

Fund Accounting

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Textbook: Government and Not-for-Profit Accounting, Granof

- This presentation contains information, in addition to the material prepared and provided by the professor, from the book Government and Not-for-Profit Accounting, 7th. Ed., Granof which is the textbook assigned for the course CONT 4059 – “Contabilidad para Entidades que no son Negocios” at the University of Puerto Rico, Río Piedras Campus.

What is a Fund?

What is a Fund?

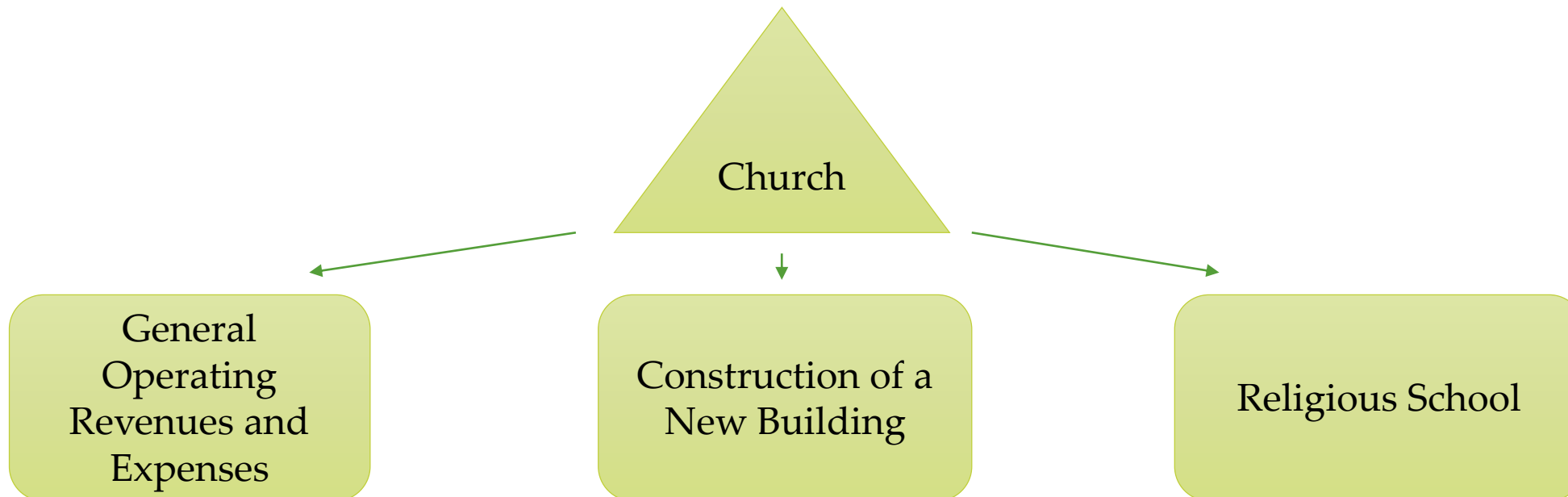
- A fund is a fiscal and an accounting entity.
- Each fund has its own self-balancing set of accounts from which financial statements can be prepared.

What is a Fund?

- Thus governmental and not-for-profit entities customarily use several funds to account for their resources and activities.

What is a Fund?

- Example: A nonprofit organization, a Church.



Governmental Funds

Governmental Funds

- Main Types of Governmental Funds:
 1. **Governmental Activities:** Those financed through taxes and intergovernmental grants.
 2. **Business-Type Activities:** Those financed predominantly through user charges.
 3. **Fiduciary Activities:** Those for which the government acts as a trustee or agent.

Governmental Funds

Governmental Activities

- Governmental Activities
 1. General fund
 2. Special revenue funds
 3. Debt service funds
 4. Capital projects funds
 5. Permanent funds

Governmental Funds

Governmental Activities

1. General Fund

Governmental Funds

Governmental Activities

1. General Fund

- The general fund is the most significant fund maintained by all state and local governmental entities.
- It is used to account for all resources that are not legally or contractually restricted or arbitrarily set aside for specific activities.

Governmental Funds

Governmental Activities

1. General Fund

- In a city or other general-purpose government, it embraces most major governmental functions:
 - Police
 - Fire
 - Street maintenance
 - General administration

Governmental Funds

Governmental Activities

2. Special Revenue Funds

Governmental Funds

Governmental Activities

2. Special Revenue Funds

- Special revenue fund are established to account for specific revenue streams that are legally restricted or committed for specific purposes.
- Accounts for financial resources that are restricted or committed (does not include assigned) to expenditure for specific purposes **other than** debt service or capital projects.

Governmental Funds

Governmental Activities

2. Special Revenue Funds

- Examples:
 - Gasoline tax revenues that must be used for highway maintenance.
 - Hotel occupancy taxes earmarked for specific purposes.
 - Private donations that must be used to repair and maintain parks and other recreational facilities.

Governmental Funds

Governmental Activities

3. Debt Service Funds

Governmental Funds

Governmental Activities

3. Debt Service Funds

- Debt service funds are a particular type of special revenue fund
- In that they are maintained to account for resources restricted, committed, or assigned for a specific purpose: the payment of principal and interest on all general long-term obligation debt.

Governmental Funds

Governmental Activities

3. Debt Service Funds

- The debt covenants often require that the borrowing government set aside financial resources intended for servicing the debt.
- Debt service funds derive their resources from other funds, or from taxes or fees dedicated for debt service.

Governmental Funds

Governmental Activities

4. Capital Projects Funds

Governmental Funds

Governmental Activities

4. Capital Projects Funds

- They are maintained to account for, and report, financial resources that are restricted, committed, or assigned to be used for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Governmental Funds

Governmental Activities

4. Capital Projects Funds

- Capital projects funds typically derive their resources from the proceeds of bonds.
- However, they may also receive resources that were initially received by other funds and subsequently earmarked for the acquisition of capital assets.

Governmental Funds

Governmental Activities

5. Permanent Funds

- Permanent funds are relatively new type of governmental fund, a creation of the GASB Statement No. 34 reporting model.
- Permanent funds may spent only the income they generate, not the principal.

Governmental Funds

Governmental Activities

5. Permanent Funds

- **Example:** Suppose that a government received a donation to support one of its parks. The resources received were to be invested and only the income, not the principal, could be expended.

Governmental Funds

Governmental Activities

5. Permanent Funds

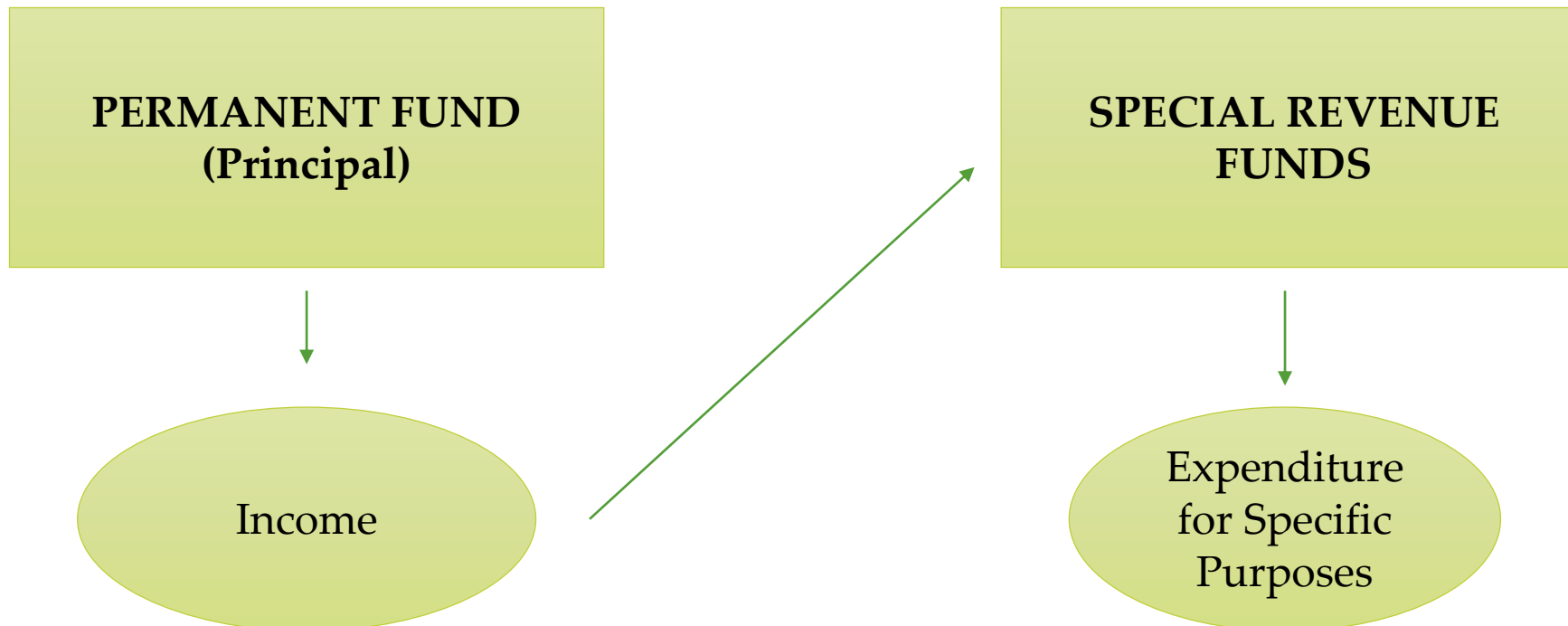
- **Example:** The government would establish a permanent fund to account for and maintain the donation (the principal).
- As income is earned, the government would transfer it to a special revenue fund, from which it could be used for the intended purpose.

