



GASB 34 Exercises

- You have a chart of accounts given to you
- The City only has 3 funds – General, Water/Sewer, and GASB 34 fund
- We have 4 common GASB 34 adjustments (Capital assets, Debt, Compensated absences, and Unavailable revenue)
- Assume no one has yet recorded anything related to these transactions
- We will be recording:
 - Modified accrual (fund based) entries (including cash receipts/disbursements)
 - Full accrual entries
 - Combined entries for Water and Sewer



Capital Assets



Capital Assets Exercise

During the current year, the City purchased the following assets:

- New playground equipment for the local park - \$35,000
- 3 new police cars for \$28,000 each
- Furniture in the City Council Chambers \$12,000

In addition, they started a road project that began in the current fiscal year and will carry over into the next fiscal year. In reviewing contractor invoices, they have spent approximately \$493,000 on the project in the current year.

Using your journal entry templates, prepare the MODIFIED accrual entry for these transactions





Exercise 1 - Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
General	Cash		\$ 624,000
General	Capital Outlay - General Government	\$ 12,000	
General	Capital Outlay - Police	\$ 84,000	
General	Capital Outlay - Streets	\$ 493,000	
General	Capital Outlay - Parks	\$ 35,000	
	Total	\$ 624,000	\$ 624,000



Capital Assets Exercise

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In addition, they started a road project that began in the current fiscal year and will carry over into the next fiscal year. In reviewing contractor invoices, they have spent approximately \$493,000 on the project in the current year.

Now, prepare the FULL ACCRUAL entry



Exercise 2 - Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
GASB 34	Construction in Progress	\$ 493,000	
GASB 34	Furniture and Equipment	\$ 47,000	
GASB 34	Vehicles	\$ 84,000	
GASB 34	Capital Outlay - General Gov		\$ 12,000
GASB 34	Capital outlay Public Safety		\$ 84,000
GASB 34	Capital outlay - Public Works		\$ 493,000
GASB 34	Capital Outlay - Recreation		\$ 35,000
	Total	\$ 624,000	\$ 624,000



Capital Assets Exercise – W&S

Now, let's work on the entries if the purchases were made in the Water and Sewer Fund:

Assume:

- City purchases a truck for the Water & Sewer department - \$57,000
- A water project was started during the year of which \$1.7m was spent. Total project will be \$9m

Prepare the entries to record these in the Water and Sewer Fund





Exercise 3 - Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
Water & Sewer	Cash		\$ 1,757,000
Water & Sewer	Construction in Progress	\$ 1,700,000	
Water & Sewer	Vehicles	\$ 57,000	
	Total	\$ 1,757,000	\$ 1,757,000

Note: Many people first expense capital purchases to Capital outlay accounts.

In that case, the original entry would have been to Cash and Capital outlay.

Then you would need to Debit the Asset accounts and credit the Capital outlay accounts.



Capital Assets Exercise - Depreciation

Depreciation for the year was as follows:

- Governmental Activities: \$982,000
- Business Type Activities: \$1,456,000

Governmental Activities depreciation was split as follows:

- General Government 21%
- Public Safety 26%
- Public Works 43%
- Recreation and Culture 10%

Prepare the journal entries for the current year depreciation



Exercise 4 - Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
GASB 34	Depreciation - General Government	\$ 206,220.00	
GASB 34	Depreciation - Public Safety	\$ 255,320.00	
GASB 34	Depreciation - Public Works	\$ 422,260.00	
GASB 34	Depreciation - Rec and Culture	\$ 98,200.00	
GASB 34	Accumulated Depreciation		\$ 982,000.00
	Total	\$ 982,000	\$ 982,000
Water & Sewer	Depreciation Expense	\$ 1,456,000.00	
Water & Sewer	Accumulated Depreciation		\$ 1,456,000.00



Long Term Debt



Long Term Debt - Payments

Below is the City's Governmental Activities Long Term Debt Footnote:

<i>Governmental Activities</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable - Other debt:					
General obligations	\$ 13,250,000	\$ -	\$ (2,105,000)	\$ 11,145,000	\$ 2,265,000
Special assessment bonds	135,000	-	(45,000)	90,000	45,000
				-	-
Total bonds payable	13,385,000	-	(2,150,000)	11,235,000	2,310,000
Estimated self-insurance claims	60	188,567	(70,416)	118,211	118,211
Accumulated compensated absences	2,307,461	1,427,806	(1,314,006)	2,421,261	1,307,220
Total governmental activities	<u>\$ 15,692,521</u>	<u>\$ 1,616,373</u>	<u>\$ (3,534,422)</u>	<u>\$ 13,774,472</u>	<u>\$ 3,735,431</u>

In addition, the City paid \$501,925 in interest during the year

What was the entry posted for debt payments in the MODIFIED ACCRUAL funds?

