

The Government Accounting Standards Committee (KSAP)

In accordance with article 3 of Government Regulation No. 24 of 2005 on the Government Accounting Standards, which provides:

1. That the Statement of Government Accounting Standards (PSAP) shall be complemented by Technical Bulletins that form an integral and inseparable part of the Government Accounting Standards;
2. That the said Technical Bulletins shall be prepared and issued by the KSAP;

the KSAP hereby issues Technical Bulletin No. 03 on the presentation of Local Government Financial Statements with Conversion in accordance with the Government Accounting Standards.

Jakarta, 1 March 2006

The Government Accounting Standards Committee

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CHAPTER I

INTRODUCTION

A. BACKGROUND

The Indonesian Government introduced local autonomy and fiscal decentralization in 1999 with the passage of the Local Autonomy Act 1999 (No. 22 of 1999) and the Central-Regional Fiscal Balancing Act 1999 (No. 25 of 1999).

For the purpose of facilitating the implementation of these Acts, the Government issued Government Regulation No. 105 of 2005 on the local financial management and accountability, which sets out financial management principles intended to promote good governance. However, in practice various difficulties arose due to the lack of more specific statutory instruments. To remedy this deficiency, the Minister of Home Affairs issued Decree No. 29 of 2002 on guidelines for local financial accountability and supervision, budgeting procedures, financial administration and budgetary calculations. The implementation of Minister of Home Affairs Decree No. 29 of 2002 commenced at the outset of fiscal year 2003.

The Government has demonstrated its seriousness regarding financial management reform by making wide-ranging legislative changes. This reform process commenced with the enactment of a legislative package consisting of the State Finances Act 2003 (Act No. 17 of 2003), the State Treasury Act 2004 (Act No. 1 of 2004) and the State Financial Management and Accountability Audit Act 2004 (No. 15 of 2004).

Subsequently, Acts No. 22 of 1999 and No. 25 of 1999 were repealed and superseded by the Local Government Act 2004 (No. 32 of 2004) and the Central-Regional Fiscal Balancing Act 2004 (No. 33 of 2004).

The new government financial management acts require governors, district heads or mayors to present accountability reports in the form of financial statements that have been audited by the State Audit Agency (BPK) by not later than 6 months after the end of the fiscal year. Such financial statements must be prepared and presented in compliance with the Government Accounting Standards, as set out in Government Regulation No. 24 of 2005 on the Government Accounting Standards. This Regulation was first applied to the preparation of Local Government financial statements in fiscal year 2005.

Various difficulties arose during the preparation and presentation of Local Government financial statements in fiscal year 2005 as a result of the fact that the Local Government had prepared their budgets and implemented them based on Minister of Home Affairs Decree No. 29 of 2002 or other systems. Accordingly, new

mechanisms were needed by Local Governments in order to be able to convert their financial statements so as to make them compatible with the requirements of the Government Accounting Standards based on Government Regulation No. 24 of 2005. For the purpose of facilitating Local Governments in doing so, the Government Accounting Standards Committee determined that it was necessary to issue a Technical Bulletin on the Conversion of Local Government financial statements so as to bring them into line with the Government Accounting Standards.

B. CONVERSION STRATEGIES FOR THE FISCAL YEAR 2005 FINANCIAL STATEMENTS

Given that Government Regulation No. 24 of 2005 requires the preparation and presentation of fiscal year 2005 financial statements to be in accordance with the Government Accounting Standards, while the Local Government budgets for that year were prepared based on Minister of Home Affairs Decree No. 29 of 2002, Local Governments needed to adopt implementation strategies so as to comply with Government Regulation No. 24 of 2005. These implementation strategies needed to be set out in the form of decrees of Local Government chief executives. This meant that in fiscal year 2005, Local Governments had to present two versions of their financial statements – one based on Minister of Home Affairs Decree No. 29 of 2002 and the other based on Government Regulation No. 24 of 2005.

This was brought about by converting the provisions of Minister of Home Affairs Decree No. 29 of 2002 so as to harmonize them with the Government Accounting Standards. The process covered the different types of reports, accounting basis, recognition, measurement, and disclosure in the financial statements, Local Government budget structure, budgetary classifications, assets, Liabilities, equity, cash flow and the Notes to the Financial Statements.

Conversion was carried out using a trace-back approach as described below:

1. Tracing-back the financial statement entries under Minister of Home Affairs Decree No. 29 2002 which then converted to the entries mandated by the Government Accounting Standards;
2. Where this failed to bring about full conversion, then the ledgers/entries/accounts under Minister of Home Affairs Decree No. 29 of 2002 were converted in line with the Government Accounting Standards, having regard to the scope of each ledger;
3. Where this also failed to bring about full conversion, the subsidiary ledgers/accounts under Minister of Home Affairs Decree No. 29 of 2002 were converted to the ledgers required by the Government Accounting Standards.

- 1 4. Where all of the above steps fail to bring about full conversion, the journals or
2 source documents were converted to the ledgers required by the Government
3 Accounting Standards.

4 The above conversion strategy was carried out by first preparing the face of financial
5 statements in accordance with Minister of Home Affairs Decree No. 29 of 2002 which
6 consisted of the Statement of Budget Realization, Statement of Financial Position and
7 Statement of Cash Flow. Conversion was then effected using a working paper setting
8 out the conversion process from Minister of Home Affairs Decree No. 29 of 2002 to
9 the Government Accounting Standards. Conversion in respect of the Statement of
10 Budget Realization was implemented both in respect of the budget and its
11 realization. The conversion process was presented in the Notes to the Financial
12 Statements, and the conversion working paper was presented as an appendix to the
13 financial statements in accordance with the Government Accounting Standards.

CHAPTER II

SIGNIFICANT ACCOUNTING POLICIES

A. RECOGNITION OF REVENUE AND EXPENDITURE

The Government Regulation on government Accounting Standards used the cash basis for recognizing revenue and expenditure. Consequently, revenue may only be recognized after cash has been paid in the Local Government Treasury, and while expenditure will only be recognized after funds have been definitively disbursed from the Local Government Treasury Account, and/or been accounted for. By contrast, Minister of Home Affairs Decree No. 29 of 2002 provided that the accounting basis for recognizing revenue and expenditure was the modified cash basis.

Given this difference in accounting base, every Local Government needs to have regard to the revenue and expenditure recognition basis adopted by their respective budgets. Should a Local Government employ the modified cash basis, then the difference between revenue and expenditure arising from different accounting bases needs to be eliminated.

As an example, a particular Local Government employs the modified cash basis. The said Local Government recognizes cash in the hands of Receiving Treasurers as per 31 December as revenue. However, according to the Government Accounting Standards, this figure does not constitute revenue as it has yet to be paid into the Local Government Treasury, though such cash is recognized as Cash at Receiving Treasurers. Consequently, cash that has been recognized using the modified cash basis needs to be eliminated and added to Deferred Revenues and classified under Liabilities account in the Statement of Financial Position. However, such adjustment is unnecessary in the case of Local Governments that already employ cash-based accounting.

A similar situation arises in the case of expenditure recognition. The Government Accounting Standards provide that expenditure is recognized at the time funds are disbursed from the Local Government Treasury. In the case of disbursements made by Disbursing Treasurers, recognition takes place at the time the disbursement in question is approved by the relevant Unit responsible for treasury functions. Consequently, should a Local Government recognize expenditure at the time of disbursement from the Local Government Treasury, then it will need to have further regard to the substance of the disbursement.

In the payment disbursement system, two distinct types of mechanisms are employed, namely, direct payments to third parties (SPMU LS or BT) and payments made out of petty cash (SPMU BS, SPM PK or SPM UP) that is advanced to Disbursing

Treasurers/Cash Holders. Should a payment be made using the SPM LS mechanism (direct payment to third party) for goods and/or services received, and the Local Government recognizes this disbursement as expenditure, then this will be correct. However, if a payment is made by a Disbursing Treasurer or Cash Holder out of petty cash, then as the funds extended to the Disbursing Treasurer or Cash Holder cannot be recognized as expenditure, the petty cash payment is also incapable of being recognized as expenditure. Such payment will only be recognized as expenditure after it has been accounted for to the Local Government's financial management Line Unit. Thus if a Local Government recognizes payments from petty cash as expenditure, it will need to make adjustments so as to eliminate this expenditure from the Budget Realization and Statement of Cash Flows.

Cash balances arising from unspent petty cash in the hands of Disbursing Treasurers/Cash Holders represent Local Government assets. Consequently, these amounts must be presented as Cash at Disbursing Treasurers account in the Statement of Financial Position.

B. RECOGNITION OF ASSETS

Minister of Home Affairs Decree No. 29 of 2002 provides that assets are recognized at the end of the accounting period. By contrast, the Government Accounting Standards state that assets are recognized at the time of receipt and/or transfer of ownership. Thus, differences will arise during the year as regards the time of asset recognition, although the asset balance will be the same at the end of the accounting period.

C. RECOGNITION OF LIABILITIES

Minister of Home Affairs Decree No. 29 of 2002 provides that Liabilities shall be recognized at the end of the period, while the Government Accounting Standards state that this shall take place at the time the loan is received or the obligation arises. For Local Governments that apply Minister of Home Affairs Decree No. 29 of 2002, an inventory of all of there Liabilities as per 31 December will be required for subsequent presentation in the Statement of Financial Position.

The Liabilities presented in the Statement of Financial Position encompass debts arising from loans, Expenses Payable, and Third Party Liabilities Withheld. Consequently, at the end of the year each Local Government Line Unit needs to conduct an inventory of its Liabilities for presentation in the Statement of Financial Position.

D. VALUATION OF ASSETS

As regards the valuation of assets for the purpose of preparing the Opening Statement of Financial Position under Minister of Home Affairs Decree No. 29 of 2002, a Local Government Chief Executive can conduct gradual appraisals of the Local Government's assets, to be carried out by certified appraiser having regard to the Asset Appraisal Manual issued by the Minister of Home Affairs. By contrast, the Government Accounting Standards mandate that measurement is to be based on acquisition value in the case of assets acquired after the date of the Opening Statement of Financial Position, while assets owned by the Local Government prior to the date of the Opening Statement of Financial Position are to be measured based on their fair value as per the date of the Opening Statement of Financial Position.

To facilitate Local Governments in preparing their Opening Statement of Financial Positions, including the measurement of assets, the Government Accounting Standards Committee has issued its Technical Bulletin on Preparation of Local Government Opening Statement of Financial Position, which provides a number of alternative mechanisms for the measurement of assets. Thus, a Local Government that as yet does not present Statement of Financial Position accounts that are in line with the Government Accounting Standards can make the necessary adjustments based on the illustrative examples given in the said Technical Bulletin. For example, land can be valued based on Taxable Value and buildings based on the cost standards issued by the Ministry of Public Works.

CHAPTER III

STATEMENT OF BUDGET REALIZATION: LOCAL GOVERNMENT BUDGET STRUCTURE AND BUDGETARY CLASSIFICATIONS

A. LOCAL GOVERNMENT BUDGET STRUCTURE

The term "Statement of Budget Realization" is a new one in both Central and Local Government financial management accounting. The term previously employed was "Budget Calculation Statement."