Governmental Funds

Governmental Activities

5. Permanent Funds

- **Example:**



Governmental Funds

Business Type (Proprietary Funds)

Governmental Funds

Business Type (Proprietary Funds)

1. Enterprise Funds

- Enterprise funds are used to accounts for business-type activities in which the government provides goods or services on a user-charge basis to the general public at large.
- The resources of the fund must be kept intact and cannot be commingled with those of the government's other funds.

Governmental Funds

Business Type (Proprietary Funds)

1. Enterprise Funds

- **Example:**
 - Utilities, such as electric, water, and sewer.
 - Hospital
 - Mass Transportation
 - Convention and entertainment facilities

Governmental Funds

Business Type (Proprietary Funds)

2. Internal Service Funds

- This funds, like enterprise funds, are used to account for business-type activities, but they provide goods or services to other funds, departments, or agencies within the same governmental unit (or occasionally to other governments).

Governmental Funds

Business Type (Proprietary Funds)

2. Internal Service Funds

- **Example:**

- A vehicle repair service that maintains and service the cars and trucks of the police department, fire department, and so forth.
- An electronic data processing department that maintains records and performs computer services for all other departments.

Governmental Funds

Fiduciary Funds

Governmental Funds

Fiduciary Funds

General

- These funds are used to account for assets held by a government in a trust or agency capacity for others, which include employees, other government, and specific individuals, corporations, or not-for-profit organizations.
- Accordingly, their activities do not result in revenues or expenses to support the government's programs.

Governmental Funds

Fiduciary Funds

1. Trust Funds

Governmental Funds

Fiduciary Funds

1. Trust Funds

- A trust fund is defined as a “fund held by one person (trustee) for the benefit of another, pursuant to the provisions of a formal trust agreement.”



Governmental Funds

Fiduciary Funds

1. Trust Funds

- There are three types of Trust Funds:
 - Pension
 - Investment
 - Private Purpose

Governmental Funds

Fiduciary Funds

2. Agency Funds

Governmental Funds

Fiduciary Funds

2. Agency Funds

- Agency funds are custodial in nature and are used to accounts for assets held, usually for a short period, on behalf of other governments, funds, not-for-profit entities, or individuals.
- Examples:
 - Taxes collected by one government for the benefit of another.



Governmental Funds

Summary

Governmental Funds

Summary

Governmental Funds

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

Proprietary Funds

- Internal Service Funds
- Enterprise Funds

Fiduciary Funds

- Agency Funds
- Trust Funds

What Characterizes Funds?

What Characterizes Funds?

- Accounting Equation that describes a business entity:

Assets – Liabilities = Owner's Equity

\$10,000 - \$6,000 = \$4,000

What Characterizes Funds?

- Accounting Equation for Fund Accounting:

$$\text{Assets} - \text{Liabilities} = \text{Fund Balance}^*$$

$$\text{\$10,000} - \text{\$6,000} = \text{\$4,000}$$

** This equation will be modified later.*

Comprehensive Annual Financial Report (CAFR)



Comprehensive Annual Financial Report (CAFR)

CAFR (GASB Statement No. 34)

1. Auditor's report
2. MD&A (Management's discussion and analysis)
3. Basic Financial Statements
 - a. Government Wide Statements
 - b. Fund Statements
4. Required Supplementary Information RSI (Other than MD&A)
5. Combining the individual fund statements and schedules (if required)

Comprehensive Annual Financial Report (CAFR)

Components of the Annual Financial Report

Management's Discussion
and Analysis

Basic Financial Statements

Government-
wide Financial
Statements

Fund
Financial
Statements

Notes to the
Financial
Statements

Comprehensive Annual Financial Report (CAFR)

1. Auditor's Report

- Opinion of the CPA's Firm.



KPMG LLP
American International Plaza
Suite 1100
250 Muñoz Rivera Avenue
San Juan, PR 00918-1819

Independent Auditors' Report

The Honorable Governor and Legislature
Commonwealth of Puerto Rico
San Juan, Puerto Rico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Puerto Rico (the Commonwealth) as of and for the year ended June 30, 2014, and the related notes to basic financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities, funds and activities:

- o *Governmental Activities*
 - Puerto Rico Public Housing Administration, which represents 14.17% and 2.17% of the total assets and revenues, respectively, of the General Fund.
 - Office for the Administration of the Sales and Acquisition Fund of the Puerto Rico Department of Housing, which represents 0.58% and 0.02% of the total assets and revenues, respectively, of the General Fund.
 - Office for the Improvements of Public Schools, which represents 0.59% and 0.00% of the total assets and revenues, respectively, of the General Fund.
 - Labor Development Administration, which represents 0.32% and 0.31% of the total assets and revenues, respectively, of the General Fund.
 - Public Buildings Authority special revenue, debt service, and capital projects funds, which are non-

Comprehensive Annual Financial Report (CAFR)

2. Management's Discussion and Analysis

- Brief objective narrative providing management's analysis of the government's financial performance.
- This is basically "Tell it like it is."

COMMONWEALTH OF PUERTO RICO

Management's Discussion and Analysis (Unaudited)

June 30, 2014

Management's Discussion and Analysis

This management's discussion and analysis section (MD&A) provides a narrative overview and analysis of the financial activities of the Commonwealth of Puerto Rico (the Commonwealth) for the fiscal year ended June 30, 2014. The MD&A is intended to serve as an introduction to the Commonwealth basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The MD&A is designed to (a) assist the reader in focusing on significant matters, (b) provide an overview of the Commonwealth's financial activities, (c) present an overview of results for the General Fund on a budgetary basis, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the Commonwealth's financial condition, the financial statements, notes, and required supplementary information should be reviewed in their entirety.

Financial Highlights

- The Commonwealth's Primary Government, which encompasses the Commonwealth's Governmental and Business-Type Activities, reported, in the government-wide financial statements, a net deficit position of approximately \$49.7 billion at June 30, 2014, comprising of approximately \$15.4 billion in total assets and approximately \$538 million in deferred outflows of resources, less approximately \$65.5 billion in total liabilities and approximately \$103 million in deferred inflows of resources.
- The net deficit position of the Commonwealth's Primary Government increased by approximately \$2.7 billion during fiscal year 2014. The net deficit position for Governmental Activities increased by approximately \$2.7 billion and the net position for Business-Type Activities decreased by \$6.2 million during the fiscal year 2014.
- The Commonwealth's Governmental Activities had total revenue of approximately \$17.8 billion for fiscal year 2014, which was lower than total expenses of approximately \$20.8 billion, but represented an increase of approximately \$1.6 billion in total revenue when compared to fiscal year 2013. The Commonwealth's

Comprehensive Annual Financial Report (CAFR)

3(a). Government-Wide Statements

- The objective is to present a fairly broad condensed consolidated view of the financial position of the governmental entity.
- According to GAAP (GASB #34), there are just two required government-wide statements:
 - **Statements of net position (balance sheet)**
 - **Statement of Activities (statement of revenue and expenses)**
- The government-wide statements are prepared on a full accrual basis.



