

Equity



Retained
Earnings

Fund
Balance

New term = Net Assets



Equation For Net Assets

ASSETS

- LIABILITIES

= NET ASSETS



Net Assets

Appears on “Statement of Net Assets”
(What we use to call “Balance Sheet”)





Classifications of Net Assets

 Unrestricted

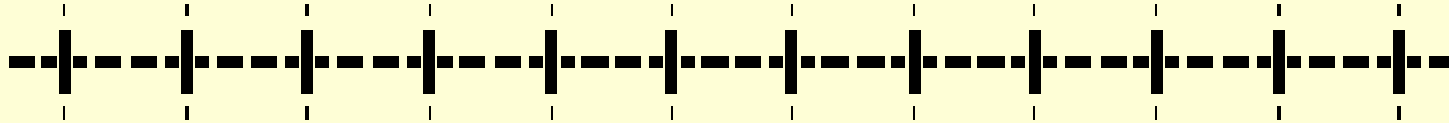
 Restricted

 Designated





Unrestricted Net Assets



Portion of assets that is not restricted



Restricted Net Assets

- Legal or contractual obligation externally imposed for specified use



Designated Net Assets

- Internally imposed restriction by the BOS for specified use



- Requires BOS approval (Minute Order) to designate funding source or retain existing assets



BUDGET

PROCESS




Net County Cost (NCC)

REVENUE **

- EXPENDITURES

= NET COUNTY COSTS

**Calculation includes both departmental and non-departmental revenue, except for general fund departments which only include departmental revenue





Pre-GASB 33

Cash from restricted sources was held in trust

Revenue was not recognized until expended

Therefore, revenue from restricted sources =
expenditures in operating fund

No effect to fund balance





Post-GASB 33

Revenue is required to be recognized when entitled

As oppose to recognized when expended for restricted use

Therefore, highly unlikely for revenue = expenses






Earlier Revenue Recognition Requires Changes


Without procedure changes, NCC would be distorted by the difference between revenue received from restricted sources and the amount expended from these sources

(i.e. the amount that should flow into the “Restricted Net Assets’ account).





Two new classifications of accounts in accounting system

- Restricted Revenue Sources
 - Restricted Object Codes
(Expenditures)
- 



Restricted Revenue and Expenses


Budgetable Accounts

Restricted Expense Accounts Can Not Exceed:

- Anticipated Revenue for FY
 - + Beginning Balance of Restricted Net Assets
- 



YE Reclassification Required


- Financial system can only close revenue and expense accounts to one Net Asset Account
 - For funds/sub-funds with more than one type of restricted net asset account, YE reclassification adjustment(s) will be required
- 



For example...

If closing account = Net Assets,
Unrestricted, the following journal entry
will be required when revenue exceeds
expenditures from restricted sources

(Note: accounts closed to Net Assets,
Unrestricted, which has a normal Credit
Balance)



To restricted net assets for proceeds received with legal or contractual restriction as to its use

Debit: Net Assets, Unrestricted \$8,500

Credit: Net Assets, Restricted for (specified restriction) \$8,500


**COUNTY OF RIVERSIDE
JOURNAL VOUCHER**

AGENCY NAME Auditor- Controller PAGE 1 OF 1

TRANS TYPE	AGENCY NUMBER	DOCUMENT NUMBER			J.V. DATE	ACCT PERIOD	FY	ACTION	NOTE: ACCOUNT TYPE		
JV	130	01	130	003	MLP	05/10/01	02	E	ASSET	01	
									LIABILITY	02	
BATCH ID		DEBIT DOCUMENT TOTAL				CREDIT DOCUMENT TOTAL			FUND EQUITY	03	
		8,500.00				8,500.00			EXPENDITURE	22	
									COLLECTED REVENUE	31	
Line No.	ACCT TYPE	FUND	AGENCY	ORGANIZATION	SUB ORG	APPR	ACTIVITY	OBJ/REV	SUB OBJ/REV	BS ACCT	EXTENDED PROJECT NO.
01	03	1001	130	210						9923	
	RCAT	DESCRIPTION (25) CHARACTERS				DEBIT AMOUNT			CREDIT AMOUNT		
		To restrict net assets for automation				8,500.00			0.00		
Line No.	ACCT TYPE	FUND	AGENCY	ORGANIZATION	SUB ORG	APPR	ACTIVITY	OBJ/REV	SUB OBJ/REV	BS ACCT	EXTENDED PROJECT NO.
02	03	1001	130	210						9851	
	RCAT	DESCRIPTION (25) CHARACTERS				DEBIT AMOUNT			CREDIT AMOUNT		
		To restrict net assets for automation				0.00			8,500.00		