Essentially, both Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards employ the same budget structure, namely, a budget that consists of a revenue account, expenditure account and financing account. The main differences between the two instruments concern the expenditure account. The Government Accounting Standards provide that the presentations on the face of the financial statements are to be based on the character and types of expenditure, while Minister of Home Affairs Decree No. 29 of 2002 classified expenditure in government apparatus expenditure and public expenditure. In both cases, expenditure is further distinguished between general administrative expenditure, operational and maintenance expenditure, and capital expenditure.

B. CLASSIFICATION OF REVENUE

In principle, the revenue structures employed by the Government Accounting Standards and Minister of Home Affairs Decree No. 29 of 2002 are the same. The Government Accounting Standards provide for the classification of expenditure by source, namely Local Government Own-Source Revenue, Transfers from the Central Government and other Local Governments, and Other Legitimate Revenue, while Minister of Home Affairs Decree No. 29 classifies revenue into three types – Own-Source Revenue, Fiscal Balance Funds and Other Legitimate Revenue.

Given the differences that do exist between the two instruments, a reclassification of revenue needs to be conducted. For Local Government that receive Revenue-Sharing Funds from the Central/Provincial Government and funds from the National Budget other than Fiscal Balance Funds, such as Special Autonomy Funds, Contingency Funds, Adjustment Funds or Ad Hoc Funds, which under Minister of Home Affairs Decree No. 29 are classified as Other Legitimate Revenue, those revenues need to be reclassified from Other Legitimate Revenue to the Transfer Revenues account.

The conversion scheme for revenue is as follows:

Comment [U1]: Table needs to be completed by secretary.

Technical Bulletin on Presentation of Local Government Financial Statements with Conversion

1
2
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Minister of Home Affairs Decree No. 29/2002	Government Accounting Standards
Hotel Tax	
Restaurant Tax	
Entertainment Tax	
Advertising Tax	Local Government Tax Revenues
Street-Lighting Tax	
Class C Mining Tax	
Parking Tax	
Tax on Swallows' Nests	
Healthcare Charges	
Sanitation Charges	
ID Card Printing Charge	
Civil Registration Charges	
Cemetery Charges	
Burial Charges	
On-Street Parking Charges	
Market Charges	
Motor Vehicle Testing Charges	
Fire Prevention Equipment Inspection Charges	
Map Printing Charges	
Fishing Vessel Inspection Charges	
Charges for Use of Local Government Assets	
Wholesaler and Retailer Charges	
Auction Charges	Local Government Charges
Bus Station Charges	
Reserved Parking Charges	
Accommodation Charges	
Septic Tank Cleaning Charges	
Slaughterhouse Charges	
Port Charges	
Recreation and Sports Facility Charges	
Ferry Charges	
Liquid Waste Management Charges	
Local Production Sale Charges	
Building Erection Charges	
Alcoholic Beverages Charges	
Disturbance Charges	
Bus Route Charges	
Share of profits from Local Government Business Enterprises	Revenues arising from asset management
Share of profits from banks	
Share of profits from non-bank financial institutions	
Share of profits from equity participation/investments in third parties	
Late Performance Penalties	
Indemnity/Treasury Claims	
Interest on Deposits	Other Legitimate Own-Source Revenue
Sale of Local Government Assets	
Giro Revenues	
Miscellaneous Revenues	
Share of Tax Revenues	Share of Tax Revenues
Share of Non-Tax Revenues/Revenues from Natural Resources	
	Share of revenues arising from natural resources sector
General Transfers	General Transfers
Reforestation Special Transfers	Special Transfers

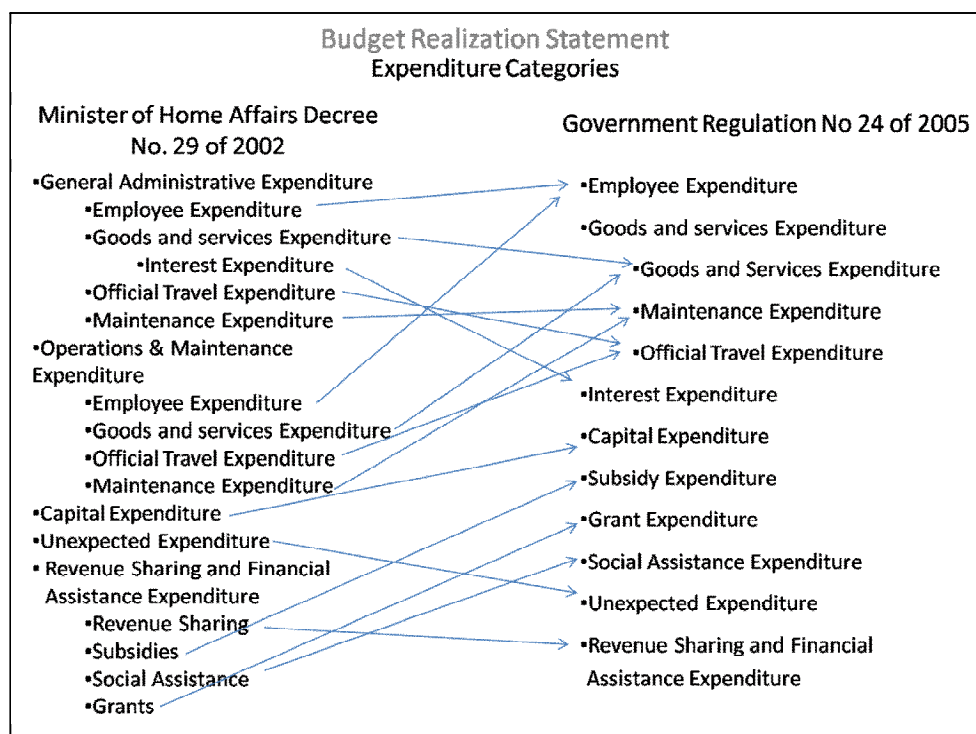
Non-Reforestation Special Transfers	→	Special Transfers
Share of Provincial Taxes	→	Share of Tax Revenues
Financial Assistance from Province	→	Grant Revenues
Grants	→	Grant Revenues
Contingency Assistance	→	Adjustment Transfers
Emergency Funds	→	Emergency Transfers

1

2 C. EXPENDITURE CLASSIFICATIONS

3 If expenditure under Minister of Home Affairs Decree No. 29 of 2002 is to be
 4 converted so as to harmonize it with the Government Accounting Standards, the
 5 process will be as described below:

Comment [U2]: I'm unable to make this table – pls assign a secretary to do so using the translations given below.



6

7 The Government Accounting Standards categorize expenditure by economic (type of
 8 expenditure), organizational and functional classifications. The presentation of
 9 expenditure on the face of the Statement of Budget Realization is based on economic
 10 classification (type of expenditure). The Government Accounting Standards do not
 11 distinguish between Government Apparatus Expenditure and Public Expenditure,
 12 unlike Minister of Home Affairs Decree No. 29. Consequently, in presenting the
 13 Statement of Budget Realization based on expenditure type, Government Apparatus

- 1 Expenditure and Public Expenditure are combined. An illustration of this is shown
2 below:

Expenditure	Government Apparatus Expenditure	Public Expenditure	Total Expenditure
General Administrative Expenditure			
Employee Expenditure	400,000,000,000	400,000,000,000	800,000,000,000
Supplies and service Expenditure	200,100,000,000	185,100,000,000	385,200,000,000
Official Travel Expenditure	5,600,000,000	5,500,000,000	11,100,000,000
Maintenance Expenditure	2,000,000,000	20,000,000,000	22,000,000,000
Total General Administrative Expenditure (GAE)	607,700,000,000	610,600,000,000	1.218,300,000,000

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Expenditure	Government Apparatus Expenditure	Public Expenditure	Total Expenditure
Operating & Maintenance Expenditure			
Employee Expenditure	100,000,000,000	100,000,000,000	200000000000
Goods and services Expenditure	200,000,000,000	200,000,000,000	400000000000
Official Travel Expenditure	4,400,000,000	4,000,000,000	8400000000
Maintenance Expenditure	30,000,000,000	30,000,000,000	60000000000
Total OME	334,400,000,000	334,000,000,000	668400000000
Total GAE and OME	942,100,000,000	944,600,000,000	1886700000000
Capital Expenditure	365,000,000,000	350,000,000,000	715000000000

Comment [U3]: Pls get a secretary to put in the figures – this is not part of the translator's job. Thx.

- 4 Having Government Apparatus Expenditure and Public Expenditure been combined,
5 the figures for each expenditure classification are ready for conversion in the
6 Statement of Budget Realization based on the Government Accounting Standards.

7 1. Classification by Expenditure Type

- 8 Under the Government Accounting Standards, there are two types of expenditure –
9 Operating Expenditure and Capital Expenditure. Operating Expenditure consists of
10 expenditure that produces benefit or will be fully used up in the course of
11 government operations during the current year, while Capital Expenditure is
12 expenditure that will produce benefit over the course of more than 1 year and whose
13 value is material. The criteria for determining the level of materiality of expenditure
14 need to be stipulated in a regulation of the Local Government Chief Executive.

15 a. Operating Expenditure

- 16 Operating Expenditure under Minister of Home Affairs Decree No. 29 of 2002 is
17 divided into two categories, namely, General Administrative Expenditure and
18 Operations and Maintenance Expenditure. Each of these categories is further

subdivided into Employee Expenditure, Goods and Services Expenditure, Official Travel Expenditure, and Maintenance Expenditure. Thus, expenditure that has already been combined, as illustrated in the above table, is presented as one classification, namely Operating Expenditure. Prior to this, it needs to be ascertained with certainty that each expenditure type has been properly applied, both as regards the scope of expenditure and expenditure amounts, in accordance with the criteria for the recognition of expenditure, as described earlier.

Employee Expenditure covers all remuneration and emoluments paid to government employees and Local Government legislators, such as salaries, allowances and social compensation payments.

Goods and services Expenditure covers all disbursements for the purchase of goods and services, official travel and maintenance costs. Under Minister of Home Affairs Decree No. 29 of 2002, these three types of expenditure are separate and are entered in three distinct ledgers/accounts. However, under the Government Accounting Standards, they are recorded in one account – Goods and services Expenditure – in the Statement of Budget Realization. The breakdown of each expenditure type can be presented in the Notes to the Financial Statements.

Under Minister of Home Affairs Decree No. 29, expenditure in the form of interest payments is included in the Goods and Service Expenditure account in General Administrative Expenditure. However, under the Government Accounting Standards, interest is accounted for separately under Interest Expenditure. Those Local Governments which present interest in line with Minister of Home Affairs Decree No. 29 have to remove interest expenditure from Goods and Services Expenditure for presentation in a separate Interest Expenditure account.