COMMONWEALTH OF PUERTO RICO

Statement of Net Position

June 30, 2014

(In thousands)

	Primary government			Component units
	Governmental activities	Business-type activities	Totals primary government	
Assets:				
Cash and cash equivalents in commercial banks	\$ 152,065	56,380	208,445	1,756,820
Cash and cash equivalents in governmental banks	420,925	115,646	536,571	278,974
Cash equivalents in Puerto Rico Government Investment Trust Fund (PRGITF)	2,072	—	2,072	7,019
Investments	26,176	—	26,176	4,259,122
Collateral from securities lending transactions	—	—	—	158,834
Receivables – net:				
Income and excise taxes	1,483,305	—	1,483,305	—
Unemployment and other insurance premiums	—	4,169	4,169	53,486
Intergovernmental	553,665	4,998	558,663	363,655
Accounts	31,632	33,599	65,231	1,191,093
Loans	39	—	39	4,641,505
Accrued interest	41,607	49	41,656	200,106
Other	144,106	339	144,445	77,209
Due from net of allowance for uncollectibles:				
Primary government	—	—	—	249,446
Component units	73,708	—	73,708	2,223,259
Other governmental entities	13,121	7,305	20,426	741,074
Internal balances	11,041	(11,041)	—	—
Inventories	10,733	—	10,733	443,527
Prepaid expenses	35,716	—	35,716	29,959
Other assets	15,797	4,542	20,339	149,385
Restricted assets:				
Cash and cash equivalents in commercial banks	486,726	7,142	493,868	1,159,470
Cash and cash equivalents in governmental banks	1,409,600	181,228	1,590,828	224,256
Cash equivalents in PRGITF	80,725	—	80,725	—
Cash and cash equivalents under the custody of U.S. Treasury	—	415,032	415,032	—
Sales and use tax receivable	113,706	—	113,706	—
Unemployment and other insurance premiums receivable	—	59,528	59,528	—
Intergovernmental receivable	56,277	10	56,287	—
Receivables	—	160	160	—
Accrued interest	—	5,968	5,968	—
Loans receivable from component units	—	490,916	490,916	—
Investments	519,705	38,735	558,440	3,603,069
Other	1,099	25,978	27,077	65,208
Real estate held for sale or future development	44,667	—	44,667	243,979
Capital assets:				
Land and other nondepreciable assets	1,864,742	6,872	1,871,614	5,838,886
Other capital assets – net of depreciation or amortization	6,275,220	58,558	6,333,778	24,294,353
Total assets	13,868,175	1,506,113	15,374,288	52,253,694
Deferred Outflows of Resources:				
Accumulated decrease in fair value of hedging derivatives	56,529	—	56,529	48,864
Loss on bonds refunding	481,007	—	481,007	272,462
Total deferred outflows of resources	537,536	—	537,536	321,326



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	Primary government			Component units
	Governmental activities	Business-type activities	Totals primary government	
Liabilities:				
Accounts payable and accrued liabilities	1,983,577	60,981	2,044,558	2,599,770
Deposits and escrow liabilities	—	—	—	5,986,088
Tax refunds payable	804,925	—	804,925	—
Due to:				
Primary government	—	—	—	611,821
Component units	275,195	30,922	306,117	3,703,205
Other governmental entities	202,432	3,866	206,298	168,181
Securities lending obligations and reverse repurchase agreements	—	—	—	198,797
Interest payable	745,029	16,671	761,700	760,078
Grant advances	8,960	—	8,960	—
Unearned revenue	56,549	20,755	77,304	109,233
Notes payable to GDB	313,136	—	313,136	—
Bond anticipation notes	8,391	—	8,391	—
Liability for automobile accident insurance, workmen compensation, and medical claims	—	—	—	1,187,689
Hedging derivatives instruments - interest rate swaps	56,529	—	56,529	48,864
Liabilities payable within one year:				
General obligations and revenue bonds	522,400	—	522,400	1,028,116
Notes payable to component units	5,000	—	5,000	1,424,158
Liability under guaranteed obligation	949	—	949	—
Capital leases	5,224	—	5,224	964
Compensated absences	833,235	2,199	835,434	206,526
Obligation for unpaid lottery prizes	—	55,343	55,343	—
Voluntary termination benefits	98,352	732	99,084	25,920
Insurance benefits payable	—	63,661	63,661	—
Other long-term liabilities	138,871	25,859	164,730	155,079
Liabilities payable after one year:				
Commonwealth appropriation bonds	571,236	—	571,236	529,169
General obligations and revenue bonds	36,831,805	—	36,831,805	18,976,981
Notes payable to GDB	2,044,120	278,292	2,322,412	5,600,433
Liability under guaranteed obligation	554,794	—	554,794	—
Capital leases	166,594	—	166,594	28,758
Net pension obligation	14,591,482	—	14,591,482	—
Other postemployment benefit obligation	268,834	1,834	270,668	—
Compensated absences	585,531	15,900	601,431	346,910
Obligation for unpaid lottery prizes	—	131,214	131,214	—
Voluntary termination benefits	979,834	5,144	984,978	197,043
Other long-term liabilities	2,088,284	6,891	2,095,175	873,696
Total liabilities	64,741,268	720,264	65,461,532	44,767,479
Deferred Inflows of Resources:				
Service concession arrangements	—	—	—	1,744,617
Gain on bonds refunding	103,446	—	103,446	—
Total deferred inflows of resources	103,446	—	103,446	1,744,617
Net Position:				
Net investment in capital assets	3,587,555	65,229	3,652,784	7,613,932
Restricted for:				
Capital projects	142,010	—	142,010	335,331
Debt service	247,676	—	247,676	778,592
Emergency services	—	10,173	10,173	—
Lending activities	—	644,180	644,180	—
Payment of insurance benefits	—	435,668	435,668	—
Public housing and welfare	115,873	—	115,873	106,490
Student loans and other educational purposes	—	—	—	107,916

COMMONWEALTH OF PUERTO RICO

Statement of Activities

Year ended June 30, 2014

(In thousands)

Functions	Expenses	Program revenue			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		
					Governmental activities	Business-type activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 2,894,304	310,148	330,229	—	(2,253,927)	—	(2,253,927)
Public safety	2,236,392	52,727	84,056	—	(2,099,609)	—	(2,099,609)
Health	3,139,595	165,865	1,693,632	—	(1,280,098)	—	(1,280,098)
Public housing and welfare	3,735,594	3,878	2,681,972	83,172	(966,572)	—	(966,572)
Education	4,570,665	1,251	1,466,992	—	(3,102,422)	—	(3,102,422)
Economic development	1,417,068	122,743	118,803	—	(1,175,522)	—	(1,175,522)
Intergovernmental	371,719	—	—	—	(371,719)	—	(371,719)
Interest and other	2,429,405	—	—	—	(2,429,405)	—	(2,429,405)
Total governmental activities	20,794,742	656,612	6,375,684	83,172	(13,679,274)	—	(13,679,274)
Business-type activities:							
Unemployment insurance	271,749	246,171	91,807	—	—	66,229	66,229
Lotteries	714,199	923,233	—	—	—	209,034	209,034
Puerto Rico Medical Services Administration	204,688	123,143	—	—	—	(81,545)	(81,545)
Puerto Rico Water Pollution Control Revolving Fund	1,183	6,482	26,917	—	—	32,216	32,216
Nonmajor proprietary funds	28,920	40,410	9,084	—	—	20,574	20,574
Total business-type activities	1,220,739	1,339,439	127,808	—	—	246,508	246,508
Total primary government	\$ 22,015,481	1,996,051	6,503,492	83,172	(13,679,274)	246,508	(13,432,766)

(In thousands)

