



Governmental Accounting & Financial Reporting

Introduction to Local Government Finance
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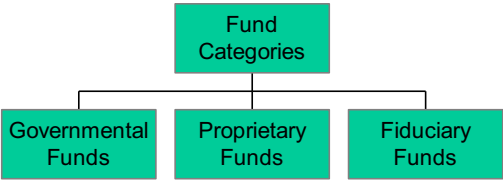


Basic Principles of Governmental GAAP


- Fund accounting
- Measurement focus
- Basis of accounting
- Budgeting & financial reporting issues



Fund Accounting Structure



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graph TD; A[Fund Categories] --> B[Governmental Funds]; A --> C[Proprietary Funds]; A --> D[Fiduciary Funds];
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Fund Accounting (cont.)

- Governmental types
 - General
 - Special revenue
 - Debt service
 - Capital projects
 - Permanent

Fund Accounting (cont.)

- Proprietary types
 - Enterprise
 - Internal service

Fund Accounting (cont.)

- Fiduciary
 - Pension
 - Private-purpose trust
 - Investment trust (not in NC)
 - Agency

Quick Review of Governmental GAAP

- Governmental GAAP requires the use of fund accounting
 - Three fund categories, each subdivided into fund types
- Measurement focus
 - Governmental vs. proprietary/fiduciary funds
- Basis of accounting
 - Governmental vs. proprietary/fiduciary funds

Governmental Fund MFBA

- Current financial resources measurement focus
- Modified accrual basis of accounting
 - Only **financial assets** are reported within governmental funds
 - Only **current liabilities** are reported within governmental funds
 - The budgetary basis of accounting and the GAAP basis of accounting are the same in NC

Governmental Fund Equity



Governmental Fund Equity



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Governmental Fund Equity

1. Nonspendable



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Governmental Fund Equity

1. Nonspendable
2. Restricted



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Governmental Fund Equity

1. Nonspendable

2. Restricted

3. Committed




Governmental Fund Equity

1. Nonspendable

2. Restricted

3. Committed

4. Assigned



Governmental Fund Equity

1. Nonspendable

2. Restricted

3. Committed

4. Assigned

5. Unassigned



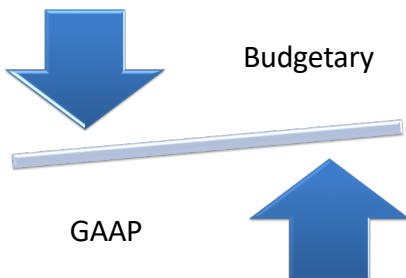
Proprietary/Fiduciary Fund MFBA

- **Economic resources measurement focus**
- **Accrual basis of accounting**
 - **All** financial and nonfinancial assets are reported within proprietary/fiduciary funds
 - **All** current and long-term liabilities are reported with proprietary/fiduciary funds
- Budgetary basis of accounting in North Carolina is remains the modified accrual basis

Proprietary/Fiduciary Fund Equity

- Net position represents the nature of proprietary/fiduciary funds' **economic** equity
 - Net investment in capital assets
 - Restricted
 - Unrestricted

How do we reconcile budgetary and GAAP requirements?



How do we reconcile budgetary and GAAP requirements?

- State statutes require adherence to *both* budgetary and GAAP requirements
 - Which one overrides the other?
 - Do we focus on budgetary or GAAP reporting?
- What is the rationale for the two perspectives?
 - Different information for different users
 - Proven need for both types of information

External Budgetary Reporting

- What are the requirements?
 - Reporting on a budgetary basis for all funds for which a budget is adopted
 - Report at the legal level of budgetary control (departmental or function level in NC)
 - GAAP requirements also includes non-GAAP information

External Budgetary Reporting

- GAAP (and NC) budgetary reporting requirements
 - General and major special revenue funds in basic financial statements
 - Original and amended budgetary amounts must be reported for
 - General fund
 - Major special revenue funds

External Budgetary Reporting

- GAAP reporting requirements (cont.)
 - Note disclosures
 - Summary of significant accounting policies
 - Compliance issues

Overview of Reports

- Interim reports
- Year-end reports
- Basic financial statements
- Comprehensive annual financial reports

INTERIM REPORTS

- Prepared for internal use
- Monthly budget-to-actual report is most common
- Other reports may be prepared
- Reports are not usually prepared in accordance with GAAP

YEAR-END REPORTS



- Fiscal year end – June 30
- “Official” financial statements prepared primarily for external users
- Financial information that is being subjected to the annual audit
- All governments in NC must prepare **basic financial statements**
- Some governments opt to prepare a CAFR

BASIC FINANCIAL STATEMENTS



- Minimum presentations required in order to be compliant with generally accepted accounting principles (GAAP)
 - Government-wide financial statements
 - Fund financial statements
 - Note disclosures
- Required supplementary information
 - MD&A

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)



- CAFRs are not required by GAAP
- Approximately 185 counties, cities, school districts and public authorities currently prepare CAFRs in NC
- Three sections
 - Introductory
 - Financial
 - Statistical

Questions?



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