The conversion of General Administrative Expenditure and Operational and Maintenance Expenditure under Minister of Home Affairs Decree No. 29 to Operating Expenditure under the Government Accounting Standards may be illustrated as follows:

Expenditure under Minister of Home Affairs Decree No. 29 of 2002		Expenditure under Government Accounting Standards	
General Administrative	Total Expenditure	Operating Expenditure	Total Expenditure
Employee Expenditure		Employee Expenditure	
Goods and services Expenditure		Goods and services Expenditure	
Official Travel Expenditure		Interest Expenditure	
Maintenance Expenditure			
Total GAE			
Operating and			

Maintenance Expenditure			
Employee Expenditure			
Goods and services Expenditure			
Official Travel Expenditure			
Maintenance Expenditure			
Total OME			
Total Operating Expenditure		Total Operating Expenditure	

Notes:

Employee Expenditure under the Government Accounting Standards, as shown above, represents the combining of employee expenditure from the General Administrative Expenditure and Operational and Maintenance Expenditure accounts. Goods and services Expenditure under the Government Accounting Standards represents the combining of Goods and Service Expenditure from the General Administrative Expenditure account and Operations and Maintenance Expenditure after the exclusion of interest expenses, which are included in the Goods and Services Expenditure account in General Administrative Expenditure under Minister of Home Affairs Decree No. 29. Under the Government Accounting Standards, interest expenses are covered by a separate account, namely, Interest Expenditure.

b. Capital Expenditure

Under the Budget Calculation Statement format mandated by Minister of Home Affairs Decree No. 29 of 2009 capital expenditure is presented in one account, while under the Government Accounting Standards capital expenditure is described based on the Statement of Financial Position assets classifications, namely, Capital Expenditure on Land, Capital Expenditure on Equipment and Machinery, Capital Expenditure on Buildings and Properties, Capital Expenditure on Road, Irrigation and Transmission Networks, Capital Expenditure on Other Fixed Assets, and Capital Expenditure on Other Assets. Consequently, capital expenditure as stated in the Budget Calculation Statement under the Minister of Home Affairs Decree No. 29/2002 cannot be directly converted to the Statement of Budget Realization format established by the Government Accounting Standards. Rather, the accounts in the ledgers need to be analyzed first.

The presentation of capital expenditure in the Statement of Budget Realization is carried out by converting the capital expenditure accounts under Minister of Home Affairs Decree No. 29 of 2002 into the respective capital expenditure classifications established by the Government Accounting Standards. An illustration of how this is effected is presented below:

Conversion Scheme for Capital Expenditure

Minister of Home Affairs Decree 29/2002

Government Accounting Standards

Comment [U4]: I'm unable to make this table – pls assign a secretary to do so using the translations given below.

Capital expenditure on village land		Capital expenditure on Land
Capital expenditure on agricultural land		
Capital expenditure on plantation land		
Capital expenditure on mixed plantations		
Capital expenditure on forestry		
Capital expenditure on aquaculture		
Capital expenditure on lakes/wetlands		
Capital expenditure on idle/degraded land		
Capital expenditure on scrub- and grassland		
Capital expenditure on other land		
Capital expenditure on buildings		Road, Irrigation and Transmission Network enditure
Capital expenditure on mines		
Capital expenditure on non-warehouse buildings		
Capital expenditure on roads		
Capital expenditure on bridges		Road, Irrigation and Transmission Network enditure
Capital expenditure on irrigation networks		
Capital expenditure on clean water facilities		
Capital expenditure on wastewater facilities		
Capital expenditure on clean water networks		Road, Irrigation and Transmission Network enditure
Capital expenditure on electricity networks		
Capital expenditure on telephone networks		
Capital expenditure on workplaces		
Capital expenditure on dwellings		Buildings and Properties Expenditure
Capital expenditure on towers		
Capital expenditure on historic buildings		
Capital expenditure on monuments		
Capital expenditure on heavy equipment		Equipment and Machinery Expenditure
Capital expenditure on motorized transportation		
Capital expenditure on non-motorized transportation		
Capital expenditure on motorized floating transportation		
Capital expenditure on non-machine workshop equipment		
Capital expenditure on workshop machinery		
Capital expenditure on processing equipment		
Capital expenditure on office equipment		
Capital expenditure on household equipment		
Capital expenditure on computers		
Capital expenditure on desks and chairs		
Capital expenditure on studio equipment		
Capital expenditure on communications equipment		
Capital expenditure on medical equipment		
Capital expenditure on healthcare equipment		
Capital expenditure on laboratory equipment		
Capital expenditure on school visual aids/practical equipment		
Capital expenditure on firearms		Other Fixed Asset Expenditure
Capital expenditure on non-firearm weapons		
Capital expenditure on books		
Capital expenditure on periodicals		
Capital expenditure on cultural patrimony		Other Fixed Asset Expenditure
Capital expenditure on animal husbandry		

1 Capital expenditure on plants

2 Example: In the earlier illustration, total outlay on capital expenditure amounted to Rp
3 715,000,000,000.00. According to the Government Accounting Standards, this
4 expenditure must be described by the Statement of Financial Position asset
5 classifications:

6 Capital Expenditure–Land	200,000,000,000
7 Capital Expenditure–Buildings and Properties	200,000,000,000
8 Capital Expenditure – Equipment and Machinery	115,000,000,000
9 Capital Expenditure – Road, Irrigation and Transmission Networks	100,000,000,000
10 Capital Expenditure – Other Fixed Assets	100,000,000,000

11 **C. Revenue-Sharing and Financial Assistance**

12 Under Minister of Home Affairs Decree No. 29 of 2002, Revenue-Sharing and
13 Financial Assistance funds may be paid to subordinate and village
14 governments/religious institutions, social institutions and professional organizations.
15 Under the Government Accounting Standards, however, Revenue-Sharing and
16 Financial Assistance funds must be differentiated as between the following
17 categories: Grant, Subsidy, Social Assistance and Transfer Expenditure, depending on
18 the substantive nature of the expenditure.

19 Expenditure that is made vertically or consists of voluntary and non-binding
20 donations is reclassified and entered in the Grants account. For example, the
21 government of Jakarta Special Province donates a sum of money to the government
22 of Nanggroe Aceh Darussalam Province on a voluntary and non-binding basis. This
23 should be then classified by the Jakarta Government as a Grant.

24 Expenditures arising from the making of payments to providers of goods/services
25 that are essential to the public interest for the purpose of covering the difference
26 between the retail price and the cost of production so as to ensure that such
27 goods/services are affordable to the public are classified as Subsidy Expenditure.
28 Example: subsidies paid to Local Government water companies, and subsidies paid to
29 airline and ferry companies to allow them to serve isolated areas.

30 Expenditure incurred for social purposes is classified as Social Assistance Expenditure.
31 Example: assistance for mosques, healthcare and childcare institutions.

32 Revenue-sharing payments made to subordinate/village governments in accordance
33 with the provisions of the laws and regulations in effect are classified as Revenue-
34 Sharing Expenditure in the Transfer Expenditure account. An example in the case of a
35 provincial government would be the payment of a share of motor vehicle revenues to

subordinate district/municipal governments, or the sharing of tax revenues with villages in the case of a district/municipal government.

d. Unanticipated Expenditure

Unexpected or contingent expenditure is referred to in the Government Accounting Standards as Unanticipated Expenditure. Under Minister of Home Affairs Decree No. 29 of 2002, this category also covers the repayment of revenue from the previous year. Should this occur, the presentation in the Statement of Budget Realization will need to be based on a prior analysis of the revenues repayment. Should the repayments in question be normal and recurring, whether as regards revenue in the current or previous period, under the Government Accounting Standards such expenditure is presented as a reduction in revenue. Consequently, a Local Government that includes such outlay in Unanticipated Expenditure in line with Minister of Home Affairs Decree No. 29 of 2002 will need to remove it from the Unanticipated Expenditure account.

In the case of the repayment of revenue on a non-recurring basis in respect of revenue received during the previous period, under the Government Accounting Standards such repayment is accounted for as a reduction in Surplus after Budget Financing (SiLPA). Accordingly, a Local Government that includes such outlay in Unanticipated Expenditure under Minister of Home Affairs Decree No. 29 of 2002 will need to remove it from the Unanticipated Expenditure account.

2. Classification by Organizational Structure

Classification by organizational structure refers to the categorization of expenditure by budget users (Local Government Line Units). Both Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards are essentially the same in this regard, and require a classification by organizational structure to be presented in the Notes to the Financial Statements.

3. Classification by Function

A total of 10 governmental financial management functions are identified by the Government Accounting Standards, namely:

1. Public Services;
2. Public Order and Security;
3. Economy;
4. Environmental Protection;
5. Housing and Residential;
6. Health;
7. Tourism and Culture;
8. Religion;
9. Education; and

10. Social Protection.

These governmental functions are supposed to be further broken down into sub-functions and micro functions. At the Central Government level, only sub-functions have been formulated to date (as set out in Government Regulation No. 21 of 2004 on State Ministry/Institution Work Plans and Budgets), while at the Local Government level these have yet to be formulated. Accordingly, it will be sufficient to provide descriptions based on functions alone in the 2005 financial statements.

The classification of expenditure by function based on government administration has been adjusted to take account of the powers of provincial and district/municipal governments, including the categorization of expenditure as mandatory or optional.

The categories of mandatory expenditure are as follows:

- a. Education;
- b. Health;
- c. Public Works;
- d. Public housing;
- e. Spatial planning;
- f. Development planning;
- g. Communications;
- h. Environment;
- i. Land affairs;
- j. Population affairs and civil registration
- k. Women's empowerment;
- l. Family planning and welfare;
- m. Social affairs;
- n. Manpower and internal migration;
- o. Cooperatives and SMEs;
- p. capital investment;
- q. Culture and tourism;
- r. Youth affairs and sport;
- s. national unity and politics;
- t. general government affairs and human resources;
- u. social and village empowerment;
- v. statistics;
- w. archives;
- x. communications and information.

Meanwhile, optional expenditure is categorized as follows:

- a. agriculture;
- b. forestry;
- c. energy and mineral resources;
- d. marine affairs and fisheries;

- 1 e. trade; and
- 2 f. industry.

3 The classification of expenditure by function can be carried out by analyzing the
4 functions involved in each program/activity.

5 Example:

- 6 1. A literacy campaign will come under the education function.
- 7 2. An infant immunization program will come under the health function.
- 8 3. An affordable homes program will come under the public housing function.
- 9 4. An Own-Source Revenue Optimization Program will come under the Public
10 Services function.
- 11 5. A Food Crop Cultivation program will come under the Economy function.

12 **4. Classification of Financing**

13 Financing classification under Minister of Home Affairs Decree No. 29 of 2002 and the
14 Government Accounting Standards is the same so that there is no need for
15 conversion.

16

CHAPTER IV

STATEMENT OF FINANCIAL POSITION ACCOUNTS

A. STATEMENT OF FINANCIAL POSITION STRUCTURE

The structure of the Statement of Financial Position under Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards is essentially the same, with both employing the Current-Non Current classifications. However, there are some small terminological differences and differences in the classification of equity.