Functions	Expenses	Program revenue			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Component Units:							
Government Development Bank for Puerto Rico	\$ 3,261,768	410,583	163,522	—	—	—	—
Puerto Rico Highways and Transportation Authority	1,200,978	304,630	—	228,398	—	—	—
Puerto Rico Electric Power Authority	4,954,848	4,468,922	—	44,959	—	—	—
Puerto Rico Aqueduct and Sewer Authority	1,208,777	1,127,422	—	25,906	—	—	—
University of Puerto Rico	1,406,004	182,203	125,335	5,091	—	—	—
State Insurance Fund Corporation	585,005	614,693	—	—	—	—	—
Puerto Rico Health Insurance Administration	2,570,182	1,575,705	—	—	—	—	—
Other major component units	1,486,339	778,827	47,027	65,015	—	—	—
Total component units	\$ 16,673,901	9,462,985	335,884	369,369	—	—	—
General Revenue:							
Income taxes					\$ 5,400,423	—	5,400,423
Excise taxes and use tax					1,294,445	—	1,294,445
Other excise taxes					3,363,611	—	3,363,611
Transfer taxes					168,078	—	168,078
Revenue from global tobacco settlement agreement					72,012	—	72,012
Revenue from State Insurance Fund Corporation					107,904	—	107,904
Revenue from Puerto Rico Tourism Company					21,516	—	21,516
Revenue from Automobile Accidents Compensation Administration					1,713	—	1,713
Grants and contributions not restricted to specific programs					126,255	—	126,255
Revenue from primary government					—	—	—
Restricted investment (losses) earnings – net					11,624	14,257	25,881
Other					141,139	—	141,139
Transfers					266,956	(266,956)	—
Total general revenue and transfers					10,975,676	(252,699)	10,722,977
Change in net position					(2,703,598)	(6,191)	(2,709,789)
Position							
Beginning of year, as previously reported					(47,212,999)	792,268	(46,420,731)
Correction of errors and adoption of new accounting pronouncements (note 3)					(522,406)	(228)	(522,634)
Position (deficit) – beginning of year, as adjusted and restated					(47,735,405)	792,040	(46,943,365)

Comprehensive Annual Financial Report (CAFR)

3(b). Fund statements

- The three main categories (*Governmental, Proprietary and Fiduciary*) of funds necessitate three sets of statements, one for each type of fund, with each containing a slightly different blend of statements.

Comprehensive Annual Financial Report (CAFR)

Governmental Funds

1. Balance sheet
2. Statement of revenues, expenditures, and changes in fund balances

COMMONWEALTH OF PUERTO RICO

Balance Sheet – Governmental Funds

June 30, 2014

(In thousands)

	General	Debt service	COFINA special revenue	COFINA debt service	Nonmajor governmental	Total governmental
Assets:						
Cash and cash equivalents in commercial banks	\$ 114,068	—	—	—	37,997	152,065
Cash and cash equivalents in governmental banks	289,127	—	9,600	—	122,198	420,925
Cash equivalents in PRGITF	—	—	—	—	2,072	2,072
Investments	10,600	—	170	—	15,406	26,176
Receivables – net:						
Income and excise taxes	1,483,305	—	—	—	—	1,483,305
Intergovernmental	541,422	—	—	—	12,243	553,665
Accounts	28,350	—	—	—	3,282	31,632
Loans	—	—	—	—	39	39
Accrued interest	41,531	—	—	—	76	41,607
Other	97,364	—	—	—	46,742	144,106
Due from:						
Other funds, net	51,974	—	—	—	4,959	56,933
Component units, net	56,010	—	—	—	17,698	73,708
Other governmental entities	—	—	—	—	13,121	13,121
Other assets	13,642	—	—	—	2,155	15,797
Restricted assets:						
Cash and cash equivalents in commercial banks	51,123	137	—	4	435,462	486,726
Cash and cash equivalents in governmental banks	16,648	1,133,933	—	18,788	240,231	1,409,600
Cash equivalents in PRGITF	—	—	—	—	80,725	80,725
Sales and use tax receivable	—	—	—	113,706	—	113,706
Intergovernmental receivable	—	56,277	—	—	—	56,277
Investments	—	—	—	407,371	112,334	519,705
Due from other funds	—	—	—	—	204,224	204,224
Other assets	—	—	—	657	442	1,099
Real estate held for sale or future development	—	—	—	—	2,052	2,052
Total assets	\$ 2,795,164	1,190,347	9,770	540,526	1,353,458	5,889,265
Liabilities, Deferred Inflow of Resources, and Fund Balances (Deficit):						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,826,709	—	4,329	92	143,548	1,974,678
Tax refunds payable	804,925	—	—	—	—	804,925
Due to:						
Other funds	44,759	—	—	203,654	1,703	250,116
Component units	273,421	—	—	—	1,774	275,195
Other governmental entities	172,015	—	—	—	30,417	202,432
Interest payable	7,130	324,122	—	—	121,288	452,540
Grant advances	8,960	—	—	—	—	8,960
Unearned revenue	46,718	—	—	—	9,831	56,549
Notes payable to GDB	313,136	—	—	—	—	313,136
Bond anticipation notes payable	—	—	—	—	8,391	8,391
General obligation and revenue bonds	—	397,285	—	—	76,760	474,045
Voluntary termination benefits payable	746	—	—	—	—	746
Total liabilities	3,498,519	721,407	4,329	203,746	393,712	4,821,713
Deferred Inflows of Resources:						
Unavailable income taxes	1,012,801	—	—	—	—	1,012,801

COMMONWEALTH OF PUERTO RICO

Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended June 30, 2014

(In thousands)

	General	Debt service	COFINA special revenue	COFINA debt service	Nonmajor governmental	Total governmental
Revenue:						
Taxes:						
Income taxes	\$ 5,108,866	—	—	—	—	5,108,866
Sales and use tax	648,494	—	—	645,951	—	1,294,445
Excise taxes	3,363,611	—	—	—	—	3,363,611
Property taxes	55,838	—	—	—	—	55,838
Other taxes	112,240	—	—	—	—	112,240
Charges for services	694,507	—	—	—	—	694,507
Revenue from global tobacco settlement agreement	72,130	—	—	—	—	72,130
Revenue from component units	131,133	—	—	—	—	131,133
Intergovernmental	6,413,100	119,289	—	—	35,883	6,568,272
Interest and investment earnings (losses)	4,158	11,144	9	243	5,772	21,326
Other	133,385	—	—	—	7,891	141,276
Total revenue	16,737,462	130,433	9	646,194	49,546	17,563,644
Expenditures:						
Current:						
General government	1,166,672	—	181	—	154,241	1,321,094
Public safety	2,159,009	—	—	—	723	2,159,732
Health	3,037,927	—	—	—	3,948	3,041,875
Public housing and welfare	3,413,529	—	—	—	17,124	3,430,653
Education	4,595,314	—	—	—	1,856	4,597,170
Economic development	1,236,617	—	—	—	40,132	1,276,749
Intergovernmental	366,900	—	—	—	4,658	371,558
Capital outlays	95,736	—	—	—	102,615	198,351
Debt service:						
Principal	1,962,638	397,285	333,300	—	330,954	3,024,177
Interest and other	237,832	617,098	—	652,795	402,059	1,909,784
Other – debt issuance costs	—	36,821	—	—	—	36,821
Total expenditures	18,272,174	1,051,204	333,481	652,795	1,058,310	21,367,964
Deficiency of revenue under expenditures	(1,534,712)	(920,771)	(333,472)	(6,601)	(1,008,764)	(3,804,320)
Other financing sources (uses):						
Transfers in	1,846,666	737,639	374,941	9,066	1,080,567	4,048,879
Transfers out	(1,402,254)	(2,238,438)	(84,880)	(55,395)	(956)	(3,781,923)
Proceeds from long term debt issued	1,008,826	—	—	—	47,678	1,056,504
Issuance of refunding bond	—	3,500,000	—	—	—	3,500,000
Payments to refunded bond escrow agent	—	(466,574)	—	—	—	(466,574)
Sale of capital assets	1,016	—	—	—	—	1,016
Discount on bonds issued	—	(245,000)	—	—	—	(245,000)
Termination payments on swap agreements	—	(90,417)	—	—	—	(90,417)
Total other financing sources (uses)	1,454,254	1,197,210	290,061	(46,329)	1,127,289	4,022,485

Comprehensive Annual Financial Report (CAFR)

Proprietary Funds

1. Balance sheet
2. Statement of revenues, expenses, and changes in net position
3. Statement of cash flows

Comprehensive Annual Financial Report (CAFR)

Fiduciary Funds

1. Statement of fiduciary net position
2. Statement of changes in fiduciary net position

What Characterizes Funds?

- Under GASB Statement No. 54, **governmental fund balance** information is reported in five (5) different classifications, which provide a hierarchy indicating the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

What Characterizes Funds?

