accounts at year end and related allowance for uncollectible amounts)		

Compensated absences

During the current fiscal year, employees earned leave (+\$5,188) and used leave (-\$13,677), for a net decrease of \$8,489 in the water fund’s liability for compensated absences:

	DR	CR
168. Compensated absences payable	\$ 8,489	
Operating expenses – personnel services		\$ 8,489
(To record the change in compensated absences)		

Other postemployment benefits

The government recognized changes in the water fund’s net pension and OPEB liabilities and related deferred items. (Note that a detailed entry for pension can be found in Appendix C for governmental activities.):

	DR	CR
169. Deferred inflows – pension related	\$ 24,691	
Net Pension liability	24,992	
Operating expenses – personnel services		\$ 32,588
Deferred outflows – pension related		17,095

	DR	CR
170. Net OPEB liability	\$ 28,836	
Operating expenses – personnel services	134,066	
Deferred inflows – OPEB related		\$ 113,074
Deferred outflows – OPEB related		49,828
(To recognize the changes in pension and OPEB liabilities)		

Reclassification of outstanding debt

At the end of the current fiscal year, the water fund reclassified the portion of general obligation bonds due within the next 12 months as a current liability:

	DR	CR
171. General obligation bonds payable	\$ 938,967	
General obligation bonds payable – current		\$ 938,967
(To reclassify current portion of general obligation bonds)		

Accrual of interest expense

At the end of the current fiscal year, the water fund accrued interest expense of \$143,219:

	DR	CR
172. Nonoperating expenses – interest	\$ 143,219	
Accrued interest payable		\$ 143,219
(To accrue interest expense on general obligation bonds outstanding at year end)		

Accrual of depreciation expense

The water fund determined that depreciation expense for the year was \$886,240 (buildings: \$120,723; water distribution system: \$733,977; machinery, equipment, and vehicles: \$31,540):

	DR	CR
173. Operating expenses – depreciation	\$ 886,240	
Accumulated depreciation – buildings		\$ 120,723
Accumulated depreciation – water distribution system		733,977
Accumulated depreciation – machinery, equipment, and vehicles		31,540
(To record depreciation expense)		

Amortization of bond-related accounts and prepaid insurance

At the end of the current fiscal year, the water fund recorded the final amortization of the difference between the reacquisition price of bonds refunded several years previously and their net carrying amount at the time of the refunding:

	<u>DR</u>	<u>CR</u>
174. Nonoperating expenses – interest	\$ 1,353	
Unamortized charge – refunding bonds		\$ 1,353
(To record the final amortization of a previously reported deferred charge on a bond refunding)		

At the end of the current fiscal year, the water fund also recorded the amortization of prepaid insurance:

	<u>DR</u>	<u>CR</u>
175. Operating expenses – contractual services	\$ 1,275	
Prepaid insurance		\$ 1,275
(To record the final amortization of previously reported bond insurance costs)		

Closing of temporary accounts

The government closed its temporary accounts for the water fund at the end of the current fiscal year:

	<u>DR</u>	<u>CR</u>
176. Operating revenues – water sales	\$ 9,312,150	
Operating revenues – tap fees	8,435	
Operating revenues – miscellaneous	133,423	
Nonoperating revenues – intergovernmental	10,967	
Nonoperating revenues – investment earnings	276,191	
Capital contribution – connection fee	3,615	
Operating expenses – materials and supplies		\$ 3,556,232
Operating expenses – contractual services		781,741
Operating expenses – personnel services		2,663,559
Operating expenses – depreciation		886,240
Nonoperating expenses – loss on sale of capital assets		2,278
Nonoperating expenses – interest		446,820
Net position – unrestricted		1,407,911
(To close operating accounts at year end)		

Reclassification of the components of net position

At the close of the current fiscal year, the government reclassified a portion of net position to properly reflect its net investment in capital assets:

	<u>DR</u>	<u>CR</u>
177. Net investment in capital assets	\$ 514,183	
Net position – unrestricted		\$ 514,183
(To reclassify components of net position)		

