

Chapter 2: The Use of Funds in Governmental Accounting

Multiple Choice

1. To what does *basis of accounting* refer?
 - a. whether an entity is trying to measure the excess of inflows over outflows
 - b. how much cash an entity received in a particular reporting period
 - c. the timing of recognition of assets, liabilities, revenues, and expenditures/expenses in financial statements
 - d. the ownership of the assets, liabilities, and equities reported in a balance sheet

Answer: c

2. Governmental accounting normally does **not**
 - a. use separate funds to account for various activities
 - b. incorporate budgetary accounts into the accounting system
 - c. measure the amount of profit earned during a fiscal year
 - d. focus on flows of current financial resources

Answer: c

3. In governmental accounting, a fund is best defined as:
 - a. a sum of cash set aside to attain certain objectives
 - b. a fiscal entity that has both financial and capital resources
 - c. a fiscal entity that has cash resources only
 - d. a fiscal and accounting entity with a self-balancing set of accounts

Answer: d

4. Which of the following funds all use the current financial resources measurement focus?
 - a. Debt Service Fund, Special Revenue Fund, and Capital Projects Fund
 - b. General Fund, Debt Service Fund, and Internal Service Fund
 - c. Debt Service Fund, Investment Trust Fund, and Capital Projects Fund
 - d. General Fund, Debt Service Fund, and Pension Trust Fund

Answer: a

5. The three broad categories of funds used by governmental entities are:
- Governmental, Proprietary, and Fiduciary
 - Unrestricted, Partially Restricted, and Fully Restricted
 - General, Special, and Fiduciary
 - General, Enterprise, and Agency

Answer: a

6. Which category of funds is used to account for most of the day-to-day public services provided by a government?
- Fiduciary-type funds
 - Enterprise-type funds
 - Proprietary-type funds
 - Governmental-type funds

Answer: d

7. Which category of funds focuses on financial resources available for current spending?
- Enterprise-type funds
 - Proprietary-type funds
 - Governmental-type funds
 - Fiduciary-type funds

Answer: c

8. The broad categories of funds used in government accounting do **not** include which one of the following?
- revolving
 - governmental
 - proprietary
 - fiduciary

Answer: a

9. Within a fund, which of the following results from using the current financial resources measurement focus?
- capital assets will be depreciated
 - property taxes will be recognized on the cash basis of accounting
 - a liability must be reported for unsettled claims, provided payment ultimately will be made
 - long-term assets and liabilities will not be recorded in the fund

Answer: d

10. Which of the following set of funds use the economic resources measurement focus?
- a. Enterprise Fund, Special Revenue Fund, and General Fund
 - b. Internal Service Fund, Pension Trust Fund, and Enterprise Fund
 - c. Debt Service Fund, Internal Service Fund, and Pension Trust Fund
 - d. Enterprise Fund, Internal Service Fund, and Capital Projects Fund

Answer: b

11. Which basis of accounting is used by funds that have a current financial resources measurement focus?
- a. full accrual basis
 - b. cash basis
 - c. modified accrual basis
 - d. modified cash basis

Answer: c

12. Which of the following are fiduciary-type funds?
- a. Pension Trust Fund, Agency Fund, and Permanent Fund
 - b. Investment Trust Fund, Special Revenue Fund, and Internal Service Fund
 - c. Agency Fund, Internal Service Fund, and Pension Trust Fund
 - d. Pension Trust Fund, Investment Trust Fund, and Agency Fund

Answer: d

13. The General Fund levies property taxes in the amount of \$1,000,000 for calendar year 2009. It expects to collect \$950,000 during the year, \$30,000 in the first 60 days of the next year, and \$15,000 during the rest of the next year. It does not expect to collect the remaining \$5,000. How much property tax revenue should it recognize for the year 2009?
- a. \$1,000,000
 - b. \$980,000
 - c. \$995,000
 - d. \$990,000

Answer: b

14. Under modified accrual accounting, when are revenues considered to be "available?"
- when cash has been collected
 - when cash is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period
 - when cash is on hand or reasonably expected to be collected at any time in the future so they can pay liabilities incurred in the current period
 - when property tax bills have been mailed

Answer: b

15. Which of the following is an example of activities that are likely to be accounted for in a government's general fund?
- business-type activities of government that are financed by user charges
 - sales taxes collected by a state on behalf of counties within the state
 - property taxes to be used to provide basic government services
 - donations that must be kept intact, but whose income must be used to beautify parks