- Five (5) Different Classifications of Fund Balance

1. Nonspendable

2. Restricted

3. Committed

4. Assigned

5. Unassigned

Expendable

Fund Balance

What Characterizes Funds?

- Accounting Equation for Governmental Funds:

$$\text{Assets} - \text{Liabilities} = \text{Fund Balance}$$

Nonspendable

Restricted

Committed

Assigned

Unassigned

* Excludes Proprietary and Fiduciary Funds

Nonspendable Fund Balance

1. Nonspendable Fund Balance:

Includes amounts that are:

- not spendable form, or
- are legally or contractually required to be maintained intact.

Nonspendable Fund Balance

- Legally or contractually required to be maintained intact.
 - *Example:*
 - Endowment Gifts
 - Bequests to be held in perpetuity.

Nonspendable Fund Balance

- Not spendable form = Not expected to be converted to cash.
 - *Example:*
 - Inventory
 - Long-term note receivable

Nonspendable Fund Balance

- Funds must likely to be included:
 - General
 - Permanent

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas	Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 1,102	\$ 22,980	\$ 403,019	\$ 99	\$ 17,119	\$ 77,793	\$ 15,553	\$ 537,665
Investments	102,400	71,036	588,005	-	172,490	439,137	190,447	1,563,515
Cash and Investments with Escrow Agent	-	-	-	-	338,533	-	72,552	411,085
Receivables (Net of Allowances):								
Property Tax	-	-	288,302	-	491,473	-	370,907	1,150,682
Accounts	209,386	3,778	4,429	2,435	2,971	2,626	16,608	242,233
Due From Other Funds	109,514	10,059	423,933	5,000	-	97,053	79,210	724,769
Due From Other Governments	241,878	452,721	-	-	2,578	-	38,463	735,640
Inventories	24,498	-	-	-	-	-	-	24,498
Restricted Cash and Cash Equivalents	389	3,220	1	24,868	-	211	-	28,689
Restricted Investments	-	-	-	593,643	-	-	-	593,643
Other Assets	-	4,075	-	-	-	-	-	4,075
Total Assets	\$ 689,167	\$ 567,869	\$ 1,707,689	\$ 626,045	\$ 1,025,164	\$ 616,820	\$ 783,740	\$ 6,016,494
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE								
Liabilities:								
Voucher Warrants Payable	\$ 185,783	\$ 157,929	\$ 117,027	\$ 14	\$ -	\$ 38,999	\$ 64,877	\$ 564,629
Bonds, Notes and Other Obligations Payable - Current	-	-	-	-	82,331	-	4,400	86,731
Accrued Interest	-	-	-	-	223,995	-	1,464	225,459
Due To Other Funds	276,805	296,159	11,682	5,140	85,700	56,996	94,698	827,180
Accrued and Other Liabilities	69,811	9,861	2,920	-	-	95,373	67,648	245,613
Line of Credit and Commercial Paper	-	-	-	-	198,086	77,800	21,423	297,309
Claims Payable	13,326	-	-	-	-	-	-	13,326
Unearned Revenue	2,164	69,825	-	-	41,873	-	-	113,862
Total Liabilities	547,889	533,774	131,629	5,154	631,985	269,168	254,510	2,374,109
Deferred Inflows	-	259,140	249,002	1,576,293	420,051	-	314,563	2,819,049
Fund Balance:								
Nonspendable	24,498	-	-	-	-	-	-	24,498
Restricted	-	15,230	1,327,058	-	-	347,652	139,491	1,829,431
Committed	-	-	-	620,891	-	-	75,176	696,067
Assigned	65,223	-	-	-	-	-	-	65,223
Unassigned	51,557	(240,275)	-	(1,576,293)	(26,872)	-	-	(1,791,883)
Total Fund Balance	141,278	(225,045)	1,327,058	(955,402)	(26,872)	347,652	214,667	823,336
Total Liabilities, Deferred Inflows and Fund Balance	\$ 689,167	\$ 567,869	\$ 1,707,689	\$ 626,045	\$ 1,025,164	\$ 616,820	\$ 783,740	\$ 6,016,494

THE CITY OF NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2015
(in thousands)

	General Fund	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 6,960,112	\$ 48,499	\$ —	\$ 168,126	\$ —	\$ 7,176,737
Investments	6,499,378	—	—	1,668,424	—	8,167,802
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of \$230,295)	364,422	—	—	—	—	364,422
Federal, State and other aid	6,325,433	1,098,234	—	—	—	7,423,667
Taxes other than real estate	5,832,296	—	—	610,735	—	6,443,031
Other receivables, net	1,614,328	—	—	404,868	—	2,019,196
Due from other funds	3,023,132	993,028	—	540,957	(540,578)	4,016,539
Due from component units, net	1,311,505	611,970	—	—	—	1,923,475
Restricted cash and investments	—	751,924	1,973,168	3,264,591	—	5,989,683
Other assets	—	92,451	—	419,914	—	512,365
Total assets	<u>\$31,930,606</u>	<u>\$ 3,596,106</u>	<u>\$1,973,168</u>	<u>\$7,077,615</u>	<u>\$(540,578)</u>	<u>\$44,036,917</u>
LIABILITIES:						
Accounts payable and accrued liabilities	\$13,626,047	\$ 1,400,594	\$ 2,948	\$ 776,548	\$ —	\$15,806,137
Accrued tax refunds:						
Real estate taxes	26,905	—	—	—	—	26,905
Personal income tax	45,626	—	—	—	—	45,626
Other	208,567	—	—	—	—	208,567
Accrued judgments and claims	557,860	81,446	—	—	—	639,306
Unearned revenues	—	—	—	3,070	—	3,070
Due to other funds	—	3,455,785	—	1,101,332	(540,578)	4,016,539
Due to component units, net	119,756	—	—	—	—	119,756
Estimated disallowance of Federal, State and other aid	1,115,521	—	—	—	—	1,115,521
Other liabilities	3,637,653	437,872	—	—	—	4,075,525
Total liabilities	<u>19,337,935</u>	<u>5,375,697</u>	<u>2,948</u>	<u>1,880,950</u>	<u>(540,578)</u>	<u>26,056,952</u>
DEFERED INFLOWS OF RESOURCES:						
Prepaid real estate taxes	6,994,205	—	—	—	—	6,994,205
Grant advances	7,331	—	—	—	—	7,331
Uncollected real estate taxes	271,564	—	—	—	—	271,564
Taxes other than real estate	4,624,782	—	—	—	—	4,624,782
Other deferred inflows of resources ..	227,168	—	—	818,479	—	1,045,647
Total deferred inflows of resources	<u>12,125,050</u>	<u>—</u>	<u>—</u>	<u>818,479</u>	<u>—</u>	<u>12,943,529</u>
FUND BALANCES:						
Nonspendable	467,621	—	—	619	—	468,240
Spendable:						
Restricted	—	751,924	427,588	2,555,243	—	3,734,755
Committed	—	—	1,542,632	—	—	1,542,632
Assigned	—	—	—	1,822,324	—	1,822,324
Unassigned	—	(2,531,515)	—	—	—	(2,531,515)
Total fund balances (deficit) ..	<u>467,621</u>	<u>(1,779,591)</u>	<u>1,970,220</u>	<u>4,378,186</u>	<u>—</u>	<u>5,036,436</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$31,930,606</u>	<u>\$ 3,596,106</u>	<u>\$1,973,168</u>	<u>\$7,077,615</u>	<u>\$(540,578)</u>	<u>\$44,036,917</u>

Restricted Fund Balance

2. Restricted Fund Balance: Includes amounts externally constrained for specific purposes by:

- External parties
 - *Ex. Creditors or bondholders*
- Enabling legislation
 - *Ex. Law or regulations*

Restricted Fund Balance

- Funds must likely to be included:
 - Special revenue
 - Debt service
 - Capital projects