Internal service fund - Risk Management Fund

Billings for services

The risk management fund billed for its services as follows: \$2,576,222 general fund, \$43,504 library fund, \$9,008 community development block grant fund, \$2,315 housing grant fund, and \$1,059 Cable TV discretely presented component unit:

	DR	CR
178. Due from other funds—general fund	\$ 2,576,222	
Due from other funds—library fund	43,504	
Due from other funds—community development block grant fund	9,008	
Due from other funds—housing grant fund	2,315	
Due from component units – Cable TV	1,059	
Operating revenues—charges for services		\$ 2,632,108
(To record billings)		

Collections

The risk management fund collected \$2,576,222 from the general fund, \$43,504 from the library fund, \$9,008 from the community development block grant fund, \$2,315 from the housing grant fund, and \$1,059 from the Cable TV discretely presented component unit:

	DR	CR
179. Cash	\$ 2,632,108	
Due from other funds—general fund		\$ 2,576,222
Due from other funds—library fund		43,504
Due from other funds—community development block grant fund		9,008
Due from other funds—housing grant fund		2,315
Due from component units – Cable TV		1,059
(To record cash receipts for services rendered)		

Receipt of interest

During the current fiscal year, the risk management fund received interest payments of \$3,729. This amount had been accrued and recognized as revenue during the prior fiscal year:

	DR	CR
180. Cash	\$ 3,729	
Interest receivable – investments		\$ 3,729
(To record receipt of previously accrued interest earnings)		

Purchase and consumption of inventory

The risk management fund purchased and received consumable materials and supplies costing \$1,362. Inventories valued at \$1,362 were withdrawn from stock and used:

	<u>DR</u>	<u>CR</u>
181. Inventories	\$ 1,362	
Accounts payable		\$ 1,362
(To record purchase of inventories)		
	<u>DR</u>	<u>CR</u>
182. Operating expenses—materials and supplies	\$ 1,362	
Inventories		\$ 1,362
(To record inventories withdrawn and used)		

Payroll and benefits

Payroll vouchers totaling \$222,728 were generated for the current fiscal year, including \$5,342 of pension contributions due to the statewide retirement system. In addition, there was a \$7,414 net increase in accumulated compensated absences:

	<u>DR</u>	<u>CR</u>
183. Operating expenses – personnel services	\$ 235,484	
Accounts payable		\$ 228,070
Compensated absences payable		7,414
(To record payroll and benefits)		

Purchase of goods and services

The risk management fund purchased and received \$414,807 in goods and services from outside vendors:

	<u>DR</u>	<u>CR</u>
184. Operating expenses—materials and supplies	\$ 414,807	
Accounts payable		\$ 414,807
(To record operating expenses on account)		

Claims

During the current fiscal year, the risk management fund incurred \$291,336 in claims for workers' compensation and \$218,036 in claims for general liability and property damage:

	<u>DR</u>	<u>CR</u>
185. Operating expenses – claims	\$ 509,372	
Claims and judgments payable		\$ 509,372
(To record claims incurred during the year)		

Also, estimated claims from prior years increased by \$570,346 for workers' compensation claims, and by \$681,962 for general liability and property damage claims:

	<u>DR</u>	<u>CR</u>
186. Operating expenses – claims	\$ 1,252,308	
Claims and judgments payable		\$ 1,252,308
(To record changes in estimates for previously recorded claims)		

In addition, the risk management fund paid \$1,263,384 in claims for workers' compensation and \$807,336 in claims for general liability and property damage:

	DR	CR
187. Claims and judgments payable	\$ 2,070,720	
Cash		\$ 2,070,720
(To record payment of claims and judgments payable)		

Purchase and sale of investments

The risk management fund used \$2,357,174 of excess cash to purchase investments recorded at cost:

	DR	CR
188. Investments	\$ 2,357,174	
Cash		\$ 2,357,174
(To record purchase of investments)		