Designated Net Assets




If restriction is internally imposed
“Restricted” should be changed to
“Designated” for credit side of previous
journal entry






Department's Responsibility For Restricted Proceeds

- Budget anticipated revenue
 - Budget expected amount to be expended during year
 - Monitor budget
 - Obtain approval if actual expenditures exceed budgeted appropriations
 - Prepare entry to reclassify restricted net assets
- 




Funding Source to increase Appropriations is Restricted Net Assets

- Revenue previously recognized in Operating Fund
 - Cash (Restricted for CAFR) is held in Operating Fund
 - Therefore, increase in Appropriations means decrease in Restricted Net Assets
- 



REVENUE CLEARING

- Temporary revenue holding account to receipt money until appropriate revenue source can be determined
 - Account is within each entities operating fund
 - To be used in place of Clearing Funds
- 

To receipt revenue received from unknown source

Debit: Cash \$750

Credit: Revenue – Clearing \$750

COUNTY OF RIVERSIDE JOURNAL VOUCHER

AGENCY NAME **Auditor- Controller**

PAGE **1** OF **1**

TRANS TYPE	AGENCY NUMBER	DOCUMENT NUMBER				J.V. DATE	ACCT PERIOD	FY	ACTION	NOTE: ACCOUNT TYPE
JV	130	01	130	001	MLP	05/10/01		02	E	ASSET 01 LIABILITY 02
BATCH ID		DEBIT DOCUMENT TOTAL				CREDIT DOCUMENT TOTAL				FUND EQUITY 03 EXPENDITURE 22 COLLECTED REVENUE 31
		750.00				750.00				

Line No.	ACCT TYPE	FUND	AGENCY	ORGANIZATION	SUB ORG	APPR	ACTIVITY	OBJ/REV	SUB OBJ/REV	BS ACCT	EXTENDED PROJECT NO.
01	01	1001	130	210						9111	
	RCAT	DESCRIPTION (25) CHARACTERS To receipt revenue from unknown sources				DEBIT AMOUNT				CREDIT AMOUNT	
						750.00				0.00	

Line No.	ACCT TYPE	FUND	AGENCY	ORGANIZATION	SUB ORG	APPR	ACTIVITY	OBJ/REV	SUB OBJ/REV	BS ACCT	EXTENDED PROJECT NO.
02	31	1001	130	210					7817		
	RCAT	DESCRIPTION (25) CHARACTERS To receipt revenue from unknown sources				DEBIT AMOUNT				CREDIT AMOUNT	
						0.00				750.00	

