

IFS Year End Training Materials November/December 2007

Fund Types

Governmental Operating Funds (types 1 and 2) include the General Fund and all other funds whose primary source of revenue is taxes and who provide stewardship of this public money.

Governmental Operating Funds should have budgets approved by the Board.

Governmental Operating Funds are reported on the "Balance Sheet" and on the "Statement of Revenues, Expenditures, and Changes in Fund Balance". Since a budget is required, they are also reported on the "Budgetary Comparison Schedule".

Governmental Operating Funds are reported using Modified Accrual.

Use of Accrual Codes is recommended for Accounts Receivable, Due From Other Governments, Accounts Payable and Due to Other Governments. Accrual Codes should never be used if the receipt or disbursement transaction in question is being posted to an Asset (1xxx) or Liability (2xxx) account.

Use of Report Codes is recommended for Due From/To Other Funds, Interest Receivable, Prepaid Items and any other receivables/payables. This allows the items so indicated to be analyzed prior to accruals being posted (via journal entry).

Governmental Operating Funds are adjusted to Full Accrual and included with Business type funds at year end on the government wide "Statement of Net Assets" and "Statement of Activities".

Proprietary or Business Type Funds (types 3 and 4) include public utilities and all other such funds whose primary source of income is revenue charges for goods or services.

Business Type Funds should have budgets approved by the Board, although these budgets can be much more fluid in response to business needs and trends.

Business Type Funds are reported on a "Statement of Net Assets" and a "Statement of Changes in Net Assets".

Business Type Funds are reported using Full Accrual.

Accrual Codes may be used appropriately for Accounts Receivable and Payable.

Component Units (type 9) are subordinate units of government who operate on their own, but for whom the County is ultimately responsible if problems should arise. Component units usually keep their own set of books, have their own governing board and their own audit. The final financial statements of the Component Unit are reported as a part of the final financial statements of the county.

Component Units' Financial Statements are "plugged" into a "fund" at year end to allow proper reporting. All of the budgeting and accounting is done elsewhere.

There is also something called a "Blended Component Unit", which is treated like a Governmental Operating Fund.

Trust and Agency funds (type 6,7,8) include the Taxes and Penalties fund and other funds where the county acts as agent for the collection, stewardship and settlement of resources that at the time of stewardship do not belong to the county.

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Trust and Agency funds do not have budgets.

Trust and Agency funds do not have revenues and expenditures.

Trust and Agency funds technically are reported on the Full Accrual basis, but since the only real asset is usually cash, we look at them as cash based funds.

Agency funds are reported on the very summary "Combining Statement of Changes in Assets and Liabilities, All Agency Funds".

Accrual Codes should not be used.

Trust and Agency funds are NOT included in "Due to" and "Due from" other funds.

Receipt and Disbursement Corrections

Receipt Correction

Suppose that in February you post receipt number 6673 for \$800.00 to account 01-107.5501. In August of the same year you discover that it should have been posted to 07-109.5501. You have 2.2 choices to make the correction:

1) Back date the correction to February.

a) You must use a Journal Entry (dated in February) to make the correction:

Dr:	07.1001	\$800.00	to increase cash in fund 07
Cr:	07-109.5501	\$800.00	to post the correct revenue
Dr:	01-107.5501	\$800.00	to remove the error
Cr:	01.1001	\$800.00	to decrease cash in fund 01

b) By backdating the entry, all reports already printed or submitted between February and August are now miss-stated.

c) By using a Journal Entry to make the correction, the General Ledger has been corrected, but the Receipts History still contains the error.

2) Make the correction in August.

1) You may use a Journal Entry (identical to the one above except dated in August) to make the correction.

a) The General Ledger has been corrected, but the Receipts History still contains the error.

2) You may use a Receipt Entry to make the correction.

Receipt Number 6673 Dated in August

(Note that the original Receipt 6673 was dated in February.)

	07-109.5501	\$ 800.00
	07-107.5501	<u>\$-800.00</u>
Net August Receipt 6673		\$ 0.00

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a) Both the General Ledger and the Receipts History have been corrected.

b) DO NOT use the receipt entry method to back date the correction, as you will create a mess.

Disbursement Correction

Identical to the scenario above except you would use either Journal Entries or Manual/Void/Correction Warrants.

Budget Approvals

Every Governmental Fund needs a budget.

- 1) The budget is the plan.
- 2) The budget is the authorization from the County Board to proceed with business. The budget approval needs to be recorded in the Board minutes.
- 3) The year end financial statement "Budgetary Comparison Analysis" requires an "Original Budget" and a "Final Budget". They are identical if the budget has not been adjusted during the year. Any adjustments are only made to the final budget.
- 4) The budget approved in the County Board Minutes must equal the "Original Budget" on the year end "Budgetary Comparison Analysis". If it does not, fix it.
- 5) County Board actions during the year, such as the approval of a grant, should result in an adjustment to the Final Budget. That is, the Board Minutes need to agree with the Budget documents.
- 6) The County Board budget approval should at least be to the "Functional" level; that is, at least to the same level of detail as reported on the "Statement of Changes in Revenues, Expenditures, and Fund Balance."
- 7) Since the IFS produced "Budgetary Comparison Analysis" prints based on your actual departments, you may need to clean up your departments.