Prior to the end of the current fiscal year, the risk management fund sold investments with a book value of \$2,377,000. The proceeds of the sale included both this amount and \$127,501 of interest earned during the current fiscal year:

	DR	CR
189. Cash	\$ 2,504,501	
Investments		\$ 2,377,000
Nonoperating revenues – investment earnings		127,501
(To record sale of investments and interest revenue earned and received)		

Reimbursement to general fund

The risk management fund reimbursed \$10,000 of expenditures paid on its behalf by the general fund (journal entry 26):

	DR	CR
190. Operating expenses – materials and supplies	\$ 10,000	
Cash		\$ 10,000
(To record reimbursement to general fund)		

Payments of liabilities

The risk management fund liquidated outstanding liabilities of \$477,315:

	DR	CR
191. Accounts payable	\$ 477,315	
Cash		\$ 477,315
(To record payment of liabilities incurred during the year)		

Insurance

The risk management fund spent \$618,315 to purchase an insurance policy for the current fiscal year:

	DR	CR
192. Operating expenses – contractual services	\$ 618,315	
Cash		\$ 618,315
(To record payment for annual insurance policies)		

Accrued interest receivable

The risk management fund earned \$3,681 of interest on investments that was not collected as of the end of the current fiscal year:

	DR	CR
193. Interest receivable – investments	\$ 3,681	
Nonoperating revenues – investment earnings		\$ 3,681
(To record accrued interest on investments)		

Pension and other postemployment benefits

The government recognized changes in the risk management fund’s net pension and OPEB liabilities and related deferred items. (Note that a detailed entry for pension can be found in Appendix C for governmental activities.):

	DR	CR
194. Deferred inflows – pension related	\$ 16,461	
Net Pension liability	16,661	
Operating expenses – personnel services		\$ 21,725
Deferred outflows – pension related		11,397
	DR	CR
195. Net OPEB liability	\$ 19,224	
Operating expenses – personnel services	89,377	
Deferred inflows – OPEB related		\$ 75,382
Deferred outflows – OPEB related		33,219
(To recognize the changes in pension and OPEB liabilities)		

Closing of temporary accounts

The government closed its temporary accounts for the risk management fund at the end of the current fiscal year:

	DR	CR
196. Operating revenues – charges for services	\$ 2,632,108	
Nonoperating revenues – investment earnings	131,182	
Net position – unrestricted	346,010	
Operating expenses – personnel services		\$ 303,136
Operating expenses – contractual services		618,315
Operating expenses – materials and supplies		426,169
Operating expenses – claims		1,761,680
(To close operating statement accounts)		

Pension trust fund – Police Pension Fund

Purchase and sale of investments

During the current fiscal year, the pension trust fund sold investments that cost \$2,134,864 for \$2,186,451. The difference of \$51,587 was attributable to an increase in the fair value of the investments. The pension trust fund then purchased another \$2,537,820 of investments:

	<u>DR</u>	<u>CR</u>
197. Cash	\$ 2,186,451	
Investments		\$ 2,134,864
Additions – investment earnings – net increase (decrease) in the fair value of investments		51,587
(To record sale of investments and related increase in fair value)		
	<u>DR</u>	<u>CR</u>
198. Investments – U.S. Government and Agency Obligations	\$ 2,250,320	
Investments – State and Local Obligations	287,500	
Cash		2,537,820
(To record purchase of investments)		

Receipt of accrued interest

The pension trust fund collected \$59,098 of interest accrued on its investments as of the end of the prior fiscal year and immediately reinvested that amount:

	<u>DR</u>	<u>CR</u>
199. Investments	\$ 59,098	
Interest receivable – investments		\$ 59,098
(To record receipt of accrued interest receivable)		

The pension trust fund also earned and collected \$315,033 of interest in the current fiscal year:

	<u>DR</u>	<u>CR</u>
200. Cash	\$ 315,033	
Additions – investment earnings – interest		\$ 315,033
(To record interest earnings)		

Accrued interest receivable

The pension trust fund earned \$61,233 of interest on its investments during the current fiscal year that it had not collected as of year end:

	<u>DR</u>	<u>CR</u>
201. Interest receivable – investments	\$ 61,233	
Additions – investment earnings – interest		\$ 61,233
(To record accrued interest on investments)		

Contributions

The pension trust fund received \$1,296,111 in employer contributions (see journal entry 43) and \$341,051 in employee contributions withheld from payroll from the general fund:

	<u>DR</u>	<u>CR</u>
202. Cash	\$ 1,637,162	
Additions – employer contributions		\$ 1,088,216
Additions – member contributions		548,946
(To record receipt of contributions)		

Receipt of dividends

The pension trust fund received dividends of \$12,522 on its investments:

	<u>DR</u>	<u>CR</u>
203. Cash	\$ 12,522	
Additions – investment earnings – dividends		\$ 12,522
(To record receipt of dividends)		

Benefit payments

The pension trust fund paid \$1,492,240 in benefits to retired employees during the current fiscal year:

	<u>DR</u>	<u>CR</u>
204. Deductions – benefits	\$ 1,492,240	
Cash		\$ 1,492,240
(To record payment of benefits)		

Refunds

The pension trust fund refunded \$9,504 of contributions to terminated employees, including \$1,250 already payable as of the start of the current fiscal year:

	<u>DR</u>	<u>CR</u>
205. Refunds payable	\$ 1,250	
Deductions – refund of contributions	8,254	
Cash		\$ 9,504
(To record payment of refunds of contributions)		

An additional \$1,000 of refunds payable to employees terminated during the current fiscal year remain unpaid at year end:

	<u>DR</u>	<u>CR</u>
206. Deductions – refund of contributions	\$ 1,000	
Refunds payable		\$ 1,000
(To record refunds due and unpaid at fiscal year end)		

Administrative costs

The pension trust fund paid administrative costs of \$5,487 during the current fiscal year, including \$2,649 that was payable at the start of the current fiscal year:

	DR	CR
207. Accounts payable	\$ 2,649	
Deductions – administrative expenses	2,838	
Cash		\$ 5,487

(To record payments for administrative costs)

Fees

The pension trust fund received \$2,000 in invoices for various administrative costs that remain unpaid at the end of the current fiscal year:

	DR	CR
208. Deductions – administrative expenses	\$ 2,000	
Accounts payable		\$ 2,000

(To record administrative expenses incurred)

The government paid its investment advisor \$50,490 for services provided. Of this amount, \$3,750 was payable at the start of the current fiscal year:

	DR	CR
209. Accounts payable	\$ 3,750	
Deductions – investment expense*	46,740	
Cash		\$ 50,490

(To record payments to investment advisor)

*Although recorded as a deduction, investment expenses are presented as a reduction of additions (investment earnings) in the statement of changes in plan net position.

The pension trust fund received \$3,159 in invoices from its investment advisor for services provided during the current fiscal year. The entire amount remained unpaid as of the end of the fiscal year:

	DR	CR
210. Deductions – investment expense	\$ 3,159	
Accounts payable		\$ 3,159

(To record amounts due to investment advisor)

Appreciation in the fair value of investments

At the end of the current fiscal year, the fair value of investments had increased by \$2,436,625:

	DR	CR
211. Investments – U.S. Government and Agency Obligations	\$ 332,626	
Investments – Mutual Funds	2,237,640	
Investments – State and Local Obligations	9,637	
Investments – Corporate Bonds		\$ 143,278
Additions – investment earnings – net increase (decrease) in the fair value of investments		2,436,625

(To record increase in fair value of investments)

Closing of temporary accounts

The pension trust fund closed its temporary accounts at the end of the current fiscal year:

	<u>DR</u>	<u>CR</u>
212. Additions – employer contributions	\$ 1,088,216	
Additions – member contributions	548,946	
Additions – investment earnings – dividends	12,522	
Additions – investment earnings – interest	376,266	
Additions – investment earnings – net increase (decrease) in the fair value of investments	2,488,212	
Deductions – benefits		\$ 1,492,240
Deductions – refunds		9,254
Deductions – administrative expenses		4,838
Deductions – investment expense		49,899
Net position restricted for pensions		2,957,931
(To close temporary accounts at year end)		