Answer: c

16. Which of the following terms **best** describes the types of assets accounted for in governmental-type funds?
- any resource that can be used to provide service to the citizenry
 - financial assets and capital assets
 - current assets and movable fixed assets
 - financial assets

Answer: d

17. For financial reporting purposes, a government may have only one
- Capital projects fund
 - Enterprise fund
 - General fund
 - Permanent fund

Answer: c

18. Which of the following activities is the most likely to be accounted for in a General Fund?
- a. payment of salaries of police and firefighters
 - b. construction of a new school building from bond proceeds
 - c. accumulation of resources to pay pension benefits to employees
 - d. accumulation of resources required by law to be used only to beautify parks

Answer: a

19. Which of the following types of liabilities is least likely to appear in the balance sheet of a governmental-type fund?
- a. amounts owed to suppliers of goods and services
 - b. amounts owed to bondholders over the entire 20-year life of a debt
 - c. amounts owed to other funds
 - d. amounts owed to employees for services performed before an accounting period ends

Answer: b

20. At what point are revenues recognized in the General Fund?
- a. when the revenues are earned
 - b. when cash is received
 - c. when the revenues are measurable and available
 - d. when billings are mailed to service recipients

Answer: c

21. Which of the following is a distinguishing characteristic of proprietary funds?
- a. they recognize revenues when they are measurable and available
 - b. they always earn sufficient revenues to cover their expenses
 - c. they charge fees for the services they provide
 - d. they are legally prohibited from selling services to other governmental agencies

Answer: c

22. What is the purpose of a debt service fund?
- a. to accumulate resources for paying interest on all debt issued by the government
 - b. to account for all outstanding long-term and short-term debt issued by the government
 - c. to account for outstanding general long-term debt
 - d. to accumulate resources for paying principal and interest on general long-term debt

Answer: d

23. Which of the following statements about capital projects funds is true?
- a. The assets of a capital projects fund include both financial and capital assets
 - b. All fixed assets acquired by a government are paid for from a capital projects fund
 - c. A capital projects fund accounts for resources that are restricted or otherwise limited to spending for capital outlays
 - d. When capital assets are financed through the issuance of long-term debt, that long-term debt is accounted for in a capital projects fund.

Answer: c

24. A state legislature enacts a new park entrance fee that may be used only for adding to and maintaining the collection of tropical plants in that state's nationally famous Prospect Park. Which type of fund should be used to account for those resources?
- a. Special Revenue Fund
 - b. General Fund
 - c. Internal Service Fund
 - d. Agency Fund

Answer: a

25. A city has an *Arts and Cultural Fund* that is used to account for private contributions that are restricted by the donors for the financing of the city's museum operations and functions. The Arts and Cultural Fund is a:
- a. General Fund
 - b. Special Revenue Fund
 - c. Permanent Fund
 - d. Private-Purpose Trust Fund

Answer: b

26. Which of the following is a distinguishing characteristic of the resources accounted for in fiduciary funds?
- a. They must be held intact in perpetuity.
 - b. They are generally held for very short periods of time.
 - c. They are used only to support programs of the governmental entity having custody of the resources.
 - d. They are not used to support programs of the governmental entity having custody of the resources.

Answer: d

27. A city uses a *Library Fund* to account for proceeds restricted for an addition to the main library and construction of neighborhood libraries. The Library Fund is a:
- Capital Projects Fund
 - General Fund
 - Permanent Fund
 - Debt Service Fund
 - Private-Purpose Trust Fund

Answer: a

28. A governmental unit establishes a central motor pool to provide service to governmental departments and agencies. The pricing objective of the central motor pool is to break-even by charging all agencies a user fee. What type of fund should be established for this activity?
- Special Revenue Fund
 - Agency Fund
 - Permanent Fund
 - Internal Service Fund

Answer: d

29. Which of the following is an appropriate objective of an Internal Service Fund?
- accounting for the full costs of services, including depreciation of capital assets, to provide a basis for charging governmental users
 - providing services to other governmental agencies without charge
 - temporarily holding tax resources on behalf of another government
 - accounting for the full costs of providing services to the general public

Answer: a

30. A municipal government decides to construct and operate a public swimming pool. It will charge user fees to recover its costs, but will allow senior citizens and children under the age of three to enter at half-price. What type of fund should it use for this purpose?
- Special Revenue Fund
 - Enterprise Fund
 - Agency Fund
 - Private Purpose Fund

Answer: b

31. Which of the following pairs of accounts are likely to appear on the balance sheet of a government's general fund?
- cash and buildings
 - cash and investments
 - accounts payable and long-term bonds payable
 - current portion of bonds payable and non-current portion of bonds payable

Answer: b

32. A governmental entity has a General Fund and an Enterprise Fund. At the beginning of the year, neither fund has any unpaid salary liability. During the year, both funds paid salaries of \$600,000. In addition, salaries for the last three days of the fiscal year (\$15,000 for each fund) will be paid during the first week of the next fiscal year. How much should each fund report as salary expenditures (expenses) for the fiscal year?