Reimbursements

Internal reimbursements. (Reimbursements from another department within the same fund or other governmental operating funds.)

If department B is going to reimburse department A for some expenditures and both departments are in governmental operating funds, then a journal entry (or check and receipt) would be issued debiting an expenditure in department B and crediting an EXPENDITURE in department A. You cannot "create" revenue through internal transactions by crediting a revenue (5xxx) account. This generally includes such things as reimbursements for copies, supplies and materials, gasoline and oil, whose costs end up being the responsibility of the end user.

Internal and interfund service charges. (Do ***NOT*** call internal service charges ***reimbursements.***)

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If department B within fund B provides services to department A within fund A and invoices are issued, then a journal entry (or check and receipt) would be issued debiting an expense in department B, fund B and crediting a revenue in department A, fund A.

Although this seems to completely contradict the previous paragraph, since the departments are in separate funds and physical services were provided, these separate funds are considered separate businesses and normal business transactions between funds is correct. The contents of this paragraph do NOT apply, however, if the transaction is simply an allocation of expenses across fund lines. It only applies where real service has been transacted between the funds. For example:

Example 1: The Public Health Department within the Human Services Fund provides health services to an inmate of the county jail. A bill for services is prepared and submitted to the Public Safety function of the General Fund and the bill is paid. This results in an expenditure to Public Safety and a Revenue to Public Health.

Example 2: The General Government function pays the utility bills for the courthouse campus and calculates a share of the cost belongs to public health. The reimbursement to General Government from Public Health is a cost allocation and should be shown as an Expense (debit) to Public Health and the reduction of an expense (credit) to General Government. This is a reimbursement NOT an internal service charge.

Example 3: Suppose the County Solid Waste Fund is treated as a business type fund and not a governmental operating fund. The Solid Waste bill to the Courthouse would be treated as an expenditure to the General Fund and a revenue to the Solid Waste Business Type Fund.

Both example 3 and example 1 result from service billings that are part of the normal business of the billing customers, ie, internal or interfund service charges. Example 2 results from the allocation or sharing of costs by the appropriate departments. Business Type funds and Component Units are considered outside customers.

External Reimbursements

Reimbursements from employees, former employees or other outside parties for incidental telephone calls, copier usage, health insurance premiums and such, should be treated as reductions of expenditures, not as revenue. Charges for these type of items should only be recognized as revenue if they were specifically acquired for resale (example, County Plat Maps).

Reimbursements from other governmental units (IGR – Intergovernmental Reimbursement/Revenue)

Reimbursements from other governmental units are always treated as revenue. If those reimbursements are from a "subordinate" unit of government for services rendered, then the revenue should be considered "Fees and Charges" and not "Intergovernmental Revenues."

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Reimbursements of amounts expensed in last or a prior year.

Reimbursements from anyone of amounts that were treated as an expenditure in last year or any prior year are treated as revenue regardless of the source of payment.

Reimbursement account mapping.

Reimbursements can be immediately charged back to the appropriate expenditure account at time of receipt. The consideration here is how it affects the budget and how do you want it to affect the budget.

Reimbursements can be properly handled at year end through mapping. That is, reimbursements can be collected in a revenue account (5xxx) during the year and then mapped to the expenditure side for financial statements thus reducing both the revenue and expenditure sides (as well as the budget). Note three things:

1. After learning about reimbursements, it should be apparent that these transactions cannot all be lumped into the same account. They need to be segregated by source of reimbursement so that some could be mapped and others should not be mapped to the expenditure side.

Internal and external reimbursements (58xx or 59xx mapped to 6xxx) – use the term “Reimbursement” in the description of the account.

Internal or Interfund service charges (55xx mapped to 5500) – do NOT use the term “Reimbursement” in the description of the account.

Governmental reimbursements (52xx mapped to 5250) – use the term “Admin Reimb” in the description of the account.

Governmental service charges (55xx mapped to 5500)

2. Review all of your suspect revenue accounts. Only use the word “reimbursement” in those accounts which are really internal or external reimbursements, and use that key word (reimbursement) to tell you that this account should be mapped to the expenditure side on the Government Wide Row.

Any accounts that are not “Internal or external reimbursements” should NOT have the word “reimbursement” in their description!

3. Review all revenue accounts that receive governmental reimbursements and re-label and re-map appropriately. Most Social Service departments use the term “Admin Reimb” for their governmental reimbursements. Make sure that the descriptions of the accounts are clear so that “Admin Reimb” (also known as “V” or “Vendor Payments”) can be mapped to 5250 while State/Federal Grants (also know as “S” or “Sub-recipient Payments”) can be mapped to 5300/5400 appropriately.