To distribute revenue from clearing to various known revenue sources

Debit: Revenue – Clearing

\$750

Credit: Revenue

\$750

COUNTY OF RIVERSIDE JOURNAL VOUCHER

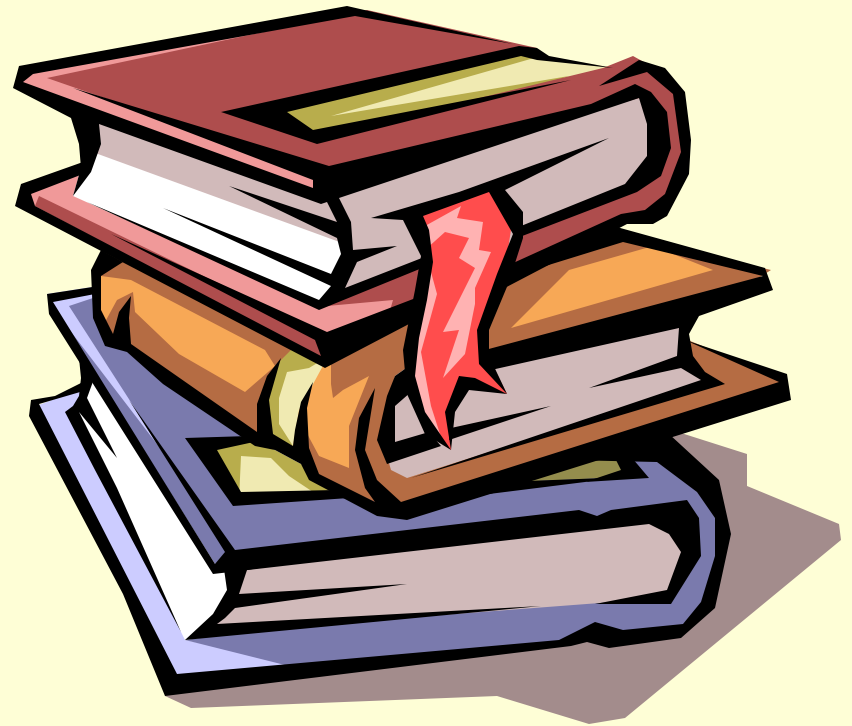
AGENCY NAME Auditor- Controller

PAGE 1 OF 1

TRANS TYPE	AGENCY NI IMRFR	DOCUMENT NUMBER				J.V. DATE	ACCT PERIOD	FY	ACTION	NOTE: ACCOUNT TYPE	
JV	130	01	130	002	MLP	05/10/01		02	E	ASSET 01 LIABILITY 02	
BATCH ID		DEBIT DOCUMENT TOTAL				CREDIT DOCUMENT TOTAL			FUND EQUITY 03 EXPENDITURE 22 COLLECTED REVENUE 31		
		750.00				750.00					


Line No.	ACCT TYPE	FUND	AGENCY	ORGANIZATION	SUB ORG	APPR	ACTIVITY	OBJ/REV	SUB OBJ/REV	BS ACCT	EXTENDED PROJECT NO.
01	31	1001	130	210					7817		
	RCAT	DESCRIPTION (25) CHARACTERS To classify revenue from clearing account				DEBIT AMOUNT			CREDIT AMOUNT		
						750.00			0.00		
Line No.	ACCT TYPE	FUND	AGENCY	ORGANIZATION	SUB ORG	APPR	ACTIVITY	OBJ/REV	SUB OBJ/REV	BS ACCT	EXTENDED PROJECT NO.
02	31	1001	130	210					5421		
	RCAT	DESCRIPTION (25) CHARACTERS To reclassify MV in-lien tax from clearing				DEBIT AMOUNT			CREDIT AMOUNT		
						0.00			750.00		

Countywide
Requirement
to Implement
GASB 33/34




Implement Recommendations In Department Trust Fund Analysis





If multiple recommendations for single fund, split proceeds and account for in manner recommended.

If multiple funds required:


- *Submit Fund Establishment Forms to open new funds
 - *Transfer applicable amounts into each fund
 - *Ensure proper accounting structure set up to account for fund activity/balance
- 

TRUST FUND CLOSURES





Close trust funds recommended for closure

- *If accounting to be performed in operating fund:
 - *Open new specific accounts
 - *Transfer cash to new accounts to zero out trust
 - *Submit Fund Closure Form
- 



New Accounts in Operating Fund

- Deferred Revenue Accounts
- Restricted Net Assets
- Designated Net Asset Accounts
- Restricted Revenue Accounts (Sources)*
- Restricted Expenditure Accounts (Object Codes)*

***May already exist, but attribute needs to be linked to restricted source**






Cash balance to be recognized as revenue

Only the amount collected in FY 2001/02, not previously recognized as revenue, is to be recognized by FYE

All other amounts (related to prior year revenue), require posting directly to fund balance as a Prior Period Adjustment*

*This may have been performed for CAFR purposes last FY to implement GASB 33 and now requires posting to RIFMIS. This needs to be coordinated with A-C Office to prepare journal entries.