	General Fund	Enterprise Fund
a.	\$600,000	\$615,000
b.	\$600,000	\$600,000
c.	\$615,000	\$600,000
d.	\$615,000	\$615,000

Answer: d

33. What is the disposition of the earnings of a Permanent Fund?
- The earnings remain indefinitely in a permanent fund.
 - The earnings are used only for non-governmental programs.
 - The earnings are used for programs that benefit the government or its citizens.
 - The earnings must be used for permanent projects, such as bridges.

Answer: c

34. The *Dillard Park Fund* is used to account for a private donation by Mr. and Mrs. Bud Dillard. When making the donation, the Dillard's stipulated that only the income from this fund could be used for the operations of Dillard Park, a city owned park. The Dillard Park Fund is a:
- General Fund
 - Special Revenue Fund
 - Permanent Fund
 - Private-Purpose Trust Fund

Answer: c

35. A city has a General Fund and an Enterprise Fund. During the year, legal claims are filed against the resources of both funds. City attorneys believe that each claim will ultimately be settled for about \$55,000, but settling claims of this kind usually is about a three-year process. How much should be reported as a liability in each fund's balance sheet at the end of the current year?

	General Fund	Enterprise Fund
a.	\$0	\$0
b.	\$0	\$55,000
c.	\$55,000	\$0
d.	\$55,000	\$55,000

Answer: b

36. A governmental fund has total liabilities in excess of its total assets at the end of the fiscal year. It has no deferred resource inflows or outflows. Which of the following statements is always true?
- fund balance is negative
 - cash is less than short-term receivables
 - payables exceed receivables
 - payables exceed cash

Answer: a

37. In what section of the Enterprise Fund statement of revenues, expenses, and changes in fund net position is interest expense generally reported?
- with operating expenses
 - with nonoperating expenses
 - either with extraordinary or special items, depending on the circumstances
 - with capital contributions and transfers

Answer: b

38. A state collects sales taxes not only for itself, but also on behalf of all cities within the state. What type of fund should the state use to account for the sales taxes held for the cities?
- Private Purpose Trust Fund
 - Agency Fund
 - Special Revenue Fund
 - Investment Trust Fund

Answer: b

39. Which of the following is a characteristic of an Agency Fund's financial reporting?
- Its statement of fiduciary net position shows assets, liabilities, and fund balance
 - Its statement of fiduciary net position shows no net position
 - Its statement of fiduciary net position shows no liabilities
 - Its statement of fiduciary net position shows no assets

Answer: b

40. Which measurement focus and basis of accounting should be used in a Special Revenue Fund?

	<u>Measurement Focus</u>	<u>Basis of Accounting</u>
a.	current financial resources	full accrual
b.	current financial resources	modified accrual
c.	economic resources	modified accrual
d.	economic resources	full accrual

Answer: b

41. The information generated from the accounting system of a governmental-type fund
- is budget oriented
 - measures profitability
 - measures operational efficiency
 - is intended for use only by legislators

Answer: a

42. Which measurement focus and basis of accounting should be used in an Internal Service Fund?

	<u>measurement focus</u>	<u>basis of accounting</u>
a.	current financial resources	full accrual
b.	current financial resources	modified accrual
c.	economic resources	modified accrual
d.	economic resources	full accrual

Answer: d

43. A local government sells bonds having a face value of \$1,000,000 at par. The bond proceeds will be accounted for in a Capital Projects Fund. What account will be credited to offset the debit to cash?
- other financing sources
 - citizens' equity
 - fund balance
 - bonds payable

Answer: a

44. A long-term loan from the General Fund to another fund is reported in the General Fund as:
- a. due from other fund
 - b. due to other fund
 - c. advance to other fund
 - d. advance from other fund

Answer: c

45. Which of the following accounts is associated with the current financial resources measurement focus but not with the economic resources measurement focus?
- a. assets
 - b. expenditures
 - c. revenues
 - d. liabilities