****Not including self insurance or comp absences****



Exercise 1- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
General	Cash		\$ 2,651,925
General	Principal payments	\$ 2,150,000	
General	Interest Expense	\$ 501,925	
	Total	\$ 2,651,925	\$ 2,651,925



Long Term Debt - Payments

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In addition, the City paid \$501,925 in interest during the year

What is the entry that should be posted in the FULL ACCRUAL funds?



Exercise 2- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
GASB 34	Long Term Debt	\$ 2,150,000	
GASB 34	Principal Payments		\$ 2,150,000
	Total	\$ 2,150,000	\$ 2,150,000



Long Term Debt - Payments

Below is the City's Business Activities Long Term Debt Footnote:

<i>Business-type Activities</i>		Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:						
Direct borrowings and direct placements - State revolving loan - FPA loan		\$ 926,805	\$ -	\$ (75,000)	\$ 851,805	\$ 75,000
Other:						
GASB 34	Long Term Debt			\$ 2,150,000		
GASB 34	Principal Payments				\$ 2,150,000	
	Total			\$ 2,150,000	\$ 2,150,000	
Accumulated		206,266	157,458	(135,006)	228,718	135,006
Total business-type activities		\$ 3,608,071	\$ 157,458	\$ (605,000)	\$ 3,160,523	\$ 630,006

In addition, the City paid \$136,072 in interest during the year

What is the entry that should be posted in the Water and Sewer fund?



Exercise 3- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
Water & Sewer	Long Term Debt	\$ 470,000	
Water & Sewer	Interest expense	\$ 136,072	
Water & Sewer	Cash		\$ 606,072
	Total	\$ 606,072	\$ 606,072



Long Term Debt – Interest Accrual

Referring back to the debt in the previous slides:

- The City has debt payments due on April 1 and October 1.
- The City's year end is June 30.
- The debt payments due on October 1 are as follows:
 - Governmental Activities: \$245,050
 - Business Type Activities: \$ 62,324
- The prior year's interest accruals have been reversed, so there is nothing in the Accrued Interest Payable accounts

What entries need to be made for both the Governmental and Business type funds?



Exercise 4- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
GASB 34	Interest Expense	\$ 122,525	
GASB 34	Accrued Interest Payable		\$ 122,525
Water & Sewer	Interest Expense	\$ 31,162	
Water & Sewer	Accrued Interest Payable		\$ 31,162



Issuance of New Debt

City issues debt for their new Fire Station

From Bond issuance Documents:

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount	\$4,000,000.00
Premium	49,929.20
TOTAL SOURCES	<u>\$4,049,929.20</u>

Uses of Funds:

Construction Fund Deposit	\$3,934,579.20
Underwriter's Discount	60,350.00
Costs of Issuance	55,000.00
TOTAL USES	<u>\$4,049,929.20</u>

What were the entries made on the MODIFIED ACCRUAL basis?



Exercise 5- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
General Fund	Cash	\$ 3,934,579.20	
General Fund	Proceeds from Issuance of Debt		\$ 4,000,000.00
General Fund	Bond Premium		\$ 49,929.20
General Fund	Bond issuance costs	\$ 115,350.00	
	Total	\$ 4,049,929.20	\$ 4,049,929.20



Issuance of New Debt

City issues debt for their new Fire Station

From Bond issuance Documents:

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount	\$4,000,000.00
Premium	49,929.20
TOTAL SOURCES	<u>\$4,049,929.20</u>

Uses of Funds:

Construction Fund Deposit	\$3,934,579.20
Underwriter's Discount	60,350.00
Costs of Issuance	55,000.00
TOTAL USES	<u>\$4,049,929.20</u>

What were the entries made on the FULL ACCRUAL basis?



Exercise 6- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
GASB 34	Proceeds from Issuance of Debt	\$ 4,000,000.00	
GASB 34	Long Term Debt		\$ 4,000,000.00
GASB 34	Bond Premium (Other Financing Source)	\$ 49,929.20	
GASB 34	Bond Premium (Liability)		\$ 49,929.20
	Total	\$ 4,049,929.20	\$ 4,049,929.20



Issuance of New Debt

Same numbers, but assume this is a water bond:

From Bond issuance Documents:

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount	\$4,000,000.00
Premium	49,929.20
TOTAL SOURCES	<u>\$4,049,929.20</u>

Uses of Funds:

Construction Fund Deposit	\$3,934,579.20
Underwriter's Discount	60,350.00
Costs of Issuance	55,000.00
TOTAL USES	<u>\$4,049,929.20</u>

What were the entries made in the Water and Sewer Fund?



