

**April 22, 2015:**

Added the following accounts:

- #196 Net Pension Asset
- #250 Deferred Outflows of Resources
  - #252 Pension Related Deferred Outflows
- #550 Deferred Inflows of Resources
  - #553 Taxes Levied for Future Period \*\*\*\*
  - #554 Pension Related Deferred Inflows
- #507 Net Pension Liability

### **\*\*\*Reporting Deferred Inflows of Resources:**

State and local governments commonly report *deferred inflows of resources* in their governmental fund financial statements. That exact amount same amount frequently is reported as *deferred inflows of resources* in the government-wide statement of net position as well. Sometimes this treatment is correct; however often it is not.

It is true, of course, that governmental funds use a different basis of accounting than government-wide financial statements. At the same time, however the basis of accounting used in governmental funds is simply a *modified* form of accrual accounting. There are two different reasons why the recognition of revenue may be deferred in a governmental fund:

- The revenue relates to the future period (e.g., property tax received in advance of the period for which levied),  
Or
- The revenue relates to the current period, but is not yet *available* to liquidate liabilities of the current period (e.g., property taxes related to the current period that will not be received within 60 days of the end of the period)

The first reason applies equally to financial statements prepared using either the accrual basis of accounting or the modified accrual basis of accounting. In contrast, the second reason (i.e. availability) applies solely to financial statements prepared using the *modified* accrual basis of accounting, since *availability* is irrelevant to revenue recognition under the accrual basis of accounting.

Assume, for example, that a governmental fund reports the following *deferred inflows of resources*:

- \$100 Property tax collections from a levy raised to finance the following year's budget  
(*Taxes Levied for Future Period*)
- 70 Advance on grants for which only the time requirement has not yet been met  
(*Other Deferred Inflows of Resources*)

30 Current year taxes that will not be collected during the availability period  
(*Unavailable Revenue—Property Taxes*)

\$200 TOTAL DEFERRED INFLOWS OF RESOURCES

In that case, the government-wide statement of net position would report a deferred inflow of resources only for the first two amounts (i.e.,  $\$100 + \$70 = \$170$ ), since availability is not relevant to revenue recognition under the accrual basis of accounting.

All too often, governments include whatever amount is reported as a *deferred inflow of resources* in the governmental fund financial statements as a *deferred inflow of resources* in the government-wide statements of net position. This is an especially easy mistake to make when governments describe all deferred inflows of resources in governmental funds as *deferred revenues*, rather than using the term *unavailable revenue* to describe the portion that is not recognized solely because it is not yet available.