Answer: b

46. A government will prepare a statement of cash flows for which of the following funds?
- a. General Fund
 - b. Enterprise Fund
 - c. Debt Service Fund
 - d. Agency Fund

Answer: b

47. Which of the following is true regarding a statement of cash flows prepared by a government?
- a. the statement of cash flows will be identical to one prepared by a business
 - b. the statement of cash flows will be prepared using the indirect method
 - c. the statement of cash flows will have no more than three cash flow classifications
 - d. the statement of cash flows will be prepared using the direct method

Answer: d

48. Which of the following financial statements would be prepared for enterprise funds?
- a. a statement of net position
 - b. a statement of cash flows
 - c. a statement of revenues, expenses, and changes in net position
 - d. All of the above would be prepared.
 - e. Only a and c would be prepared.

Answer: d

Problems

49. (True or false - Capital Projects Fund items)

State whether these statements are true or false. Discuss why the false statements are false.

- a. Assets of the Capital Projects Fund include cash and investments, but not capital assets.
- b. It is not possible for expenditures of the Capital Projects Fund to exceed revenues in a particular year.
- c. Likely sources of funding major capital projects are proceeds from long-term borrowing and transfers from other funds.
- d. Long-term borrowing is a source of financing capital acquisitions, but the borrowing is not reported as a liability of the Capital Projects Fund.
- e. Capital assets are reported in the assets section of the Capital Projects Fund balance sheet.
- f. Capital asset acquisitions are always financed with Capital Projects Fund resources.

Answers:

- a. True
- b. False. Proceeds from bonds are a significant source of Capital Projects Fund resources. These resources are classified as other financing sources, not revenues. Therefore, the expenditures of Capital Projects Funds will often exceed the revenues. Also, Capital Projects Funds may have beginning fund balance, which can be used for expenditures during the year.
- c. True
- d. True
- e. False. Capital Projects Funds only report financial resources, not capital resources. Outlays for capital assets are treated as expenditures, not as assets.
- f. False. There is nothing to preclude the financing of capital assets with tax resources from the General Fund.

50. (True or false - Enterprise Fund items)

State whether these statements are true or false. Discuss why the false statements are false.

- a. Enterprise Funds may receive subsidies from the General Fund for operating purposes.
- b. Enterprise Funds provide services primarily to governmental departments and agencies.
- c. Enterprise Funds use a different basis of accounting than Internal Service Funds.
- d. Enterprise Funds are financed primarily through user charges.
- e. As a general rule, Internal Service Funds sell goods and services to governmental agencies, and Enterprise Funds sell goods and services to the general public. This means an Enterprise Fund cannot sell some goods and services to the government itself.

Answers:

- a. True
- b. False. Enterprise Funds provide services primarily to the general public.
- c. False. Both Enterprise Funds and Internal Service Funds use the full accrual basis of accounting.
- d. True
- e. False. Enterprise Funds, particularly utilities, may also sell goods and services to the government itself, but those sales should represent only a small part of total fund revenues.

51. (True or false - Fiduciary Fund items)

State whether these statements are true or false. Discuss why the false statements are false.

- a. Pension Trust Funds use the modified accrual basis of accounting.
- b. The external portion of an investment pool should be reported in a Fiduciary Fund.
- c. Agency Funds are different from other Fiduciary Funds because Agency Funds have no liabilities; that is, the assets of Agency Funds are always equal to the equity of the Funds.
- d. A Private-Purpose Trust Fund is used when a donor provides resources to a state that the state can use for any purpose agreed upon by the governor and the legislature.

Answers:

- a. False. Pension Trust Funds use the full accrual basis of accounting.
- b. True
- c. False. Agency Funds are different because they have no net position. Assets of an Agency Fund (which are held temporarily for others) are equal to the Fund's liabilities.

- d. False. Resources of a Private-Purpose Trust Fund are held for the benefit of individuals, other governments, and private organizations, not the government itself.

52. (True or false - basis of accounting items)

State whether these statements are true or false. Discuss why the false statements are false.

- a. Basis of accounting refers to the timing of the recognition of assets, liabilities, revenues and expenses or expenditures. The basis of accounting facilitates what one is trying to measure.
- b. To determine whether they have obtained sufficient revenues to cover their expenses, funds that account for governmental business-type activities use the modified accrual basis of accounting.
- c. Depreciation of capital assets is not recognized as an expense in a Special Revenue Fund, but it is recognized as an expense in an Internal Service Fund.
- d. Property taxes are recognized as revenues in governmental type funds to the extent that they are collected in the year for which they are levied.
- e. Under the modified accrual basis of accounting, expenditures are generally recognized in the period that goods and services are received, but there are a number of exceptions to that rule.