TRUST FUND RECLASSIFICATION





Trust funds recommended for reclassification

- Prepare revenue recognition journal vouchers, if not previously recognized and are now required
 - Entry requires analysis of current year revenue and beginning fund balance adjustment
 - Funds will automatically be reclassified in OASIS
 - Review OASIS to ensure account structure matches recommendation for fund
- 

UNCHANGED TRUST FUNDS





Trust funds recommended to remain as
Agency funds


Funds will account for cash and liabilities

Net Assets will not appear in funds


Review OASIS for proper liability account designation

Offset accounting transaction to liability accounts, effective 7/1/02





Coordinate Accounting Effort with A-C

- ❖ Schedule Appointment To Prepare and Discuss Needed Accounting Entries for FYE
 - ❖ Review Account Establishment Forms to Ensure Descriptions Meet Your Department Approval
- 



WHEN IN DOUBT . . .ASK QUESTIONS



A. On July 1, you have beginning balances of \$1,000 cash of which \$200 was collected in previous years to be used for the restricted purpose of automation.

CASH

A. \$1,000	
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NET ASSETS, UNRESTRICTED

A.	\$800
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RESTRICTED NET ASSETS

A.	\$200
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B. Twenty dollars was collected from filing fees. These fees are legislatively restricted for the use of automation.

CASH


A.	\$1,000
B.	\$20

REVENUE

B.- Rest.	\$20
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C. No budget was established for automation expenditures. However, your department has decided to spend \$200 for automation costs. Current year revenue is anticipated to be \$100. Therefore, \$100 of your department's operating fund cash, which was collected and recognized as revenue in a prior year, will be used to fund current year's expenditures. As a result, restricted net assets is budgeted to decrease \$100 at year-end. A Form 11 was prepared and approved by the BOS authorizing this budget adjustment. (There is no affect to actual financial data; therefore, no entry is shown above. Transaction affects budget only.)



D. A payment voucher was processed to pay an invoice for automation costs of \$80.

CASH	
A.	\$1,000
B.	\$20
D.	\$80

EXPENDITURES	
D.- Rest.	\$80

E. Additional revenue of \$300 was received from unrestricted sources.

CASH			
A.	\$1,000		
B.	\$20		
		D.	\$80
E.	\$300		

REVENUE		
	B.- Rest.	\$20
	E.	\$300

F. As part of year-end closing, income statement (Statement of Activities) accounts are closed to net assets, unrestricted. (Note: Total revenue and expenses close to one specified net asset account. Reclassification is required for funds having multiple net asset accounts for restrictions and designations). In example, it is assumed accounts close to unrestricted net assets and reclassification is needed for restricted transactions.

Part 1 - Close revenue and expenses to net assets, unrestricted.

REVENUE

		B.- Rest.	\$20
		E.	\$300
F1.	\$320		\$320

EXPENDITURES

D.- Rest.	\$80		
	\$80	F1.	\$80

NET ASSETS, UNRESTRICTED

		A.	\$800
F1.	\$80	F1.	\$320

Part 2- reclassify restricted portion of net assets

NET ASSETS, UNRESTRICTED

		A.	\$800
F1.	\$80	F1.	\$320
F2.	\$20	F2.	\$80

RESTRICTED NET ASSETS

		A.	\$200
F2.	\$80	F2.	\$20
	\$80		\$220
			\$140

G. For CAFR purposes, County will reclass Cash to Restricted Cash (Asset) for amount of Restricted Net Assets. No entry will be posted to OASIS since expenditures can only be paid from one cash account and entry would have to be reversed for operational purposes.

CAFR ONLY ENTRY

CASH			
A.	\$1,000		
B.	\$20		
		D.	\$80
E.	\$300		
		G.	\$140
	\$1,320		\$220
	\$1,100		

CASH - Restricted	
G.	\$140