

TAXES RECEIVABLE

After the tax requests have been approved by the County Auditor and the State Department of Revenue, the taxes are considered to be measurable and a general ledger control could be established to account for these taxes receivable. Before entering amounts in the general ledger, though, the actual amounts of the taxes that will be due from taxpayers, as computed by the County Auditor, should be obtained. The tax requests certified to the County Auditor for collection, as determined in the budget cycle, normally will vary from the County Auditor's final computation.

The Governmental Accounting Standards Board (GASB) in Codification section P70 concluded that when a property tax assessment is made, it is to finance the budget of a particular period, and the revenue produced from any property tax assessment **should be recognized in the fiscal period, for which it was levied**, provided the "available" criteria are met. *Available* means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Governments should disclose in their summary of significant accounting policies the length of time used to define *available* for purposes of revenue recognition in the governmental fund financial statements. If, because of unusual circumstances, the facts justify a period greater than 60 days, the governmental unit should disclose the period being used and the facts that justify it. When property taxes receivable are recognized, or when property taxes are collected in advance of the period for which they are levied, they should be recorded as a deferred inflow of resources and recognized as revenue in the period for which they are levied, subject to the "available" criterion.

There are two different reasons why the recognition of property tax revenue may be deferred in a governmental fund:

- 1) **#551 Unavailable Revenue-Property Taxes**= property tax revenue related 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).
- 2) **#553 Taxes Levied for Future Period**= property taxes that do not qualify for recognition as revenues as they are levied to finance the following year's budget.

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

The two source documents from which taxes receivable ledger information is obtained are the tax recap document prepared by the county auditor and the district cash receipts prepared from the monthly tax remittance forms submitted to the district by the county auditor at the time of the tax remittance.

The following entries are needed to maintain the governmental funds' General Ledger for taxes receivable:

(a) Taxes Receivable – Current (110)	XXX
Unavailable Rev – Property Taxes (551)	XXX
Taxes Levied for Future Period (553)	XXX

This entry is made by a general journal entry at the time the taxes are certified to the county auditor, but not later than January 31. The amounts recorded should equal the levies spread by the county auditor.

Taxes Receivable – Delinquent (112)	XXX
Taxes Receivable – Current (110)	XXX

To move the entire remaining current levy to delinquent status.

(b) Cash	XXX
Revenue	XXX

This entry is made from February through June in the Cash Receipts Journal to record the collection of current taxes. (Note that February is the first month of tax collections against the current levy because the county collects the taxes in January and remits them to the district in February.)

(c) Unavailable Revenue-Property Taxes (551)	XXX
Taxes Receivable – Current (110)	XXX

This general journal entry is made monthly to record the collection of taxes against the receivable and unavailable revenue – property taxes account.

EXAMPLE:

For the purpose of simplicity let us assume that the tax levy in dollars for the current year in General Fund is \$500,000 (\$250,000 relates to current year and \$250,000 levied to finance next year's budget) and the tax collection for the first five tax months from February through June is \$230,000, then the computed taxes receivable would be \$200,000.

TAXES RECEIVABLE – Current		\$500,000
Less Collection against levy:		
February	\$ 30,000	
March	\$ 20,000	
April	\$ 40,000	
May	\$100,000	
June	\$ 40,000	
Total Collections		<u>\$230,000</u>
Taxes Receivable, June 30		<u>\$270,000</u>

If the entries were made monthly, which we suggest, the entries would start out for the calendar year as follows:

January		
Taxes Receivable – Current -110	\$500,000	
Unavail Rev- Prop Tax-551	\$250,000	
Taxes Levied for Future Period-553	\$250,000	
February		
Cash - 101	\$ 30,000	
Revenue – 1110	\$ 30,000	
Unavail Rev – Prop Tax -551	\$ 30,000	
Taxes Receivable –Current-110	\$ 30,000	

Entries for March through June will be similar to above entries for February.

The discussion, so far, has been concerned with the accounting treatment of current taxes receivable. The accounting treatment in subsequent years is quite simple in that the remaining Taxes Receivable – Current are not closed out, but transferred to another General Ledger account called Taxes Receivable – Delinquent (112). A subsidiary General Ledger account may be maintained for each tax levy year (112.1, 112.2, 112.3, etc.) if desired.