B. ASSET ACCOUNTS

An asset may be defined as a resource that is capable of providing economic and/or social benefit, which is owned and/or controlled by government, and which is capable of being measured in monetary terms. Non-financial resources that are required to provide services to the public and resources that are maintained for historical or cultural reasons also come within the definition of asset.

1. Current Assets

The definition of "Current Assets" as used in this Government Accounting Standard and that given in Minister of Home Affairs Decree No. 29 of 2002 are the same. Current Assets consist of, among other things, cash, short-term investments, accounts receivable and inventory. A difference is to be found in this regard in the Advance Payments account, which in the Government Accounting Standards refers to payments made to third parties where as of the date of the Statement of Financial Position the goods or services in question have yet to be delivered. By contrast, under Minister of Home Affairs Decree No. 29 of 2002, the Advance Payments account includes cash that has been accounted for and which is in the hands of a Disbursing Treasurer/Cash Holder.

Accordingly, the necessary adjustments need to be made to accommodate this difference. Cash at Disbursing Treasurer/Cash Holder represents a cash balance, and must therefore be excluded from the Advance Payment account and presented instead in the Cash at Disbursing Treasurer/Cash Holder account in Current Assets.

The following schematic diagram maps out the structure of the Current Assets account under Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards:

1
2
3

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Cash & Bank	
Cash } →	Cash at Local Government Treasury
Bank } →	Cash at Receiving Treasury
Securities	
Shares } →	Short-Term Investments
Bonds } →	
Time Deposits (less than 3 months)	
Bank A } →	
Bank B } →	
Time Deposits (more than 3 months)	
Bank A } →	
Bank B } →	
Tax Receivables	
Motor Vehicle Tax Receivables } →	
Sedans, station wagon, etc. }	
Bus, microbus }	
Motor Fuel Tax Receivables }	
Hotel Tax Receivables }	Tax Receivables
Restaurant Tax Receivables }	
Entertainment Tax Receivables }	
Advertising tax Receivables	
Receivables from Charges	
Healthcare Charge Receivables }	
Cemetery Charge Receivables }	
Motor Vehicle Testing Charge Receivables }	Receivables from Local Government Charges
Receivables from charges for use of Local Government assets }	
Local Product Sale Charge Receivables	
Bus Route Charge Receivables	
	Current Loans to Central Government Business Enterprises
	Current Loans to Local Government Business Enterprises
	Current Loans to Central Government
	Current Loans to Other Local Governments
	Current Credit Sale Receivables
	Current Treasury Claims
	Current Indemnity Claims
Transfer Receivables	
Land & Building Tax Receivables }	
Article 21 Income tax Receivables }	
Fasos/Fasum Receivables }	
Miscellaneous Receivables }	
Receivables from Motor Vehicle Sales on Credit }	Other receivables
Receivables from sale of Local Government assets }	
Receivables from Indemnity Claims }	
Dividend Receivables }	

Receivables from share of Local Government enterprise profits	
Receivables from third party partnerships	
Inventories	
Drugs	} —————→ Inventory
Seeds	
Livestock	
Prepaid Expenditures	
Advanced cash to be accounted for - Dropping	→ Cash at Disbursing Treasurer
Down payments on procurements	→ Prepaid Expenses

1

2

3 2. Long-Term Investments

4 Under Minister of Home Affairs Decree No. 29 of 2002, Long-Term Investments are
5 classified as investments in stocks and bonds, while under the Government
6 Accounting Standards such investments are differentiated as between Non-
7 Permanent Investments and Permanent Investments. Conversion should be done at
8 the account level in the following way:

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Long-Term Investments	Long-Term Investments
	Non-Permanent Investments
Equity Investments	Loans to Central Government Business Enterprises
Investments in Local Government Business Enterprises	Loans to Local Government Business Enterprises
Investments in Bonds	Loans to Other Local Governments
	Investments in Government Bonds
	Construction in Progress Investments
	Other Non-Permanent Investments
	Permanent Investments
	Local Government Capital Participation
	Other Permanent Investments

9 Another difference concerns valuation. Under Minister of Home Affairs Decree No. 29
10 of 2002, Short-Term Investment on the Statement of Financial Position are valued
11 based on acquisition value, while under the Government Accounting Standards
12 different valuation methods are applied depending on the type of investment asset.

13 Under the Government Accounting Standards, three valuation methods are
14 employed, namely, the cost method, equity method and net realizable value method.
15 The rules governing which should be applied are as follows:

- In the case of equity participation of less than 20%, the cost method should be used;
- In the case of equity participation of between 20% and 50%, or less than 20% but with significant influence, the equity method should be used;
- In the case of equity participation of more than 50%, the equity method should be used;
- In the case of non-permanent investments, the net realizable value method should be used.

Thus, different valuations will arise depending on whether Minister of Home Affairs Decree No. 29 of 2002 or the Government Accounting Standards are used. Accordingly, the value of equity participation of more than 20% by Local Governments must be recalculated based on the financial statements of the Local Government Business Enterprises concerned, while non-permanent investments need to be revalued based on their net-realizable value.

Examples:

A Local Government holds 40% of the equity in a Regional Development Bank. The acquisition value of this holding was Rp 20 billion. According to the bank's financial statements, retained earnings in 2005 amounted to Rp 5 billion. Thus, the value of the Local Government's equity participation in the bank as per 31 December 2005 is Rp 20 billion + (40% x 5 billion) = Rp 22 billion. Conversely, should the value of the Local Government's holding be only Rp 5 billion, or 5% of the bank's total equity, then the value of the Local Government's Short-Term Investment in the bank will be presented as Rp 5 billion, irrespective of the bank's profit/loss.

Based the first example above, if the Local Government applies Minister of Home Affairs Decree No. 29 of 2002, it will present its Long-Term Investment on the Statement of Financial Position as Rp 20 billion. However, based on the Government Accounting Standards, it needs to be presented as Rp 22 billion. In the case of the second example, however, the value of the Long-Term Investment will continue to be presented as Rp 5 billion. Consequently, at the time of conversion, the Local Government needs to have regards not only to the account structure, but also to the valuation methods employed.

3. Fixed Assets

The treatment of Fixed Assets under both the Government Accounting Standards and Minister of Home Affairs Decree No. 29 of 2002 is similar, although there are some minor differences as regards the description of Fixed Assets. The description of Fixed Assets on the Statement of Financial Position needs to be in line with the description of Capital Expenditure given in the Statement of Budget Realization so as to maintain

control over the relationships between accounts. The Statement of Financial Position classification of Fixed Assets under Minister of Home Affairs Decree No. 29 of 2002 is more detailed than under the Government Accounting Standards. Consequently, the Fixed Asset accounts need to be converted into the Fixed Asset structure applied by the Government Accounting Standards, which is as follows:

- Land
- Buildings and Properties
- Equipment and Machinery
- Road, Irrigation and Transmission Networks
- Other Fixed Assets
- Construction in Progress

Under Minister of Home Affairs Decree No. 29 of 2002, Construction in Progress is presented in the Other Assets account, while under the Government Accounting Standards it is presented in the Fixed Assets account. Thus, the value of Construction in Progress needs to be reclassified from Other Assets to Fixed Assets.

Fixed Asset are valued based on acquisition value. The Government Accounting Standards also provide for the depreciation of Fixed Assets other than land and Construction in Progress. This is necessary so as to take account of reduction in the value of assets arising from use, wear and tear, and damage. Consequently, should the Local Government not be capable of depreciating its Fixed Assets, this needs to be set out in its accounting policies and disclosed in the Notes to the Financial Statements.

The following schematic diagram maps out the structure of the Fixed Assets account under Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards:

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Land	
Land for offices	
Land for hospitals	
Land for official residences	
Land for meeting halls	
Land for agriculture	
Land for plantations	Land
Land for fisheries	
Land for livestock husbandry	
Land for schools	
Land for dormitories/messes/villas	
Land for factories/workshops/studios	
Land for children's homes, homes for the elderly, etc.	
Roads and Bridges	

Provincial Roads	
District/Municipal Roads	
Bridges	
Water Installations (irrigation)	Road, Irrigation and Transmission Networks
Reservoirs	
Water towers	
Installations	
Drinking water	
Wastewater	
Buildings	
Office buildings	
Hospital buildings	
Official Residences	
Meeting halls	
Seed nurseries	
Livestock enclosures	
School buildings	Buildings and Properties
Dormitories/Messes/Villas	
Facilities/workshops/studios	
Children's homes/homes for the elderly, etc.	
Stadiums	
Monuments and Statutes	
Monuments	
Statutes	
Heavy Equipment	
Transportation Equipment	
Workshop and Calibration Equipment	
Agricultural Equipment	
Office and Household Equipment	Equipment and Machinery
Studio and Communications Equipment	
Medical Equipment	
Laboratory Equipment	
Books/library collections	
Cultural Patrimony	Other Fixed Asset
Livestock and plants	
Security Equipment	
Miscellaneous Assets	
Receivables from Credit Sales	Other Assets
BOT	
Construction in Progress	
Construction of office buildings	
Construction of hospitals	
Construction of official residences	
Construction of meeting halls	
Construction of seed nurseries	

Construction of livestock enclosures	Construction in Progress
Construction of schools	
Construction of dormitories/messes/villas	
Construction of facilities/workshops/studios	
Construction of bus stations	
Construction of parks	
	Accumulated Depreciation

4. Reserve Funds

The treatment of Reserve Funds under the Government Accounting Standards is the same as under Minister of Home Affairs Decree No. 29 of 2002. Reserve Funds are presented on the Statement of Financial Position based on their cumulative value.

5. Other Assets

Other Assets covers all assets that do not fit into the asset classifications described above. As previously explained, under the Government Accounting Standards the Construction in Progress category has been moved from Other Assets to Fixed Assets. In addition, Intangible Assets are presented in the Other Assets group based on acquisition value.

The following schematic diagram maps out the structure of the Other Assets account under Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards:

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Miscellaneous Assets	
Receivables from credit sales	Other Assets
BOT	
Construction in Progress	
Construction of office buildings	
Construction of hospitals	
Construction of official residences	
Construction of meeting halls	
Construction of seed nurseries	Fixed Assets
Construction of livestock enclosures	Construction in Progress
Construction of schools	
Construction of dormitories/messes/villas	
Construction of facilities/workshops/studios	
Construction of bus stations	
Construction of parks	

C. LIABILITIES ACCOUNT

The treatment of Liabilities is the same under the Government Accounting Standards and Minister of Home Affairs Decree No. 29 of 2002. In both cases, Liabilities are classified as Short-Term Liabilities (Current Liabilities) and Long-Term Liabilities (Non-Current Liabilities). Liabilities are measured based on the nominal value that must be paid as per the date of maturity. In this regard, it should be noted that Liabilities do not just arise as a result of loans, but also include other liabilities, such as Expenses Payable and Third Party Liabilities Withheld. The value of the latter can be obtained from the expenditure and receipts records set out in cash and accounting (UKP) documents.