Private-purpose trust fund – Prison Canteen**Purchase of investments**

The fund purchased \$56,173 of investments during the current fiscal year:

	<u>DR</u>	<u>CR</u>
213. Investments	\$ 56,173	
Cash		\$ 56,173
(To record purchase of investments)		

Maturing investments

Various investments matured during the current fiscal year. Related proceeds of \$48,598 included \$2,742 of interest earned during the current fiscal year and \$346 of interest accrued at the end of the prior fiscal year:

	<u>DR</u>	<u>CR</u>
214. Cash	\$ 48,598	
Investments		\$ 45,510
Interest receivable – investments		346
Additions – investment earnings – interest		2,742
(To record proceeds of matured investments)		

Accrued interest receivable

The fund earned \$921 of interest that was not collected as of the end of the current fiscal year:

	<u>DR</u>	<u>CR</u>
215. Interest receivable – investments	\$ 921	
Additions – investment earnings – interest		\$ 921
(To record accrued interest on investments)		

Contributions received

The fund received \$53,085 in contributions on behalf of inmates for use at the canteen at the Winterfell Correctional Institution.

	<u>DR</u>	<u>CR</u>
216. Cash	\$ 53,085	
Additions – private contributions		\$ 53,085
(To record receipt of contributions)		

Appreciation in the fair value of investments

At the end of the current fiscal year, the fair value of investments had increased by \$83:

	<u>DR</u>	<u>CR</u>
217. Investments	\$ 83	
Additions – investment earnings – net increase		
(decrease) in the fair value of investments		\$ 83
(To record increase in fair value of investments)		

Prisoner canteen purchases

Inmates spent a total of \$42,810 to purchase items from the canteen during the current fiscal year:

	<u>DR</u>	<u>CR</u>
218. Deductions – prisoner canteen purchases	\$ 42,810	
Cash		\$ 42,810
(To record purchases made by prisoners at the canteen during the current fiscal year)		

Closing of temporary accounts

The government closes its temporary accounts for the private purpose trust fund at the close of the current fiscal year:

	<u>DR</u>	<u>CR</u>
219. Additions – private contributions	\$ 53,085	
Additions – investment earnings – interest	3,663	
Additions – investment earnings – net increase		
(decrease) in the fair value of investments	83	
Deductions – prisoner canteen purchases		\$ 42,810
Net position restricted for prisoners		14,021
(To close temporary accounts at year end)		

Investment trust fund – Local Government Investment Fund (investment pool, all monies held for external entities)

Purchase and sale of investments

During the current fiscal year, the investment trust fund sold investments that cost \$5,632,789 for \$6,222,425. The difference of \$589,636 was attributable to an increase in the fair value of the investments. The investment trust fund then purchased another \$15,000,000 of investments:

	DR	CR
220. Cash	\$ 6,222,425	
Investments		\$ 5,632,789
Additions – investment earnings – net increase (decrease) in the fair value of investments		589,636
(To record sale of investments and related increase in fair value)		
	DR	CR
221. Investments	\$ 15,000,000	
Cash		\$ 15,000,000
(To record purchase of investments)		

Receipt of accrued interest

The investment trust fund collected \$175,650 of interest accrued on its investments as of the end of the prior fiscal year and immediately reinvested that amount:

	DR	CR
222. Investments	\$ 175,650	
Interest receivable – investments		\$ 175,650
(To record receipt of accrued interest receivable)		

The pension trust fund also earned and collected \$1,847,888 of interest in the current fiscal year:

	DR	CR
223. Cash	\$ 1,847,888	
Additions – investment earnings – interest		\$ 1,847,888
(To record interest earnings)		

Accrued interest receivable

The investment trust fund earned \$226,545 of interest on its investments during the current fiscal year that it had not collected as of year end:

	DR	CR
224. Interest receivable – investments	\$ 226,545	
Additions – investment earnings – interest		\$ 226,545
(To record accrued interest on investments)		

Receipt of dividends

The investment trust fund received dividends of \$16,258 on its investments:

	DR	CR
225. Cash	\$ 16,258	
Additions – investment earnings – dividends		\$ 16,258
(To record receipt of dividends)		

Distribution to shareholders

The investment trust fund paid shareholders dividends of \$225,991 during the current fiscal year, including \$76,250 that was payable at the start of the current fiscal year:

	DR	CR
226. Accounts payable	\$ 76,250	
Deductions – distributions to shareholders	149,741	
Cash		\$ 225,991
(To record payments for administrative costs)		

Administrative costs

The investment trust fund received \$15,950 in invoices for various administrative costs that remain unpaid at the end of the current fiscal year:

	DR	CR
227. Deductions – administrative expenses	\$ 15,950	
Accounts payable		\$ 15,950
(To record administrative expenses incurred)		

Fees

The government paid its investment advisor \$225,430 for services provided. Of this amount, \$21,329 was payable at the start of the current fiscal year:

	DR	CR
228. Accounts payable	\$ 21,329	
Deductions – investment expense	204,101	
Cash		\$ 225,430
(To record payments to investment advisor)		

*Although recorded as a deduction, investment expenses are presented as a reduction of additions (investment earnings) in the statement of changes in net position.

The investment trust fund received \$14,500 in invoices from its investment advisor for services provided during the current fiscal year. The entire amount remained unpaid as of the end of the fiscal year:

	DR	CR
229. Deductions – investment expense	\$ 14,500	
Accounts payable		\$ 14,500
(To record amounts due to investment advisor)		

Appreciation in the fair value of investments

At the end of the current fiscal year, the fair value of investments had increased by \$512,768:

	DR	CR
230. Investments	\$ 512,768	
Additions – investment earnings – net increase (decrease) in the fair value of investments		\$ 512,768
(To record increase in fair value of investments)		

Closing of temporary accounts

The investment trust fund closed its temporary accounts at the end of the current fiscal year:

	DR	CR
231. Additions – investment earnings – dividends	\$ 16,258	
Additions – investment earnings – interest	2,074,433	
Additions – investment earnings – net increase (decrease) in the fair value of investments	1,102,404	
Deductions – administrative expenses		\$ 15,950
Deductions – distributions to shareholders		149,741
Deductions – investment expense		218,601
Net position restricted for pool participants		2,808,803
(To close temporary accounts at year end)		

Custodial fund – Bania Fund

Collection of utility charges for other governments

The government collected \$3,422,212 of contributions from local business and individuals for the Bania fund:

	DR	CR
232. Cash	\$ 3,422,212	
Additions – private contributions		\$ 3,422,212
(To record the receipt of contributions collected from donors)		

The government paid \$3,566,325 in support to recipients, which included \$150,559 that it was compelled to pay the previous year:

	DR	CR
233. Deductions – recipient payments	\$ 3,415,766	
Due to local governments	150,559	
Cash		\$ 3,566,325
(To record the payments made to recipients)		

The government received \$7,224 of interest:

	DR	CR
234. Cash	\$ 7,224	
Additions – investment earnings – interest revenue		\$ 7,224
(To record receipt of interest revenue)		

The government was compelled to pay \$138,192 to recipients as of the end of the fiscal year:

	<u>DR</u>	<u>CR</u>
235. Deductions – recipient payments	\$ 138,192	
Due to recipients		\$ 138,192
(To record the amount due to recipients)		

Closing of temporary accounts

The custodial fund closed its temporary accounts at the end of the current fiscal year:

	<u>DR</u>	<u>CR</u>
236. Additions – private contributions	\$ 3,422,212	
Net position restricted for individuals and organizations	124,522	
Additions – investment earnings – interest revenue	7,224	
Deductions – recipient payments		\$ 3,553,958
(To close temporary accounts at year end)		