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CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas	Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 1,102	\$ 22,980	\$ 403,019	\$ 99	\$ 17,119	\$ 77,793	\$ 15,553	\$ 537,665
Investments	102,400	71,036	588,005	-	172,490	439,137	190,447	1,563,515
Cash and Investments with Escrow Agent	-	-	-	-	338,533	-	72,552	411,085
Receivables (Net of Allowances):								
Property Tax	-	-	288,302	-	491,473	-	370,907	1,150,682
Accounts	209,386	3,778	4,429	2,435	2,971	2,626	16,608	242,233
Due From Other Funds	109,514	10,059	423,933	5,000	-	97,053	79,210	724,769
Due From Other Governments	241,878	452,721	-	-	2,578	-	38,463	735,640
Inventories	24,498	-	-	-	-	-	-	24,498
Restricted Cash and Cash Equivalents	389	3,220	1	24,868	-	211	-	28,689
Restricted Investments	-	-	-	593,643	-	-	-	593,643
Other Assets	-	4,075	-	-	-	-	-	4,075
Total Assets	\$ 689,167	\$ 567,869	\$ 1,707,689	\$ 626,045	\$ 1,025,164	\$ 616,820	\$ 783,740	\$ 6,016,494
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE								
Liabilities:								
Voucher Warrants Payable	\$ 185,783	\$ 157,929	\$ 117,027	\$ 14	\$ -	\$ 38,999	\$ 64,877	\$ 564,629
Bonds, Notes and Other Obligations Payable - Current	-	-	-	-	82,331	-	4,400	86,731
Accrued Interest	-	-	-	-	223,995	-	1,464	225,459
Due To Other Funds	276,805	296,159	11,682	5,140	85,700	56,996	94,698	827,180
Accrued and Other Liabilities	69,811	9,861	2,920	-	-	95,373	67,648	245,613
Line of Credit and Commercial Paper	-	-	-	-	198,086	77,800	21,423	297,309
Claims Payable	13,326	-	-	-	-	-	-	13,326
Unearned Revenue	2,164	69,825	-	-	41,873	-	-	113,862
Total Liabilities	547,889	533,774	131,629	5,154	631,985	269,168	254,510	2,374,109
Deferred Inflows	-	259,140	249,002	1,576,293	420,051	-	314,563	2,819,049
Fund Balance:								
Nonspendable	24,498	-	-	-	-	-	-	24,498
Restricted	-	15,230	1,327,058	-	-	347,652	139,491	1,829,431
Committed	-	-	-	620,891	-	-	75,176	696,067
Assigned	65,223	-	-	-	-	-	-	65,223
Unassigned	51,557	(240,275)	-	(1,576,293)	(26,872)	-	-	(1,791,883)
Total Fund Balance	141,278	(225,045)	1,327,058	(955,402)	(26,872)	347,652	214,667	823,336
Total Liabilities, Deferred Inflows and Fund Balance	\$ 689,167	\$ 567,869	\$ 1,707,689	\$ 626,045	\$ 1,025,164	\$ 616,820	\$ 783,740	\$ 6,016,494

THE CITY OF NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2015
(in thousands)

	General Fund	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 6,960,112	\$ 48,499	\$ —	\$ 168,126	\$ —	\$ 7,176,737
Investments	6,499,378	—	—	1,668,424	—	8,167,802
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of \$230,295)	364,422	—	—	—	—	364,422
Federal, State and other aid	6,325,433	1,098,234	—	—	—	7,423,667
Taxes other than real estate	5,832,296	—	—	610,735	—	6,443,031
Other receivables, net	1,614,328	—	—	404,868	—	2,019,196
Due from other funds	3,023,132	993,028	—	540,957	(540,578)	4,016,539
Due from component units, net	1,311,505	611,970	—	—	—	1,923,475
Restricted cash and investments	—	751,924	1,973,168	3,264,591	—	5,989,683
Other assets	—	92,451	—	419,914	—	512,365
Total assets	<u>\$31,930,606</u>	<u>\$ 3,596,106</u>	<u>\$1,973,168</u>	<u>\$7,077,615</u>	<u>\$(540,578)</u>	<u>\$44,036,917</u>
LIABILITIES:						
Accounts payable and accrued liabilities	\$13,626,047	\$ 1,400,594	\$ 2,948	\$ 776,548	\$ —	\$15,806,137
Accrued tax refunds:						
Real estate taxes	26,905	—	—	—	—	26,905
Personal income tax	45,626	—	—	—	—	45,626
Other	208,567	—	—	—	—	208,567
Accrued judgments and claims	557,860	81,446	—	—	—	639,306
Unearned revenues	—	—	—	3,070	—	3,070
Due to other funds	—	3,455,785	—	1,101,332	(540,578)	4,016,539
Due to component units, net	119,756	—	—	—	—	119,756
Estimated disallowance of Federal, State and other aid	1,115,521	—	—	—	—	1,115,521
Other liabilities	3,637,653	437,872	—	—	—	4,075,525
Total liabilities	<u>19,337,935</u>	<u>5,375,697</u>	<u>2,948</u>	<u>1,880,950</u>	<u>(540,578)</u>	<u>26,056,952</u>
DEFERED INFLOWS OF RESOURCES:						
Prepaid real estate taxes	6,994,205	—	—	—	—	6,994,205
Grant advances	7,331	—	—	—	—	7,331
Uncollected real estate taxes	271,564	—	—	—	—	271,564
Taxes other than real estate	4,624,782	—	—	—	—	4,624,782
Other deferred inflows of resources	227,168	—	—	818,479	—	1,045,647
Total deferred inflows of resources	<u>12,125,050</u>	<u>—</u>	<u>—</u>	<u>818,479</u>	<u>—</u>	<u>12,943,529</u>
FUND BALANCES:						
Nonspendable	467,621	—	—	619	—	468,240
Spendable:						
Restricted	—	751,924	427,588	2,555,243	—	3,734,755
Committed	—	—	1,542,632	—	—	1,542,632
Assigned	—	—	—	1,822,324	—	1,822,324
Unassigned	—	(2,531,515)	—	—	—	(2,531,515)
Total fund balances (deficit) ..	<u>467,621</u>	<u>(1,779,591)</u>	<u>1,970,220</u>	<u>4,378,186</u>	<u>—</u>	<u>5,036,436</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$31,930,606</u>	<u>\$ 3,596,106</u>	<u>\$1,973,168</u>	<u>\$7,077,615</u>	<u>\$(540,578)</u>	<u>\$44,036,917</u>

Committed Fund Balance

3. **Committed Fund Balance:** Constraints imposed (**internally**) by formal action of the government's highest level of decision-making authority.
 - Committed funds include contractual obligations for which existing resources in the fund have been specifically committed for use.

Committed Fund Balance

3. Committed Fund Balance:

Note: In contrast to fund balance that is restricted by enabling legislation, amounts in the committed fund balance can be **redeployed** for other purposes with appropriate due process.

Committed Fund Balance

- Funds must likely to be included:
 - Special revenue
 - Debt service
 - Capital projects

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BALANCE SHEET
GOVERNMENTAL FUNDS
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Due From Other Governments	241,878	452,721	-	-	2,578	-	38,463	735,640
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Accrued and Other Liabilities	69,811	9,861	2,920	-	-	95,373	67,648	245,613
Line of Credit and Commercial Paper	-	-	-	-	198,086	77,800	21,423	297,309
Claims Payable	13,326	-	-	-	-	-	-	13,326
Unearned Revenue	2,164	69,825	-	-	41,873	-	-	113,862
Total Liabilities	547,889	533,774	131,629	5,154	631,985	269,168	254,510	2,374,109
Deferred Inflows	-	259,140	249,002	1,576,293	420,051	-	314,563	2,819,049
Fund Balance:								
Nonspendable	24,498	-	-	-	-	-	-	24,498
Restricted	-	15,230	1,327,058	-	-	347,652	139,491	1,829,431
Committed	-	-	-	620,891	-	-	75,176	696,067
Assigned	65,223	-	-	-	-	-	-	65,223
Unassigned	51,557	(240,275)	-	(1,576,293)	(26,872)	-	-	(1,791,883)
Total Fund Balance	141,278	(225,045)	1,327,058	(955,402)	(26,872)	347,652	214,667	823,336
Total Liabilities, Deferred Inflows and Fund Balance	\$ 689,167	\$ 567,869	\$ 1,707,689	\$ 626,045	\$ 1,025,164	\$ 616,820	\$ 783,740	\$ 6,016,494

THE CITY OF NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2015
(in thousands)