The following schematic diagram maps out the structure of Liabilities under Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards:

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Liabilities	Liabilities
	Short-Term Liabilities
Current Long-Term Liabilities	Third Party Liabilities Withheld
Purchasing Liabilities	
Tax liabilities	Accrued Interest
Article 21 income tax deductions owed	Current Long-Term Liabilities
Article 22 income tax deductions owed	Other Short-Term Liabilities
Value Added Tax deductions owed	
Unearned Revenue	
Excess payments to third parties	
Third party down payments on sale of Local Government products	
Down payments from auction sales of Local Government assets	
Other Liabilities	
Taspen liabilities	
Housing scheme deductions	
KORPRI Dues	
Long-Term Liabilities	Long-Term Liabilities

D. EQUITY ACCOUNT

The approach employed in the classification of equity in the Government Accounting Standards differs from that in Minister of Home Affairs Decree No. 29 of 2002. Consequently, when preparing the Statement of Financial Position the equity account needs to be brought in line with the requirements of the Government Accounting Standards.

The method employed in doing so is based on the “self-balancing group of accounts” approach, as described below:

1. Current Fund Equity

Current Fund Equity is equal to Current Assets less Short-Term Liabilities. Consequently, Current Fund Equity includes:

- Surplus after Budget Financing (in the form of Cash at Local Government Treasury, Cash at Disbursing Treasurers and Short-Term Investments)
- Deferred Revenues (in the form of Cash at Receiving Treasurers)
- Receivables Provision (as the contra account to Receivables)
- Inventory Provision (as the contra account to Inventory)

Less:

- Short-Term Liabilities Provision (as the contra account to Short-Term Liabilities)

2. Investment Fund Equity

Investment Fund Equity reflects the net asset position of a Local Government in the form of Long-Term Assets. The value of Investment Fund Equity in the Statement of Financial Position is calculated based on the value of:

- Short-Term Investments
- Fixed Assets
- Other Assets

Less:

- Long-Term Liabilities Provision

3. Reserved Fund Equity

Reserved Fund Equity reflects the net assets of the Local Government as invested in Reserve Funds. Thus, the amount presented on the Statement of Financial Position is equal to the value of the Local Government’s Reserve Funds. The provisions governing this under the Minister of Home Affairs Decree No. 29 of 2002 are the same as under the Government Accounting Standards.

Having regard to the structure of the Equity Account, there is no need to conduct a prior mapping process prior to Statement of Financial Position presentation.

CHAPTER V

ACCOUNTS IN STATEMENT OF CASH FLOW

A. STATEMENT OF CASH FLOW STRUCTURE

Under Minister of Home Affairs Decree No. 29 of 2002, the Statement of Cash Flow is referred to as the Cash Flow Report. Having regard to the provisions of the laws and regulations in effect, we shall henceforth use the term "Statement of Cash Flow."

The following schematic diagram maps out the structure of the Statement of Cash Flow under Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards:

Comment [U5]: I'm unable to make this table – pls assign a secretary to do so using the translations given below.

Technical Bulletin on Presentation of Local Government Financial Statements with Conversion

Minister of Home Affairs Decree No. 29/2002	SAP
Cash flow from operations	Cash flow from operations
Cash inflows	Cash inflows
Local Government Own-Source Revenue	Local Government Tax Revenues
Fiscal Balance Transfer Revenues	Local Government Charge Revenues
Other Legitimate Local Government Revenues	Revenues from Management of Separated Local Government Assets
Sales of office requisites/equipment	Other Legitimate Own-Source Revenues
Sale of Machinery/Heavy Equipment	Tax Revenue-Sharing Transfers
Sale of Machinery Shops/Official Residences	Natural Resources Revenue-Sharing Transfers
Sale of two-wheeled vehicles	General Transfers
Sale of 4-wheeled vehicles	Special Transfers
	Special Autonomy Transfers
	Adjustment Transfers
	Tax Revenue-Sharing Transfers
	Other Revenue-Sharing Transfers
	Grants
	Emergency Fund Transfers
	Other Revenues
	Total cash inflows
	Cash outflows
General Administrative Expenditure	Employee Expenditure
Employee/Personnel Expenditure	Goods and services Expenditure
Goods and services Expenditure	Interest
Official Travel Expenditure	Subsidy Expenditure
Maintenance Expenditure	Grant Expenditure
Operating & Maintenance Expenditure	Social Expenditure
Employee/Personnel Expenditure	Unexpected Expenditure
Goods and services Expenditure	Tax Revenue-Sharing Transfers
Official Travel Expenditure	Local Government Charge Revenue-Sharing Transfers
Maintenance Expenditure	Other Revenue-Sharing Transfers
Revenue-Sharing and Financial Assistance Expenditure	Total Cash Outflows
Unanticipated Expenditure	
	Cash flow from investment in non-financial assets
	Cash inflows
Sale of Long-Term Investments	Revenue from land sales
Sale of fixed assets	Revenue from sales of Equipment and Machinery
	Revenue from sale of Buildings and Properties
	Revenue from sale of Road, Irrigation and Transmission Networks
	Revenue from sales of Fixed Assets
	Revenue from sales of other assets
	Total cash inflows
Capital/development expenditure	Outgoing cash flows
Purchase of Long-Term Investments	Land purchases
	Purchase of Equipment and Machinery
	Purchase of Buildings and Properties
	Road, Irrigation and Transmission Networks Expenditure
	Other Fixed Asset Expenditure
	Other Asset Expenditure
	Total outgoing cash flows
Loans and Bonds	
Reserve Fund Transfers	
Sale of Local Government assets	
Tax Revenues from previous fiscal year	
	Cash outflows from financing
	Incoming cash flows
	Reserve Fund Disbursements
	Proceeds from sale of Local Government assets
	Domestic Liabilities - Central Government
	Domestic liabilities - other Local Governments
	Domestic Liabilities - Banks
	Domestic Liabilities - Non-Bank Financial Institutions
	Domestic Liabilities - Bonds
	Domestic Liabilities - Other
	Repayments of loans by Central Government Business Enterprises
	Repayments of loans by Local Government business enterprises
	Repayments of loans by other Local Governments
	Total Outgoing Cash Flows
	Outgoing Cash Flows
	Establishment of Reserve Fund
	Local Government Capital Participation
	Repayment of domestic liabilities - Central Government
	Repayment of Domestic Liabilities - Other Local Governments
	Repayments of Domestic Liabilities - Non-Bank
	Repayments of Domestic Liabilities - Non-Bank Financial Institutions
	Repayment of Domestic Liabilities - Bonds
	Repayments of domestic liabilities - Other
	Loans to Central Government Business Enterprises
	Loans to Local Government Business Enterprises
	Loans to Other Local Governments
	Total Outgoing Cash Flows
	Cash flows from non-budgetary activities
	Cash inflows
	Third Party Liabilities Withheld
	Total cash inflows
	Cash outflows
	Third Party Liabilities Withheld
Source documents	

From the above diagram, it is clear that Cash Flow from Non-Budgetary Operations is not provided for in the cash flow report based on the Minister of Home Affairs Decree No. 29 of 2002.

B. CASH FLOW FROM OPERATIONS

Both the Government Accounting Standards and Minister of Home Affairs Decree No. 29 of 2002 provide for the reporting of cash flows arising from government operations. Thus, this involves the presentation of revenues and expenditures arising as a result of government operations.

Operating revenues consist of Own-Source Revenue, transfer revenues from Central Government and Other Local Governments, Emergency Funds and Other Legitimate Revenues. Broadly speaking, the rules set out in both Minister of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards are similar. However, if we carefully scrutinize each revenue source, it will be seen that there are particular types of revenue that do not come within the definition of operating revenues.

In this regard, revenue arising from the sale of Fixed Assets, whether accruing on a cash or installment basis, needs to be reclassified as incoming cash flows from investment activities.

Cash outflows for operations include all cash outflows arising as a result of government operations. Under the Government Accounting Standards, these outflows consist of employee salaries, goods procurements, interest payments, subsidies, grants, social assistance expenditure, unanticipated expenditure, and revenue-sharing expenditure. Under Minister of Home Affairs Decree No. 29 of 2002, cash outflows for operations consist of General Administrative Expenditure, Operational and Maintenance Expenditure, Revenue-Sharing and Financial Assistance Expenditure, and Unexpected Expenditure.

In line with the presentation of the Statement of Budget Realization, cash outflows for operations needs to be reclassified into the expenditure categories provided for by the Government Accounting Standards, with the scheme of this reclassification being as described in Chapter II.

In the context of cash management, a Local Government Treasurer may invest idle funds in short-term investments, such as time deposits with maturities of less than one year, and government bonds. Cash outflows and inflows arising in this regard are the result of government operations and so must also be presented as cash flows from operations. For example, Rp 10 billion is disbursed by the Local Government Treasurer for investment in a 6-month time deposit. This outflow is presented as a cash outflow from operations. Conversely, when the deposit matures, it must be presented as a cash inflow from operations.

C. CASH FLOWS FROM NON-FINANCIAL INVESTMENTS

Cash Flows from Non-Financial Investments in the context are confined to cash flows related to investments in Fixed Assets and/or Other Assets. Investments in Long-Term Time Deposits are not treated as Investments, but rather as Financing.

Minister of Home Affairs Decree No. 29 of 2002 provides that cash flows arising from the acquisition/sale of Fixed Assets and from equity participation are to be categorized as investments. As a result, such cash flows must be reclassified under the Government Accounting Standards, and cash flows arising from Local Government equity investments need to be removed from Investments and transferred to Financing.

In addition, it also needs to be remembered, as described above, that cash flows arising from the sale of Fixed Assets are treated as cash flows from investments.

In order to maintain control over the relationships between accounts, the details of cash inflows and outflows from investments must be presented in line with the sequence presented in the Statement of Financial Position Fixed Assets account. Consequently, cash flows need to be described based on inflows/outflows related to Land, Buildings and Properties, Equipment and Machinery, Road, Irrigation and Transmission Networks, and Other Fixed Assets.

D. CASH FLOWS FROM FINANCING

Cash flows from financing cover all cash disbursements and receipts that arise as a result of financing activities. Financing refers to receipts that need to be repaid and/or disbursements that should be re-received because of the deficit financing or the use of budget surplus (definition quoted directly from Government Accounting Standard No. 03).

Having regard to the above definition of financing, some of the cash inflows and outflows prescribed by Minister of Home Affairs Decree No. 29 of 2002 are not in line with the Government Accounting Standards, namely:

- Tax receipts from previous year
- Tax payments/expenditures from previous year

If receipts arising from tax arrears or the payment of tax arrears occur as a result of the payment system established by the government, and if such transactions are normal and of a recurring nature, they will be presented as revenue in the year in which they are received. Accordingly, they will be categorized under Operations. For example, a hotel has been presented with a tax assessment of Rp 10 million, and owes Rp 1 million from the previous year. In such case, both amounts are presented as Local Government Tax Revenues under the Operations category.

1 Payment of expenses arising in the previous year also represents cash flows arising
2 from operations provided that they are operating expenditure payments. If such
3 outflows are incurred in connection with capital expenditure, then they will be
4 classified under cash flows from investments, provided that they are not incurred for
5 the purpose of helping cover the budget deficit.