EXAMPLE:

Let's assume at December 31, the balance in the General Ledger account for Taxes Receivable – Current was \$10,000, the entry to transfer this balance would be:

Taxes Receivable – Delinquent -112	\$10,000	
Taxes Receivable – Current 110		\$10,000

Notice that nothing has changed as far as total taxes receivable is concerned. From here on, the treatment of collections is the same for current year tax collections in that the following entries would be made:

Cash 101	\$XXX	
Revenue-Delinquent Taxes 1120		\$XXX
Unavailable Rev – Property Taxes 551	\$XXX	
Taxes Receivable-Delinquent 112		\$XXX

Pay 2016 Valuations

	Taxable Local Effort	Taxable Local Effort	Taxable	Taxable	Taxable Local Effort	Taxable Local Effort
	ag_val	oo_val	m_val	m_oo_val	oth_val	util_val
SAMPLE DISTRICT	\$ 211,540,199	\$ 28,005,929	\$ 481,213	\$ 751,144	\$ 16,635,233	\$ 3,866,364
						\$ 261,280,082

Step 1

GENERAL FUND		Pay 2016 Max Levies	Total Current Taxes
Total Ag	\$ 211,540,199	\$ 1.568	\$ 331,695
Total Owner Occupied	\$ 28,757,073	\$ 4.075	\$ 117,185
Total Non-Ag	\$ 20,982,810	\$ 8.727	\$ 183,117
	\$ 261,280,082		\$ 631,997

Step 2

Pay 2016	First Half	\$	315,999
Pay 2016	Second Half	\$	315,998
	TOTAL	\$	631,997

Step 3 BEFORE making any NEW tax receivable entries for 2016:

Make sure that the balance sheet account 553 = \$0

If there is any balance remaining in 553 -- move to 551

To move balance of 553 to 551

DEBIT	Taxes Levied for Future Periods - 553	\$ XX
CREDIT	Unavailable Revenue - Property Taxes - 551	\$ XX

Fiscal Year: 2015
 District:
 Fund: 10 General Fund

	Balance Sheet Account	SubAccount	Amount
	Assets and Deferred Outflows of Resources		\$925,972.37
	100 Current Assets		\$925,972.37
	101 Cash / Cash & Deposits		\$25,107.15
	105 Interest Bearing Accounts		\$437,153.97
	110 Taxes Receivable - Current		\$374,924.60
	112 Taxes Receivable - Delinquent		\$15,011.80
	120 Accounts Receivable		\$5,572.02
	130 Due from Other Fund		\$7,502.06
	140 Due from Other Govt		\$60,700.77
	Liabilities, Deferred Inflows of Resources and Fund Equity		\$925,972.37
	400 Current Liabilities		\$186,188.38
	402 Accounts Payable		\$6,224.59
	404 Contracts Payable		\$137,465.04
	450 Payroll Deduction & WH and Emplr. Matching		\$42,498.75
	550 Deferred Inflows of Resources		\$389,936.40
	551 Unavailable Revenue - Property Taxes		\$389,936.40
	700 Fund Balances		\$349,847.59
	760 Unassigned Fund Balance		\$349,847.59

Assume Taxes Paid thru December 31st

= \$350,000 (current)
 = \$10,000 (delinquent)

Balance in Accounts as of 12/31/2015:

TR Current 110 \$ 24,925
 TR Delinquent 112 \$ 5,012

Entries - January, 2016:

Step 4 MOVE Current to Delinquent

DEBIT Taxes Rec. Delinquent - 112 \$ 24,925
 CREDIT Taxes Rec. Current - 110 \$ 24,925

Step 5 To Record New Current Taxes Receivable (2016):

DEBIT Taxes Rec. Current 110 \$ 631,997
 CREDIT Unavailable Revenue - 551 \$ 315,999
 CREDIT Taxes Levied Future Purposes - 553 \$ 315,998

Step 6

Entries for Monthly Payments of Taxes:

DEBIT Cash 101 \$ 60,000
 CREDIT Revenue 1110 \$ 60,000
 DEBIT Unavailable Rev - Taxes - 551 \$ 60,000
 CREDIT Taxes Receivable Current - 110 \$ 60,000

Step 7

Delinquent Taxes - similar to above, using account 1120 and 112