Exercise 6- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
Water & Sewer	Cash	\$ 3,934,579.20	
Water & Sewer	Long Term Debt		\$ 4,000,000.00
Water & Sewer	Bond Premium (Liability)		\$ 49,929.20
Water & Sewer	Bond issuance costs	\$ 115,350.00	
	Total	\$ 4,049,929.20	\$ 4,049,929.20



Compensated Absences



Compensated Absences

Below is the City's Governmental Activities Long Term Debt Footnote:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligations	\$ 13,250,000	\$ -	\$ (2,105,000)	\$ 11,145,000	\$ 2,265,000
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Estimated self-insurance claims	60	188,567	(70,416)	118,211	118,211
Accumulated compensated absences	2,307,461	1,427,806	(1,314,006)	2,421,261	1,307,220
Total governmental activities	<u>\$ 15,692,521</u>	<u>\$ 1,616,373</u>	<u>\$ (3,534,422)</u>	<u>\$ 13,774,472</u>	<u>\$ 3,735,431</u>

For compensated absences, the allocation of salaries is as follows:

General Government	25%
Public Safety	50%
Public Works	20%
Recreation	5%

What entries need to be made to record compensated absences for this year?



Exercise 1- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
GASB 34	Compensated Absences		\$ 113,800
GASB 34	Fringes - General Government	\$ 28,450	
GASB 34	Fringes - Public Safety	\$ 56,900	
GASB 34	Fringes - Public Works	\$ 22,760	
GASB 34	Fringes - Recreation	\$ 5,690	
	Total	\$ 113,800	\$ 113,800



Compensated Absences – W&S

Below is the City's Business Activities Long Term Debt Footnote:

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Direct borrowings and direct placements - State revolving loan - EPA loan	\$ 926,805	\$ -	\$ (75,000)	\$ 851,805	\$ 75,000
Other debt:					
General obligation	2,475,000	-	(395,000)	2,080,000	420,000
		-			
Total bonds payable	3,401,805	-	(470,000)	2,932,805	495,000
Accumulated compensated absences	206,266	157,458	(135,006)	228,718	135,006
Total business-type activities	<u>\$ 3,608,071</u>	<u>\$ 157,458</u>	<u>\$ (605,000)</u>	<u>\$ 3,160,523</u>	<u>\$ 630,006</u>

What is the entry that should be posted in the Water and Sewer fund for compensated absences?



Exercise 2- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
Water & Sewer	Compensated Absences		\$ 22,452
Water & Sewer	Fringes	\$ 22,452	



Deferred Inflows- Unavailable Revenue



Deferred Inflows - Unavailable Revenue

Differences between unearned revenue and unavailable revenue

- Unearned (No GASB 34 adjustments required)
- Property taxes levied in one year but not used to finance that year (No GASB 34 adjustment required)
- Unavailable

No GASB 34 adjustments required (recording on fund statements and government-wide statements is the same):

Unearned

- Cash is received before it is earned
- Examples include:
 - Advance funds received for a grant (provided before eligibility requirements other than time requirements – liability; if just awaiting time requirements – deferred inflow) – Think ARPA

Property taxes received in one year but not used to finance that year



Deferred Inflows– Unavailable Revenue

Unavailable

- Revenue has been earned, but the funds are unavailable (not received within the client's collection period – generally 60 days)

Common GASB 34 adjustments (Revenue Unavailable)

- State Shared/Aid Revenue
- Grant Reimbursements
- Special Assessments



Deferred Inflows– Unavailable Revenue

City has a reimbursement grant for police equipment. They purchased this equipment in May 2023 for \$63,000, and requested reimbursement in July 2023. The federal government reimbursed the City in September 2023.

The City has a 60 day period of availability

What entries would have been made on the MODIFIED
ACCRUAL basis?





Exercise 1- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
General Fund	Grant Receivable	\$ 63,000	
	Deferred Inflows - Unavailable		
General Fund	Revenue		\$ 63,000



Deferred Inflows– Unavailable Revenue

City has a reimbursement grant for police equipment. They purchased this equipment in May 2023 for \$63,000, and requested reimbursement in July 2023. The federal government reimbursed the City in September 2023.

The City has a 60 day period of availability

What entries need to be made on the FULL ACCRUAL basis?





Exercise 2- Answer

<u>Fund</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
GASB 34	Deferred Inflows - Unavailable Revenue	\$ 63,000.00	
GASB 34	Grant Revenue - Public Safety		\$ 63,000.00



Deferred Inflows– Unavailable Revenue

Conversely:

City has a State grant for water lines. They did the work in May 2023 for \$250,000, and requested reimbursement in July 2023. The State reimbursed the City in September 2023.

The City has a 60 day period of availability

What entries would have been made in the Water and Sewer fund?





Deferred Inflows– Unavailable Revenue

TRICK QUESTION!!!!!! The water and sewer fund is a full accrual fund – revenue is recognized when earned, regardless of when it is received.



Bonus points for identifying one of my favorite movies!



Tips for GASB 34 adjustments-balances

- Your capital asset additions in GASB 34 fund should be relatively close to the sum of all capital outlay accounts – if not, research why
- Your principal reduction in GASB 34 fund should be the sum of all principal payments in governmental funds
- After the GASB 34 entry, there should be no bond proceeds or capital asset proceeds in the Governmental Activities
- The deferred inflows due to unavailable revenue in the GASB 34 fund should directly offset all unavailable revenue in the governmental funds



Questions???