6 Under Minister of Home Affairs Decree No. 29 of 2002, payments of taxes from the
7 previous year are often referred to as Third Party Liabilities Withheld, which have
8 already been made by the Local Government but which as of the end of the fiscal
9 year have yet to be paid into the State Treasury. The collection and payment of such
10 third party Liabilities are not included in Financing but rather in Non-Budgetary
11 Activities. Accordingly, if the Local Government categorizes these as Third Party
12 Liabilities Withheld, a reclassification will need to be made by transferring them to the
13 Non-Budgetary Activities category.

14 **E. CASH FLOWS FROM NON-BUDGETARY ACTIVITIES**

15 This category of cash flows is intended to present cash inflows and outflows that are
16 not related to budgetary transactions, and is not specifically provided for by Minister
17 of Home Affairs Decree No. 29 of 2002.

18 Under the Government Accounting Standards, cash inflows in this context consist of
19 cash receipts related to Third Party Liabilities Withheld. Similarly, cash outflows in the
20 context refer to payments of Third party Liabilities Withheld to those entitled to
21 receive them. Such Liabilities include income and value added taxes that have been
22 collected by the Local Government, and contributions collected in connection with
23 various social insurance and other schemes (Askes [health insurance], Taspen
24 [pension fund], and Taperum [housing saving scheme]). The value of Third Party
25 Liabilities Withheld can be calculated from the official UKP documents.

26 **F. CASH BALANCES**

27 Under both Minister of Home Affairs Decree No. 29 of 2002 and the Government
28 Accounting Standards, cash balances must be calculated at both the start and end of
29 the year. However, under Minister of Home Affairs Decree No. 29 of 2002, the closing
30 cash balance consists solely of the Local Government Treasury cash balance, while
31 under the Government Accounting Standards, it consists not only of the Local
32 Government Treasury cash balance, but also the cash balances at Disbursement and
33 Receiving Treasurers.

CHAPTER VI

NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Financial Statements are a new component of Local Government financial statements, and replace the Budget Calculation Notes used previously. The structure of the Notes to the Financial Statements as described in Government Accounting Standard No. 04 is not sufficiently covered in Minister of Home Affairs Decree No. 29 of 2002. Accordingly, the presentation of the Notes to the Financial Statements should be based directly on Government Accounting Standard 04, while the substance of the Budget Calculation Notes may be used as backup material.

The Notes to the Financial Statements are intended to provide the information and disclosures that are needed in connection with the financial statements. The structure of the Notes to the Financial Statements is as described below:

A. GENERAL INFORMATION

In the General Information section, the following information is provided:

- a. Procedures governing the preparation of the financial statements;
- b. Information on funding sources and the monies managed by the accounting entity concerned;
- c. The number of subordinate accounting entities (including Public Service Bodies);
- d. A description of the financial performance of the entity;
- e. Explanations on the financial position of the entity;
- f. A brief description of Local Government Business Enterprises.

The information on the financial statements may be presented in both graphic and tabular form.

B. ACCOUNTING POLICIES

The information on accounting policies shall explain:

- a. The accounting basis employed in the preparation of the financial statements;
- b. The basic assumptions employed;
- c. Recognition and measurement in respect of the Statement of Financial Position and Statement of Budget Realization accounts.

**C. EXPLANATIONS ON THE STATEMENT OF FINANCIAL POSITION,
STATEMENT OF BUDGET REALIZATION AND STATEMENT OF CASH FLOW
ACCOUNTS**

1. Statement of Budget Realization

a. Revenue

- An explanation is given of the difference between budget allocations and actual budget realization (by stating nominal and percentage values)
- An explanation is given of the difference between revenue in the current period and revenue in the previous period (by stating nominal and percentage values)

b. Expenditure

- An explanation is given of the difference between budget expenditure allocations and actual expenditure realization (by stating nominal and percentage values)
- An explanation is given of the difference between expenditure in the current period and expenditure in the previous period (by stating nominal and percentage values)
- Explanations are given in respect of each type of expenditure.

c. Transfers

- An explanation is given of the difference between budget transfer allocations and actual transfer realization (by stating nominal and percentage values)
- An explanation is given of the difference between transfers in the current period and transfers in the previous period (by stating nominal and percentage values)
- Explanations are given in respect of each type of transfer.

d. Financing

- An explanation is given of the difference between budget financing allocations and actual financing realization (by stating nominal and percentage values)

- An explanation is given of the difference between financing in the current period and financing in the previous period (by stating nominal and percentage values)
- Explanations are given in respect of each type of financing.

2. Statement of Financial Position

Explanations on the Statement of Financial Position accounts:

a. Explanations are presented on the Current Asset accounts, such as Cash at Disbursement Treasurers, Cash at Receiving Treasurers, Short-Term Investments, Accounts Receivable and Inventory.

b. Long-Term Investments

Explanations are presented on the Current Asset accounts, such as Government Equity Participation, Investments in Bonds, and Loans to Local Governments.

c. Fixed Assets

Explanations are given of the accounting bases employed for all Fixed Asset accounts. If necessary, explanations may also be given on differences in the recording of Fixed Assets as between financial units and management units. A list of Fixed Assets must be attached as a schedule to the financial statements.

d. Reserve Funds

Descriptions are given of the Local Government's reserve funds, including the Local Government Ordinances establishing them, their purpose, their value, how they are invested and how they are to be used.

e. Other Assets

A description is presented of the accounts contained in Other Assets, such as Receivables from Installment Sales, Treasury/Indemnity Claims, and Partnerships with Third Parties.

f. Short-Term Liabilities

Explanations are given of the accounts contained in Short-Term Liabilities, such as Third Party Liabilities Withheld, Expenses Payable, Current Long-Term Liabilities and Accrued Interest.

g. Long-Term Liabilities

A description is presented of the accounts contained in Long-Term Liabilities, such as Liabilities to Central Government and Liabilities to Banks.

h. Current Fund Equity

Explanations are given of the accounts contained in Current Fund Equity, such as Surplus after Budget Financing, Receivables Provision and Inventory Provision.

i. Investment Fund Equity

A description is presented of the accounts contained in Investment Fund Equity, such as Disinvestment of Long-Term Investments, and Disinvestment of Fixed Assets.

3. Statement of Cash Flow

a. Cash Flows from Operations

A description is given of cash inflows and outflows arising as a result of government operations, such as Tax Revenues and Employee Salaries.

b. Cash Flows from Non-Financial Investments

Explanations are presented of cash inflows and outflows arising from non-financial investments, such as Revenues from Sales of Fixed Assets and Capital Expenditure on Fixed Assets.

c. Cash Flows from Financing

A description is given of cash inflows and outflows arising from financing activities, such as Equity Participation in Local Government Business Enterprises, Loan Receipts and Loan Principal Repayments.

d. Cash Flows from Non-Budgetary Activities

Explanations are given of cash inflows and outflows arising from non-budgetary activities, such as Inflows from Third Party Liabilities Withheld and Outflows on Third Party Liabilities Withheld.

D. OTHER DISCLOSURES

In this section of the Notes to the Financial Statements, information is disclosed that could have a bearing on the financial statements, such as:

a. Contingencies

A contingency is a condition or situation that is as yet uncertain as per the date of the Statement of Financial Position, such as a substantive legal case whose final outcome is predictable. Such a contingency must be disclosed in the Notes to the Financial Statements.

b. Commitments

A commitment is an agreement with a third party that must be disclosed in the Notes to the Financial Statements.

c. Subsequent Events

These are events that occur after the date of the Statement of Financial Position that have a significant effect on the Statement of Financial Position accounts or other components of the financial statements.

E. OTHER NECESSARY INFORMATION

This consists of matters that it is deemed necessary to disclose that have not been disclosed elsewhere.

ILLUSTRATIVE FINANCIAL STATEMENT FORMATS

A. Local Government Statement of Budget Realization Format

Provincial Government

Statement of Budget Realization for the Years Ended 31 December 20X1 and 20X0

(in rupiah)

No	Description	20X1 Budget	20X1 Realization	(%)	20X0 Realization
1	Revenue				
2	Own-Source Revenue				
3	Local Government Tax Revenues	xxx	xxx	xx	xxx
4	Local Government Charge Revenues	xxx	xxx	xx	xxx
5	Revenues from Management of Separated Local Government Assets	xxx	xxx	xx	xxx
6	Other Legitimate Own-Source Revenue	xxx	xxx	xx	xxx
7	Total Own-Source Revenue (3 to 6)	xxxx	xxxx	xx	xxxx
8					
9	Transfer Revenue				
10	Central Government Fiscal Balance Transfers				
11	Tax Revenue Sharing Transfers	xxx	xxx	xx	xxx
12	Natural resources revenue sharing transfers	xxx	xxx	xx	xxx
13	General Transfers	xxx	xxx	xx	xxx

14	Special Transfers	xxx	xxx	xx	xxx
15	Total Fiscal Balance Transfer Revenues (13 to 12)	xxxx	xxxx	xx	xxxx
16					
17	Other Central Government Transfers				
18	Special Autonomy Transfers	xxx	xxx	xx	xxx
19	Adjustment transfers	xxx	xxx	xx	xxx
20	Total Other Transfer Revenues (18 to 19)	xxxx	xxxx	xx	xxxx
21	Total Transfer Revenues (15+20)	xxxx	xxxx	xx	xxxx
22					
23	Other Legitimate Revenues				
24	Grants	xxx	xxx	xx	xxx
25	Emergency Fund Transfers	xxx	xxx	xx	xxx
26	Miscellaneous Revenues	xxx	xxx	xx	xxx
27	Total Other Legitimate Revenue (24 to 26)	xxxx	xxxx	xx	xxxx
28	Total Revenue (7+21+27)	xxxx	xxxx	xx	xxxx
29	Expenditure				
30	Operating Expenditure				
31	Employee Expenditure	xxx	xxx	xx	xxx
32	Goods and services Expenditure	xxx	xxx	xx	xxx
33	Interest Expenditure	xxx	xxx	xx	xxx
34	Subsidy Expenditure	xxx	xxx	xx	xxx
35	Grant Expenditure	xxx	xxx	xx	xxx
36	Social Assistance Expenditure	xxx	xxx	xx	xxx
37	Total Operating Expenditure (31 to 36)	xxxx	xxxx	xx	xxxx
38					
39	Capital Expenditure				
40	Expenditure on Land	xxx	xxx	xx	xxx
41	Expenditure on Equipment and Machinery	xxx	xxx	xx	xxx
42	Expenditure on Buildings and Properties	xxx	xxx	xx	xxx
43	Expenditure on Road, Irrigation and Transmission Networks	xxx	xxx	xx	xxx
44	Expenditure on Other Fixed Assets	xxx	xxx	xx	xxx
45	Expenditure on Other Assets	xxx	xxx	xx	xxx
46	Total Capital Expenditure (40 to 45)	xxxx	xxxx	xx	xxxx
47					
48	Unexpected Expenditure				
49	Unexpected expenditure	xxx	xxx	xx	xxx
50	Total Unexpected expenditure (49 to 49)	xxxx	xxxx	xx	xxxx
51	Total Expenditure (37+46+50)	xxxx	xxxx	xx	xxxx
52					
53	Transfers				
54	Revenue Sharing Transfers to Districts/Municipalities				
55	Revenue-sharing transfers to districts/municipalities	xxx	xxx	xx	xxx