Answers:

- a. True
- b. False. The full accrual basis of accounting must be used to determine if revenues cover expenses.
- c. True
- d. False. In governmental type funds, revenues are recognized when they are measurable and available. "Available" includes not only revenues that are collected in the year for which the taxes have been levied, but also collected soon enough (usually 60 days) after the accounting period to be used to pay the bills of the period.
- e. True

53. (True or false - financial reporting and other items)

State whether these statements are true or false. Discuss why the false statements are false.

- a. All the long-term debt of a government, including the long-term debt that will be financed by Enterprise Fund revenues, is reported in the fund-level financial statements.

- b. Long-term liabilities resulting from the *operating activities* of a General Fund, such as accrued vacation leave, are reported in the fund-level financial statements. Long-term liabilities resulting from the *capital acquisition activities* of a Capital Projects Fund, however, are not.
- c. For financial reporting purposes, operating transfers from one fund to another are generally reported in a separate section of the operating statements for each of the funds.
- d. For financial reporting, current assets and liabilities are separated from long-term assets and liabilities in the balance sheets of Enterprise Funds.
- e. All funds report both financial resources and capital resources.

Answers:

- a. False. Enterprise Fund long-term debt is reported in the fund financial statements, but general long-term debt is not. General long-term debt is reported only in the government-wide statements.
- b. False. Long-term liabilities related to both General Fund and Capital Projects Fund activities is not reported in the fund-level financial statements. All such debt is reported only in the government-wide financial statements.
- c. True
- d. True
- e. False. Governmental-type funds report only financial resources. Enterprise and Fiduciary type funds report both financial and capital resources.

54. (Comparative computations of expenditures and expenses based on the same underlying transactions)

A department of a local government began operations at the beginning of the current fiscal year with \$250,000 cash. During the fiscal year, the department made cash disbursements for the following:

- # Salaries and other personnel costs, \$100,000
- # Office rent and utilities, \$24,000
- # Retirement of debt principal, \$10,000; payment of interest, \$2,200
- # Purchased equipment at the beginning of the fiscal year for \$30,000; the equipment is expected to last 6 years and have a salvage value of \$6,000
- # Photocopier rental, \$10,500

Based on the preceding transactions, compute total annual *expenditures* for this department assuming it performs governmental-type activities and is accounted for in the General Fund.

Then compute total annual *expenses* for this department assuming it performs activities within an Enterprise Fund.

Answer:

	General Fund Expenditures	Enterprise Fund Expenses
Salaries and personnel costs	\$100,000	\$100,000
Office rent and utilities	24,000	24,000
Debt service		
Principal	10,000	--
Interest	2,200	2,200
Capital outlay	30,000	--
Depreciation expense [(\$30,000 - \$6,000) / 6]	--	4,000
Photocopier rental	<u>10,500</u>	<u>10,500</u>
Totals	<u>\$176,700</u>	<u>\$140,700</u>

55. (Identifying transactions to the appropriate fund - relatively simple situations)

A small village maintains a General Fund, Special Revenue Fund, Capital Projects Fund, and Internal Service Fund. State the fund (or funds) that would be used to record each of the following events.

- a. Property taxes were collected to finance the day-to-day activities of the village.
- b. The village issued debt for the purpose of constructing a new firehouse.
- c. The village paid an invoice for construction of a new firehouse.
- d. Mechanics' salaries were paid by the Motor Pool Fund, which was established to provide a centralized location for servicing all village vehicles on a user-charge basis.
- e. The village paid the salaries of its police officers.
- f. The village received a check from the state to help finance the new firehouse.
- g. The village received a grant, which must be used for beautifying and creating nature walks within the park.
- h. The Motor Pool Fund sent an invoice for maintenance of police and fire vehicles.

Answers:

- a. General Fund
- b. Capital Projects Fund
- c. Capital Projects Fund
- d. Internal Service Fund

- e. General Fund
- f. Capital Projects Fund
- g. Special Revenue Fund
- h. Internal Service Fund and General Fund

56. (Identifying transactions to funds - situations involving more than one fund)

A large city uses governmental-type funds (General, Special Revenue, Debt Service, Capital Projects) and proprietary-type funds (Internal Service, Enterprise). State the fund or funds that would be used to record the following transactions.

