Government Accounting

Process

• **Budget** formed by legislature or city council, giving a budgetary fund balance and a balance reserved for encumbrances
  o Appropriations control (Cr) → Budget and Actual
    ▪ Reserved for Encumbrances
      • Encumbrance control fund balance (Dr)
      • Encumbrances → Expenditures
  o Revenues are estimated
• **Appropriations** empower the creation of liabilities & comply with statutes or ordinances
• **Encumbrances** are created when a purchase order or contract is issued
• **Expenditures** are made when a liability is incurred
• **Revenues** are recognized when funds are available and measurable
• **Estimated other financing sources/uses** include interfund and debt proceeds
• Each category has a control account, with particulars in subsidiary ledger

Assets

• Recognized in government-wide statements (not proprietary or fiduciary)
• Can be restricted or unrestricted or invested in capital
• Acquired through general, special revenue or capital projects
• Depreciation can be *modified*: the expense can be to extend life; must keep track of inventory, assess regularly, and make estimation to maintain
• Liabilities include long term debt

Statements

• Net Assets (assets-liabilities): restricted, unrestricted, or invested
• Activities: expenses less program revenues = net expenses
• Revenues, expenditures and changes in fund balance
• Cash flows

Government Entities

• General purpose: state, county, etc
• Special purpose: library, port authority, community college
• Basic services: police, transportation
• Special services: fire, drainage
• Important issues are:
  o Performance
  o Optimal capital structure
  o Predictions of any failure