	General Fund	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 6,960,112	\$ 48,499	\$ —	\$ 168,126	\$ —	\$ 7,176,737
Investments	6,499,378	—	—	1,668,424	—	8,167,802
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of \$230,295)	364,422	—	—	—	—	364,422
Federal, State and other aid	6,325,433	1,098,234	—	—	—	7,423,667
Taxes other than real estate	5,832,296	—	—	610,735	—	6,443,031
Other receivables, net	1,614,328	—	—	404,868	—	2,019,196
Due from other funds	3,023,132	993,028	—	540,957	(540,578)	4,016,539
Due from component units, net	1,311,505	611,970	—	—	—	1,923,475
Restricted cash and investments	—	751,924	1,973,168	3,264,591	—	5,989,683
Other assets	—	92,451	—	419,914	—	512,365
Total assets	<u>\$31,930,606</u>	<u>\$ 3,596,106</u>	<u>\$1,973,168</u>	<u>\$7,077,615</u>	<u>\$(540,578)</u>	<u>\$44,036,917</u>
LIABILITIES:						
Accounts payable and accrued liabilities	\$13,626,047	\$ 1,400,594	\$ 2,948	\$ 776,548	\$ —	\$15,806,137
Accrued tax refunds:						
Real estate taxes	26,905	—	—	—	—	26,905
Personal income tax	45,626	—	—	—	—	45,626
Other	208,567	—	—	—	—	208,567
Accrued judgments and claims	557,860	81,446	—	—	—	639,306
Unearned revenues	—	—	—	3,070	—	3,070
Due to other funds	—	3,455,785	—	1,101,332	(540,578)	4,016,539
Due to component units, net	119,756	—	—	—	—	119,756
Estimated disallowance of Federal, State and other aid	1,115,521	—	—	—	—	1,115,521
Other liabilities	3,637,653	437,872	—	—	—	4,075,525
Total liabilities	<u>19,337,935</u>	<u>5,375,697</u>	<u>2,948</u>	<u>1,880,950</u>	<u>(540,578)</u>	<u>26,056,952</u>
DEFERED INFLOWS OF RESOURCES:						
Prepaid real estate taxes	6,994,205	—	—	—	—	6,994,205
Grant advances	7,331	—	—	—	—	7,331
Uncollected real estate taxes	271,564	—	—	—	—	271,564
Taxes other than real estate	4,624,782	—	—	—	—	4,624,782
Other deferred inflows of resources	227,168	—	—	818,479	—	1,045,647
Total deferred inflows of resources	<u>12,125,050</u>	<u>—</u>	<u>—</u>	<u>818,479</u>	<u>—</u>	<u>12,943,529</u>
FUND BALANCES:						
Nonspendable	467,621	—	—	619	—	468,240
Spendable:						
Restricted	—	751,924	427,588	2,555,243	—	3,734,755
Committed	—	—	1,542,632	—	—	1,542,632
Assigned	—	—	—	1,822,324	—	1,822,324
Unassigned	—	(2,531,515)	—	—	—	(2,531,515)
Total fund balances (deficit)	<u>467,621</u>	<u>(1,779,591)</u>	<u>1,970,220</u>	<u>4,378,186</u>	<u>—</u>	<u>5,036,436</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$31,930,606</u>	<u>\$ 3,596,106</u>	<u>\$1,973,168</u>	<u>\$7,077,615</u>	<u>\$(540,578)</u>	<u>\$44,036,917</u>

Assigned Fund Balance

- 4. Assigned Fund Balance:** Includes amounts a government explicitly intends to use for specific purposes.
- Amounts neither restricted nor committed.
 - Intent can be expressed by either a governing body, an official, a finance committee, which has been delegated the authority to assign amounts to be used for specific purposes.

Assigned Fund Balance

- Funds must likely to be included:
 - Debt service
 - Capital projects

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas	Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 1,102	\$ 22,980	\$ 403,019	\$ 99	\$ 17,119	\$ 77,793	\$ 15,553	\$ 537,665
Investments	102,400	71,036	588,005	-	172,490	439,137	190,447	1,563,515
Cash and Investments with Escrow Agent	-	-	-	-	338,533	-	72,552	411,085
Receivables (Net of Allowances):								
Property Tax	-	-	288,302	-	491,473	-	370,907	1,150,682
Accounts	209,386	3,778	4,429	2,435	2,971	2,626	16,608	242,233
Due From Other Funds	109,514	10,059	423,933	5,000	-	97,053	79,210	724,769
Due From Other Governments	241,878	452,721	-	-	2,578	-	38,463	735,640
Inventories	24,498	-	-	-	-	-	-	24,498
Restricted Cash and Cash Equivalents	389	3,220	1	24,868	-	211	-	28,689
Restricted Investments	-	-	-	593,643	-	-	-	593,643
Other Assets	-	4,075	-	-	-	-	-	4,075
Total Assets	\$ 689,167	\$ 567,869	\$ 1,707,689	\$ 626,045	\$ 1,025,164	\$ 616,820	\$ 783,740	\$ 6,016,494
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE								
Liabilities:								
Voucher Warrants Payable	\$ 185,783	\$ 157,929	\$ 117,027	\$ 14	\$ -	\$ 38,999	\$ 64,877	\$ 564,629
Bonds, Notes and Other Obligations Payable - Current	-	-	-	-	82,331	-	4,400	86,731
Accrued Interest	-	-	-	-	223,995	-	1,464	225,459
Due To Other Funds	276,805	296,159	11,682	5,140	85,700	56,996	94,698	827,180
Accrued and Other Liabilities	69,811	9,861	2,920	-	-	95,373	67,648	245,613
Line of Credit and Commercial Paper	-	-	-	-	198,086	77,800	21,423	297,309
Claims Payable	13,326	-	-	-	-	-	-	13,326
Unearned Revenue	2,164	69,825	-	-	41,873	-	-	113,862
Total Liabilities	547,889	533,774	131,629	5,154	631,985	269,168	254,510	2,374,109
Deferred Inflows	-	259,140	249,002	1,576,293	420,051	-	314,563	2,819,049
Fund Balance:								
Nonspendable	24,498	-	-	-	-	-	-	24,498
Restricted	-	15,230	1,327,058	-	-	347,652	139,491	1,829,431
Committed	-	-	-	620,891	-	-	75,176	696,067
Assigned	65,223	-	-	-	-	-	-	65,223
Unassigned	51,557	(240,275)	-	(1,576,293)	(26,872)	-	-	(1,791,883)
Total Fund Balance	141,278	(225,045)	1,327,058	(955,402)	(26,872)	347,652	214,667	823,336
Total Liabilities, Deferred Inflows and Fund Balance	\$ 689,167	\$ 567,869	\$ 1,707,689	\$ 626,045	\$ 1,025,164	\$ 616,820	\$ 783,740	\$ 6,016,494

Unassigned Fund Balance

- 5. Unassigned Fund Balance:** Is the residual classification for the general fund and comprises all amounts not included in the other classifications.

Unassigned Fund Balance

- Funds must likely to be included:
 - General Fund

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Due From Other Governments	241,878	452,721	-	-	2,578	-	38,463	735,640
Inventories	24,498	-	-	-	-	-	-	24,498
Restricted Cash and Cash Equivalents	389	3,220	1	24,868	-	211	-	28,689
Restricted Investments	-	-	-	593,643	-	-	-	593,643
Other Assets	-	4,075	-	-	-	-	-	4,075
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Committed	-	-	-	620,891	-	-	75,176	696,067
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JUNE 30, 2015
(in thousands)