- a. The city sent property tax bills to all taxpayers. Most of the taxes were to be used to finance the day-to-day activities of the city. A portion of the tax, however, was levied for the specific purpose of financing operations of the City Library District, created by vote of the Public.
- b. The city needed a new school. It issued \$4 million of long-term debt and put the proceeds into a fund to finance school construction.
- c. The city paid the salaries of its police and fire officers.
- d. To help finance construction of the school, the city received \$1 million from the state.
- e. Central Vehicle Repair Shop is a city-operated facility that does work for all city agencies and bills the agencies at cost for the work. At the end of the month, Central Vehicle Repair Shop sent invoices to the police department for servicing the police vehicles.
- f. To pay interest and principal on the debt issued to construct the school, the city transferred \$150,000 from the fund that finances day-to-day activities to the fund that accumulates resources to pay off the debt.
- g. Metro Bus is a city-operated mass transit facility. Metro Bus deposited passenger fares for the day into its bank account. Also, Metro Bus received an invoice from Central Vehicle Repair Shop for bus repair work.
- h. The city paid \$500,000 to the contractor that was building the new school.
- i. The city bought a new police sedan. In accordance with city financial policies, the city paid for the sedan out of its day-to-day operating funds.
- j. The new school was completed. In accordance with city statutes, all remaining construction assets were sent to the fund that pays the debt service on the construction bonds.

Answers:

- a. General Fund, Special Revenue Fund
- b. Capital Projects Fund

- c. General Fund
- d. Capital Projects Fund
- e. Internal Service Fund, General Fund
- f. General Fund, Debt Service Fund
- g. Enterprise Fund, Internal Service Fund
- h. Capital Projects Fund
- i. General Fund
- j. Capital Projects Fund, Debt Service Fund

57. (Identifying transactions to funds - comprehensive problem)

Indicate which fund or funds would be used by a state to record each of the following events. Use the codes shown below:

General Fund	GF	Pension Trust Fund	PTF
Special Revenue Fund	SRF	Investment Trust Fund	ITF
Debt Service Fund	DSF	Private-Purpose Trust Fund	PPTF
Capital Projects Fund	CPF	Agency Fund	AF
Enterprise Fund	EF	Internal Service Fund	ISF

- a. The state collected personal income taxes to finance its day-to-day activities.
- b. The state collected gasoline taxes, which in accordance with state law were dedicated solely to the maintenance of state roads.
- c. The state collected a state-enacted sales tax at the rate of 4% of sales. Collections also included a 3% sales tax that certain counties piggy-backed on the state tax. All county sales taxes were deposited in a fund, pending county-by-county analysis of all sales tax returns to determine amounts due to the state and to each county.
- d. As authorized by Public referendum, the state sold \$55 million of bonds to finance a new highway construction program. The debt proceeds were deposited in a fund.
- e. The state received \$15 million from the federal government for the federal share of the costs of constructing the highways.
- f. The state office of general services performs centralized printing services for all state agencies, and bills the state agencies at cost for each printing project. The office sent a bill to the State Comptroller for printing the state's annual financial report.

- g. The Office of the State Lottery sells lottery tickets to the public. In accordance with state law, 50% of all lottery ticket sales must be used to finance major capital projects including the acquisition of land for parks. The state received a check from the Office of the State lottery for the state share of the lottery ticket sales.
- h. The state paid the regular bi-weekly payroll of the state police. The state also paid the payroll of personnel who maintain the state roads referred to in transaction b., above.
- i. The state deposited funds received from three county governments into a fund. The state will invest the funds and send quarterly checks to the county governments based on the interest earned by the fund.
- j. The Employees Retirement System, a state-operated agency that administers the payment of pensions to retired state employees, paid the monthly pensions.
- k. The state purchased 5 sedans for the State Police at a cost of \$80,000, using day-to-day operating funds. The sedans have a four-year life.
- l. A partial payment was made to the contractors involved in constructing state highways.
- m. The state made an operating transfer, using day-to-day operating funds, to the fund that accumulates resources for payment of debt service on capital projects.
- n. The state paid interest and principal on the debt that had been issued earlier to finance the construction of highways.
- o. The state received collections from individual citizens to pay college education expenses for state National Guard members, who are wounded in military service.

Answers:

- a. GF
- b. SRF
- c. AF, GF
- d. CPF
- e. CPF
- f. ISF, GF
- g. EF, CPF
- h. GF, SRF
- i. ITF
- j. PTF
- k. GF
- l. CPF
- m. GF, DSF
- n. DSF
- o. PPTF