Transfers

Transfers represent the permanent movement of resources from one fund to another, usually with County Board action approval.

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- A ***Transfer***: moves cash with no stipulation for repayment.
- An ***Advance***: moves cash with repayment expected in future years.
- A ***Due from***: moves cash with repayment expected within the next year.

The word "transfer" is often used erroneously to describe a reimbursement or an interfund service charge. As an example, I am going to transfer money from Road and Bridge to the General Fund to pay for the new computers that were purchased out of Data Processing. This is not a transfer, it is a reimbursement.

Only those actions that meet the "Transfers" definition should be reported as transfers and can use the accounts described as Transfers In and Transfers Out.

Most Counties have a 5xxx revenue account in every fund labeled "Transfers In" and a 6xxx expenditure account in every fund labeled "Transfers Out". Make sure that they are only used when the true definition of "transfer" is achieved. If other accounts have a description of "transfer", find them and change the description to something else!

Transfers In should be mapped to 7910 and Transfers Out to 7925 in the GWRow so that they will show in the "Other Financing Sources and Uses" section of the Statement of Revenues, Expenditures and Changes in Fund Balance; and that they balance to each other.

If you record a "transfer out" of one fund, you need to record a balancing "transfer in" to another fund.

Transfers never occur between agency funds and operating funds – those are settlements.

Reserves and Designations

Reserves are amounts set aside from Fund Balance, by law, rule or accounting principle. They are recognized only under modified accrual accounting. COFARS "Reserved" object codes range from 2700 to 2799.

Designations are amounts set aside from Fund Balance, by the County Board, for a specific purpose. They are recognized only under modified accrual accounting. COFARS Designation object codes range from 2800 to 2879.

Do NOT post any receipts or disbursements directly to Reserve or Designation Accounts (28xx). The only entries allowed are between these reserve and designation accounts and Fund Balance itself – since by definition, they are reserves and designations of fund balance.

If you wish to retain reserves and designations for local purposes but do not wish to show them on the "Balance Sheet", map them to Fund Balance (3999).

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Excel Tips

Parsing

The wording of the commands that follow will vary somewhat depending on the version of Excel that you are using. Assuming that you have a "text" file that you wish to load into Excel:

1. In Excel, Choose "Data", "Import External Data", "Import Data"
2. A browse window will open for you to find the file to import.
3. Find the file and open it.
4. The first screen will likely indicate "Fixed width" file type, click Next.
5. Step 2 of the Wizard is shown where you will "parse" the data.
 - a. Scroll down through the data file beyond the headings until you come to real data (account numbers and dollars).
 - b. Establish vertical arrows where you wish column breaks to appear when the data comes into Excel. Click on a column to insert a column edge, double click on a arrow to remove a column edge.
 - c. Note that if you want to later "sort" and "select" by "elements" of the account number, then each element should be in its own column. Also note that if the amount columns are marked with "DR/CR", that the "CR" should be in a separate column from the dollar amount.
6. Click Next.
7. Step 3 allows you to customize the columns that you have chosen. Unless you plan to do "math" with date fields, you can skip this step by clicking "Finish".
8. The Wizard will then ask where you wish to have the data placed, assuming that you want it to start in cell "A1". Since this is usually the case, click OK.
9. The data will be shown in Excel.
10. The headings and other non-data lines may look really funny. Page down until you come to data lines with real accounts and dollar amounts.
11. Sort the data by a meaningful column and delete all of the heading, total, subtotal and other meaningless lines.
12. Sort the data back into a usable form.
13. Save as...

Sorting

1. Save the data file before you start.
2. Decide on the order that you wish to sort by, and what columns are to be used for the sort.
3. "Select all" by clicking in the upper left box where column and row headings meet.

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4. Choose "Data", "Sort" and the sort window will open.
5. If the first line of your data is a "header" row with column titles in it, then click on the "Header Row" button. Choose up to three levels of sort and press OK.
6. Sorts are "additive", that is, if you run one sort after another, the fifth sort in sequence will resort the data from the fourth sort, not the original sequence.
7. Note: If you are going to sort data and later want to return it to its original order and you do not know how you are going to be able to do that, before you sort, add a new column with sequential numbers in it so that you can use it to recapture the original order if necessary.

Filters

1. In Excel, Choose "Data", "Filter", "Autofilter"
2. Dropdown arrows will appear in each column.
3. Choose an item from the dropdown to limit the list.
4. Filters are additive. A choice of a second filter narrows what was chosen in the first filter.
5. The first item on each dropdown is "All". This will remove the filter that was applied and return all of the items on the list.
6. To remove the filter dropdowns, choose "Data", "Filter", and click off the "Auto Filter".

Subtotals

1. After sorting the data in the proper order,
2. After reducing the number of lines by filtering them,
3. Select all and choose "Data", "Subtotal"
4. Pick the column that will drive the subtotals, the kind of total you want (usually the "sum"), and pick the columns that you want totaled.
5. Before going on to something else, click "Data", "Subtotal", "Remove subtotals" to clean them off.