56	Charge-sharing transfers to districts/municipalities	xxx	xxx	xx	xxx
57	Other-Revenue Transfers to districts/municipalities	xxx	xxx	xx	xxx
58	Total Revenue-sharing transfers to Districts/municipalities (55 to 57)	xxxx	xxxx	xx	xxxx
59	Total Expenditure and Transfers (51+58)	xxxx	xxxx	xx	xxxx
60					
61	Surplus/Deficit (28-59)	xxxx	xxxx	xx	xxxx
	Financing				
	Financing Receipts	xxx	xxx	xx	xxx
	Use of surplus after budget financing	xxx	xxx	xx	xxx
	Disbursements from reserve funds	xxx	xxx	xx	xxx
	Proceeds of sale of Local Government assets	xxx	xxx	xx	xxx
	Domestic loans – Central Government	xxx	xxx	xx	xxx
	Domestic loans – Other Local Governments	xxx	xxx	xx	xxx
	Domestic loans – Banks	xxx	xxx	xx	xxx
	Domestic loans – Non-Bank Financial Institutions	xxx	xxx	xx	xxx
	Domestic loans – Bonds	xxx	xxx	xx	xxx
	Domestic loans – Other	xxx	xxx	xx	xxx
	Repayment of loans by Central Government business enterprises	xxx	xxx	xx	xxx
	Repayment of loans by Local Government Business Enterprises	xxx	xxx	xx	xxx
	Repayment of loans by other Local Governments	xxx	xxx	xx	xxx
	Total Receipts (66 to 77)	xxxx	xxxx	xx	xxxx
	Financing Expenditure				
	Establishment of Reserve Funds	xxx	xxx	xx	xxx
	Local Government capital participation	xxx	xxx	xx	xxx
	Repayment of domestic loans to Central Government	xxx	xxx	xx	xxx
	Repayment of domestic loans to Other Local Governments	xxx	xxx	xx	xxx
	Repayment of domestic loans to banks	xxx	xxx	xx	xxx
	Repayment of domestic loans to non-bank financial institutions	xxx	xxx	xx	xxx
	Repayment of domestic loans – bonds	xxx	xxx	xx	xxx
	Repayment of domestic loans – other	xxx	xxx	xx	xxx
	Loans to Central Government Business enterprises	xxx	xxx	xx	xxx
	Loans to Local Government business enterprises	xxx	xxx	xx	xxx

	Loans to other Local Governments	xxx	xxx	xx	xxx
	Total Expenditure (81 to 91)	xxxx	xxxx	xx	xxxx
	Net Financing (78-92)	xxxx	xxxx	xx	xxxx
	Surplus After Budget Financing (61+93)	xxxx	xxxx	xx	xxxx

District/Municipal Government

Statement of Budget Realization for the Years Ended 31 December 20X1 and 20X0

(in rupiah)

No	Description	20X1 Budget	20X1 Realization	(%)	20X0 Realization
1	Revenue				
2	Own-Source Revenue	xxx	xxx	xx	xxx
3	Local Government Tax Revenues	xxx	xxx	xx	xxx
4	Local Government Charge Revenues	xxx	xxx	xx	xxx
5	Revenues from Management of Separated Local Government Assets	xxx	xxx	xx	xxx
6	Other Legitimate Own-Source Revenue	xxx	xxx	xx	xxx
7	Total Own-Source Revenue (3 to 6)	xxx	xxx	xx	xxx
8					
9	Transfer Revenue				
10	Central Government Fiscal Balance Transfers	xxx	xxx	xx	xxx
11	Tax Revenue Sharing Transfers	xxx	xxx	xx	xxx
12	Natural resources revenue sharing transfers	xxx	xxx	xx	xxx
13	General Transfers	xxx	xxx	xx	xxx
14	Special Transfers	xxx	xxx	xx	xxx
15	Total Fiscal Balance Transfer Revenues (13 to 14)	xxx	xxx	xx	xxx
16					
17	Other Central Government Transfers				
18	Special Autonomy Transfers	xxx	xxx	xx	xxx
19	Adjustment transfers	xxx	xxx	xx	xxx
20	Total Other Central Government Transfer Revenues (18 to 19)	xxx	xxx	xx	xxx
21					
22	Provincial Government Transfers	xxx	xxx	xx	xxx
23	Tax Revenue-sharing transfers	xxx	xxx	xx	xxx
24	Other Revenue-sharing transfers	xxx	xxx	xx	xxx
25	Total Provincial Government Transfers (23 to 24)	xxx	xxx	xx	xxx
26	Total Transfer Revenues (15+20+25)	xxx	xxx	xx	xxx
27					
28	Other Legitimate Revenues	xxx	xxx	xx	xxx
29	Grants	xxx	xxx	xx	xxx
30	Emergency Fund Transfers	xxx	xxx	xx	xxx
31	Miscellaneous Revenues	xxx	xxx	xx	xxx
32	Total Other Legitimate Revenue (29 to 31)	xxx	xxx	xx	xxx
33	Total Revenue (7+26+32)	xxx	xxx	xx	xxx
34					
35	Expenditure				
36	Operating Expenditure	xxx	xxx	xx	xxx

37	Employee Expenditure	xxx	xxx	xx	xxx
38	Goods and services Expenditure	xxx	xxx	xx	xxx
39	Interest Expenditure	xxx	xxx	xx	xxx
40	Subsidy Expenditure	xxx	xxx	xx	xxx
41	Grant Expenditure	xxx	xxx	xx	xxx
42	Social Assistance Expenditure	xxx	xxx	xx	xxx
43	Total Operating Expenditure (37 to 42)	xxx	xxx	xx	xxx
44					
45	Capital Expenditure				
46	Expenditure on Land	xxx	xxx	xx	xxx
47	Expenditure on Equipment and Machinery	xxx	xxx	xx	xxx
48	Expenditure on Buildings and Properties	xxx	xxx	xx	xxx
49	Expenditure on Road, Irrigation and Transmission Networks	xxx	xxx	xx	xxx
50	Expenditure on Other Fixed Assets	xxx	xxx	xx	xxx
51	Expenditure on Other Assets	xxx	xxx	xx	xxx
52	Total Capital Expenditure (46 to 51)	xxx	xxx	xx	xxx
53					
54	Unexpected Expenditure	xxx	xxx	xx	xxx
55	Unexpected expenditure	xxx	xxx	xx	xxx
56	Total Unexpected expenditure (54 to 55)	xxx	xxx	xx	xxx
57	Total Expenditure (43+52+56)	xxx	xxx	xx	xxx
58					
59	Transfers	xxx	xxx	xx	xxx
60	Revenue Sharing Transfers to Villages	xxx	xxx	xx	xxx
61	Tax Revenue sharing transfers	xxx	xxx	xx	xxx
62	Charge revenue sharing transfers	xxx	xxx	xx	xxx
63	Other-Revenue Transfers	xxx	xxx	xx	xxx
64	Total Revenue-sharing transfers to villages (61 to 63)	xxx	xxx	xx	xxx
65					
66	Surplus/Deficit (33-64)	xxx	xxx	xx	xxx
67					
68	Financing				
69					
70	Financing Receipts	xxx	xxx	xx	xxx
71	Use of surplus after budget financing	xxx	xxx	xx	xxx
72	Disbursements from reserve funds	xxx	xxx	xx	xxx
73	Proceeds of sale of Local Government assets	xxx	xxx	xx	xxx
74	Domestic loans – Central Government	xxx	xxx	xx	xxx
75	Domestic loans – Other Local Governments	xxx	xxx	xx	xxx
76	Domestic loans – Banks	xxx	xxx	xx	xxx
77	Domestic loans – Non-Bank Financial Institutions	xxx	xxx	xx	xxx
78	Domestic loans – Bonds	xxx	xxx	xx	xxx
79	Domestic loans – Other	xxx	xxx	xx	xxx
80	Repayment of loans by Central Government	xxx	xxx	xx	xxx

	business enterprises				
81	Repayment of loans by Local Government Business Enterprises	xxx	xxx	xx	xxx
82	Repayment of loans by other Local Governments	xxx	xxx	xx	xxx
83	Total Receipts (71 to 82)	xxx	xxx	xx	xxx
84					
85	Financing Expenditure	xxx	xxx	xx	xxx
86	Establishment of Reserve Funds	xxx	xxx	xx	xxx
87	Local Government capital participation	xxx	xxx	xx	xxx
88	Repayment of domestic loans to Central Government	xxx	xxx	xx	xxx
89	Repayment of domestic loans to Other Local Governments	xxx	xxx	xx	xxx
90	Repayment of domestic loans to banks	xxx	xxx	xx	xxx
91	Repayment of domestic loans to non-bank financial institutions	xxx	xxx	xx	xxx
92	Repayment of domestic loans – bonds	xxx	xxx	xx	xxx
93	Repayment of domestic loans – other	xxx	xxx	xx	xxx
94	Loans to Central Government Business enterprises	xxx	xxx	xx	xxx
95	Loans to Local Government business enterprises	xxx	xxx	xx	xxx
96	Loans to other Local Governments	xxx	xxx	xx	xxx
97	Total Expenditure (86 to 90)	xxx	xxx	xx	xxx
98	Net Financing (83-91)	xxx	xxx	xx	xxx
99					
100	Surplus After Budget Financing (66+92)	xxx	xxx	xx	xxx

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B. Statement of Financial Position

Illustrative Provincial/Municipal/District Statement of Financial Positions Per 31 December 20X1 and 20X0

(in rupiah)

No.	Description	20X1	20X0
1	Assets		
2			
3	Current Assets		
4	Cash at the Local Government Treasury	xxx	xxx
5	Cash at Disbursing Treasurers	xxx	xxx
6	Cash at Receiving Treasurers	xxx	xxx
7	Short-Term Investments	xxx	xxx
8	Taxes Receivable	xxx	xxx
9	Local-Government Charges Receivable	xxx	xxx
10	Current Loans to Central Government Business Enterprises	xxx	xxx
11	Current Loans to Local Government Business Enterprises	xxx	xxx
12	Current Loans to Central Government	xxx	xxx
13	Current Loans to Other Local Governments	xxx	xxx
14	Current Receivables from Credit Sales	xxx	xxx
15	Current Treasury/Indemnity Claims	xxx	xxx
16	Other Accounts Receivable	xxx	xxx
17	Inventory	xxx	xxx
18	Total Current Assets (4 to 17)	xxx	xxx
19			
20	Long-Term Investments		
21	Non-Permanent Investments	xxx	xxx
22	Long-Term Debts Receivable	xxx	xxx
23	Investments in Central Government Securities	xxx	xxx
24	Investments in Development Projects	xxx	xxx
25	Other Non-Permanent Investments	xxx	xxx
26	Total Non-Permanent Investments (22 to 25)	xxx	xxx
27	Permanent Investments		
28	Local Government Equity Participation	xxx	xxx
29	Other Permanent Investments	xxx	xxx
30	Total Permanent Investments (28 to 29)	xxx	xxx
31	Total Long-Term Investments (26+30)	xxx	xxx
32			
33	Fixed Assets		
34	Land	xxx	xxx
35	Equipment and Machinery	xxx	xxx
36	Buildings and Properties	xxx	xxx
37	Road, Irrigation and Transmission Networks	xxx	xxx
38	Other Fixed Assets	xxx	xxx
39	Construction in Progress	xxx	xxx
40	Accumulated Depreciation	xxx	xxx