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Accounts receivable:						
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Federal, State and other aid	6,325,433	1,098,234	—	—	—	7,423,667
Taxes other than real estate	5,832,296	—	—	610,735	—	6,443,031
Other receivables, net	1,614,328	—	—	404,868	—	2,019,196
Due from other funds	3,023,132	993,028	—	540,957	(540,578)	4,016,539
Due from component units, net	1,311,505	611,970	—	—	—	1,923,475
Restricted cash and investments	—	751,924	1,973,168	3,264,591	—	5,989,683
Other assets	—	92,451	—	419,914	—	512,365
Total assets	<u>\$31,930,606</u>	<u>\$ 3,596,106</u>	<u>\$1,973,168</u>	<u>\$7,077,615</u>	<u>\$(540,578)</u>	<u>\$44,036,917</u>
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Accounts payable and accrued liabilities	\$13,626,047	\$ 1,400,594	\$ 2,948	\$ 776,548	\$ —	\$15,806,137
Accrued tax refunds:						
Real estate taxes	26,905	—	—	—	—	26,905
Personal income tax	45,626	—	—	—	—	45,626
Other	208,567	—	—	—	—	208,567
Accrued judgments and claims	557,860	81,446	—	—	—	639,306
Unearned revenues	—	—	—	3,070	—	3,070
Due to other funds	—	3,455,785	—	1,101,332	(540,578)	4,016,539
Due to component units, net	119,756	—	—	—	—	119,756
Estimated disallowance of Federal, State and other aid	1,115,521	—	—	—	—	1,115,521
Other liabilities	3,637,653	437,872	—	—	—	4,075,525
Total liabilities	<u>19,337,935</u>	<u>5,375,697</u>	<u>2,948</u>	<u>1,880,950</u>	<u>(540,578)</u>	<u>26,056,952</u>
DEFERED INFLOWS OF RESOURCES:						
Prepaid real estate taxes	6,994,205	—	—	—	—	6,994,205
Grant advances	7,331	—	—	—	—	7,331
Uncollected real estate taxes	271,564	—	—	—	—	271,564
Taxes other than real estate	4,624,782	—	—	—	—	4,624,782
Other deferred inflows of resources	227,168	—	—	818,479	—	1,045,647
Total deferred inflows of resources	<u>12,125,050</u>	<u>—</u>	<u>—</u>	<u>818,479</u>	<u>—</u>	<u>12,943,529</u>
FUND BALANCES:						
Nonspendable	467,621	—	—	619	—	468,240
Spendable:						
Restricted	—	751,924	427,588	2,555,243	—	3,734,755
Committed	—	—	1,542,632	—	—	1,542,632
Assigned	—	—	—	1,822,324	—	1,822,324
Unassigned	—	(2,531,515)	—	—	—	(2,531,515)
Total fund balances (deficit) ..	<u>467,621</u>	<u>(1,779,591)</u>	<u>1,970,220</u>	<u>4,378,186</u>	<u>—</u>	<u>5,036,436</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$31,930,606</u>	<u>\$ 3,596,106</u>	<u>\$1,973,168</u>	<u>\$7,077,615</u>	<u>\$(540,578)</u>	<u>\$44,036,917</u>

Level of Constraints (GASB 54)

**Most
constraint**

• Restricted

• Committed

• Assigned

**No
constraint**

• Unassigned



Fund Balance Disclosure

Fund Balance Disclosure

- Disclosure in Financial Statements: The government should disclose:
 1. For the assigned fund balance, the body or official authorized to assign amounts to a specific purpose and what policy is established.
 2. The order in which restricted, committed, assigned, and unassigned amounts are spent when amounts in more than one classification are available for a particular purpose.
 3. The purpose of each major special revenue fund.



Basis of Accounting

Basis of Accounting

- **Full Accrual**

- Revenues recognized when earned.
- Expenses recognized when incurred.

- **Cash**

- Revenues recognized when available.
- Expenses/expenditures recognized when paid.

Basis of Accounting

- **Modified Accrual**

- Revenues are recognized when **measurable** and **available**.
- Expenditures when incurred.
- Excludes the recognition of both:
 - Long-term assets
 - Long-term liabilities

Basis of Accounting

Example: Page 44

- A newly formed public school district accounts for its operations on a modified accrual basis.
- It maintains four funds:
 - General
 - Capital
 - Debt Service
 - Special Revenue

Basis of Accounting

Example: Page 44

1. The district levied \$9.0 million of general property taxes, of which it actually collected \$8.8 million. The taxes are unassigned, they can be used for any legitimate educational purpose. What is the fund? What is the JE?

Basis of Accounting

Example: Page 44

1. The district levied \$9.0 million of general property taxes, of which it actually collected \$8.8 million. The taxes are unassigned, they can be used for any legitimate educational purpose. What is the fund? What is the JE?

General Fund

Cash	8.8	
Property taxes receivable	0.2	
Property tax revenue		9.0

To record property taxes

Basis of Accounting

Example: Page 44

2. The district received a state grant of \$0.2 million to purchase computers. What is the fund? What is the JE?

Basis of Accounting

Example: Page 44

2. The district received a state grant of \$0.2 million to purchase computers. What is the fund? What is the JE?

Special Revenue Fund

Cash	0.2	
Grant revenue		0.2

To record a state grant restricted for the acquisition of computers.

Basis of Accounting

Example: Page 44

3. The district issued \$12.0 million in long-term bonds to construct a school building. What is the fund? What is the JE?

Basis of Accounting

Example: Page 44

3. The district issued \$12.0 million in long-term bonds to construct a school building. What is the fund? What is the JE?

Capital Projects Fund

Cash	12.0	
Other financing source: Proceeds from borrowing		12.0

To record the issuance of bonds

Basis of Accounting

Example: Page 44

- Capital project fund is on modified accrual basis, which excludes the recognition of both long-term assets and long-term liabilities.
- The proceeds are recognized in a revenue-type account, one that will cause fund balance, rather than a liability, to increase.
- Of course, the district must maintain a record of both its long-lived assets and obligations in capital asset and long-term obligation ledgers. They will also be recorded in the district's government-wide statements.

Basis of Accounting

Example: Page 44

4. The district constructed the school building for \$11.0 million. What is the fund? What is the JE?

Basis of Accounting

Example: Page 44

4. The district constructed the school building for \$11.0 million. What is the fund? What is the JE?

Capital Project Fund

Construction of building (expenditure)	11.0	
Cash		11.0

To record the costs of constructing the school building.

Basis of Accounting

Example: Page 44

5. The district incurred \$6.0 million in general operating expenditures, of which it actually paid \$5.5 million. What is the fund? What is the JE?

Basis of Accounting

Example: Page 44

5. The district incurred \$6.0 million in general operating expenditures, of which it actually paid \$5.5 million. What is the fund? What is the JE?

General Fund

General operating expenditures	6.0	
Cash		5.5
Accounts payable		0.5

To record general operating expenditures.

Basis of Accounting

Example: Page 44

6. Using its state grant, the district purchased computers for \$0.1 million. What is the fund? What is the JE?

Basis of Accounting

Example: Page 44

6. Using its state grant, the district purchased computers for \$0.1 million. What is the fund? What is the JE?

Special Revenue Fund

Acquisition of computers (expenditures)	0.1	
Cash		0.1
<i>To record the acquisition of computers.</i>		

Basis of Accounting

Example: Page 44

- As with construction of the building, the district would recognize the acquisition as an expenditure, but record the asset in a supplementary ledger or list as well as the government-wide statements.

Basis of Accounting

Example: Page 44

7. The district transferred \$1.1 million from the general fund to the debt service fund to make the first payments of both principal and interest that are due in the following year. What is the fund? What is the JE?

Basis of Accounting

Example: Page 44

7. The district transferred \$1.1 million from the general fund to the debt service fund to make the first payments of both principal and interest that are due in the following year. What is the fund? What is the JE?

General Fund and Debt Service Fund.

Basis of Accounting

Example: Page 44

7. The district transferred \$1.1 million from the general fund to the debt service fund to make the first payments of both principal and interest that are due in the following year. What is the fund? What is the JE?

General Fund

Other financing use: Nonreciprocal transfer-out to debt service fund 1.1

Cash

1.1

To record transfer to the debt service fund.

Basis of Accounting

Example: Page 44

7. The district transferred \$1.1 million from the general fund to the debt service fund to make the first payments of both principal and interest that are due in the following year. What is the fund? What is the JE?

Debt Service Fund

Cash	1.1
Other financing source: Nonreciprocal transfer-in from general fund	1.1

To record transfer from the general fund.



Not-for-Profit Entities

Not-for-Profit Entities

- Unless mandated by law, not for profit organizations need not employ fund accounting for purposes of internal accounting and administration.
- They must, however, comply with FASB requirements for external reporting. They need only distinguish between resources that are restricted and those that are unrestricted.

Not-for-Profit Entities

- The FASB requires that not-for-profits classify their net assets into three categories based on the restrictions of donors:
 - Unrestricted
 - Temporarily restricted
 - Permanently restricted

Not-for-Profit Entities

- **Temporarily restricted:** Resources that must be used for a specific purpose, or cannot be spent until sometime in the future.
- **Permanently restricted:** Only the income from which can be spend.