41	Total Fixed Assets (34 to 40)	xxx	xxx
42			
43	Reserve Funds		
44	Reserve Funds	xxx	xxx
45	Total Reserve Funds (44)	xxx	xxx
46			
47	Other Assets		
48	Receivables from Credit Sales	xxx	xxx
49	Treasury/Indemnity Claims	xxx	xxx
50	Partnerships with Third Parties	xxx	xxx
51	Intangible Assets	xxx	xxx
52	Miscellaneous Assets	xxx	xxx
53	Total Other Assets (48 to 52)	xxx	xxx
54			
55	Total Assets (18+31+41+45+53)	xxx	xxx
56			
57	Liabilities		
58			
59	Short-Term Liabilities		
60	Third Party Liabilities Withheld	xxx	xxx
61	Accrued Interest	xxx	xxx
62	Current Portion of Long-Term Liabilities	xxx	xxx
63	Other Short-Term Liabilities	xxx	xxx
64	Total Short-Term Liabilities (60 to 63)	xxx	xxx
65			
66	Long-Term Liabilities		
67	Domestic Liabilities – Banking Sector	xxx	xxx
68	Domestic Bond Liabilities	xxx	xxx
69	Other Long-Term Liabilities	xxx	xxx
70	Total Long-Term Liabilities (67 to 69)	xxx	xxx
71	Total Liabilities (64+ 70)	xxx	xxx
72			
73	Fund Equity		
74			
75	Current Fund Equity		
76	Surplus after Budget Financing	xxx	xxx
77	Deferred Revenues	xxx	xxx
78	Receivables Provision	xxx	xxx
79	Inventory Provision	xxx	xxx
80	Short-Term Provisions	xxx	xxx
81	Total Current Fund Equity (76 to 80)	xxx	xxx
82			
83	Investment Fund Equity		
84	Long-Term Investment Disposals	xxx	xxx
85	Fixed Asset Disposals	xxx	xxx
86	Other Asset Disposals	xxx	xxx
87	Long-Term Provisions	xxx	xxx

88	Total Investment Fund Equity (84-87)	xxx	xxx
89			
90	Reserved Fund Equity		
91	Reserved Fund Equity Disposals	xxx	xxx
92	Total Reserved Fund Equity (91)	xxx	xxx
93	Total Fund Equity (81+88+92)	xxx	xxx
94			
95	Total Liabilities and Fund Equity (71+93)	xxx	xxx

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C. Statement of Cash Flow

**Provincial Government Statement of Cash Flow
for the Years Ending 31 December 20X1 and 20X0
Direct Method**

(In rupiah)

No.	Description	20X1	20X0
1	Cash from Operations		
2	Cash Inflows		
3	Local Government Tax Revenues	xxx	xxx
4	Local Government Charge Revenues	xxx	xxx
5	Revenues from management of separated Local Government assets	xxx	xxx
6	Other legitimate Own-Source Revenue	xxx	xxx
7	Tax revenue-sharing transfers	xxx	xxx
8	Natural resources revenue-sharing transfers	xxx	xxx
9	General Transfers	xxx	xxx
10	Special Transfers	xxx	xxx
11	Special Autonomy Transfers	xxx	xxx
12	Adjustment transfers	xxx	xxx
13	Grants	xxx	xxx
14	Emergency fund transfers	xxx	xxx
15	Other revenues	xxx	xxx
16	Total Cash Inflows (3 to 15)	xxx	xxx
17	Cash Outflows		
18	Employee Expenditure	xxx	xxx
19	Goods and services Expenditure	xxx	xxx
20	Interest Expenditure	xxx	xxx
21	Subsidy Expenditure	xxx	xxx
22	Grants	xxx	xxx
23	Social Assistance Expenditure	xxx	xxx
24	Unexpected Expenditure	xxx	xxx
25	Tax revenue-sharing transfers to district/municipal governments	xxx	xxx
26	Local government charge transfers to districts/municipalities	xxx	xxx
27	Other revenue transfers to districts/municipalities	xxx	xxx
28	Total Cash Outflows (18 to 27)	xxx	xxx
29	Net Cash from Operations (16-28)	xxx	xxx
30	Cash from investments in non-financial assets		
31	Cash inflows		
32	Revenues from sale of land	xxx	xxx
33	Revenues from sale of Equipment and Machinery	xxx	xxx
34	Revenues from sale of Buildings and Properties	xxx	xxx
35	Revenues from sale of Road, Irrigation and Transmission Networks	xxx	xxx

36	Revenues from sale of other Fixed Assets	xxx	xxx
37	Revenues from sale of Other Assets	xxx	xxx
38	Total Cash Inflows (32 to 37)	xxx	xxx
39	Cash Outflows		
40	Purchase of land	xxx	xxx
41	Purchase of Equipment and Machinery	xxx	xxx
42	Purchase of Buildings and Properties	xxx	xxx
43	Purchase of Road, Irrigation and Transmission Networks	xxx	xxx
44	Purchase of Other Fixed Assets	xxx	xxx
45	Purchase of Other Assets	xxx	xxx
46	Total Cash Outflows (40 to 45)	xxx	xxx
47	Net Cash Flow from Investments in Non-Financial Assets	xxx	xxx
48	Cash Flow from Financing		
49	Cash inflows		
50	Disbursements from Reserve Funds	xxx	xxx
51	Proceeds of Sale of Separated Local Government Assets	xxx	xxx
52	Domestic loans – Central Government	xxx	xxx
53	Domestic loans – Bank	xxx	xxx
54	Domestic loans – Non-Bank Financial Institutions	xxx	xxx
55	Domestic loans – Bonds	xxx	xxx
56	Domestic loans – Other	xxx	xxx
57	Repayments of loans by Central Government Business Enterprises	xxx	xxx
58	Repayments of loans by Local Government Enterprises	xxx	xxx
59	Repayments of loans by other Local Governments	xxx	xxx
60	Total Cash Inflows (50 to 59)	xxx	xxx
61	Cash Outflows		
62	Establishment of Reserve Funds	xxx	xxx
63	Local Government capital participation	xxx	xxx
64	Repayment of domestic loans – Central Government	xxx	xxx
65	Repayment of domestic loans – Other Local Governments	xxx	xxx
66	Repayment of domestic loans – bank	xxx	xxx
67	Repayment of domestic loans – Non-Bank Financial Institutions	xxx	xxx
68	Repayment of domestic loans – bonds	xxx	xxx
69	Repayment of domestic loans – other	xxx	xxx
70	Loans to Central Government Business Enterprises	xxx	xxx
71	Loans to Local Government Business Enterprises	xxx	xxx
72	Loans to Other Local Governments	xxx	xxx
73	Total Cash Outflows (62 to 72)	xxx	xxx
74	Net Cash Flow from Financing (60 - 73)	xxx	xxx
75	Cash Flows from Non-Budgetary Activities		
76	Cash Inflows		
77	Third Party Liabilities Withheld	xxx	xxx
78	Total Cash Inflows (78 to 78)	xxx	xxx

79	Cash Outflows		
80	Third Party Liabilities Withheld	xxx	xxx
81	Total Cash Outflows (80 to 80)	xxx	xxx
82	Net Cash Flow from Non-Budgetary Activities (79-82)	xxx	xxx
83	Increase/Reduction in Cash (29+47+74+82)	xxx	xxx
84	Opening Balance at Local Government Treasury	xxx	xxx
85	Closing Balance at Local Government Treasury (83+84)	xxx	xxx
86	Closing Balance at Disbursing Treasurers	xxx	xxx
87	Closing Balance at Receiving Treasurers	xxx	xxx
88	Cash Closing Balance (85+86+87)	xxx	xxx

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District/Municipal Government
Statement of Cash Flow for the Years Ending 31 December 20X1 and 20X0
Direct Method

(In rupiah)

No.	Description	20X1	20X0
1	Cash from Operations		
2	Cash Inflows		
3	Local Government Tax Revenues	xxx	xxx
4	Local Government Charge Revenues	xxx	xxx
5	Revenues from management of separated Local Government assets	xxx	xxx
6	Other legitimate Own-Source Revenue	xxx	xxx
7	Tax revenue-sharing revenues	xxx	xxx
8	Natural resources revenue-sharing revenues	xxx	xxx
9	General Transfers	xxx	xxx
10	Special Transfers	xxx	xxx
11	Special Autonomy Transfers	xxx	xxx
12	Adjustment transfers	xxx	xxx
13	Tax Revenue Sharing Receipts	xxx	xxx
14	Other Revenue Sharing Receipts	xxx	xxx
15	Grants	xxx	xxx
16	Emergency fund transfers	xxx	xxx
17	Other revenues	xxx	xxx
18	Total Cash Inflows (3 to 17)	xxx	xxx
19	Cash Outflows		
20	Employee Expenditure	xxx	xxx
21	Goods and services Expenditure	xxx	xxx
22	Interest Expenditure	xxx	xxx
23	Subsidy Expenditure	xxx	xxx
24	Grants	xxx	xxx
25	Social Assistance Expenditure	xxx	xxx
26	Unexpected Expenditure	xxx	xxx
27	Tax revenue-sharing transfers	xxx	xxx
28	Local government charge transfers	xxx	xxx
29	Other revenue transfers	xxx	xxx
30	Total Cash Outflows (20 to 29)	xxx	xxx
31	Net Cash from Operations (18-30)	xxx	xxx
32	Cash from investments in non-financial assets		
33	Cash inflows		
34	Revenues from sale of land	xxx	xxx
35	Revenues from sale of Equipment and Machinery	xxx	xxx
36	Revenues from sale of Buildings and Properties	xxx	xxx
37	Revenues from sale of Road, Irrigation and Transmission Networks	xxx	xxx
38	Revenues from sale of other Fixed Assets	xxx	xxx

39	Revenues from sale of Other Assets	xxx	xxx
40	Total Cash Inflows (34 to 39)	xxx	xxx
41	Cash Outflows		
42	Purchase of land	xxx	xxx
43	Purchase of Equipment and Machinery	xxx	xxx
44	Purchase of Buildings and Properties	xxx	xxx
45	Purchase of Road, Irrigation and Transmission Networks	xxx	xxx
46	Purchase of Other Fixed Assets	xxx	xxx
47	Purchase of Other Assets	xxx	xxx
48	Total Cash Outflows (42 to 47)	xxx	xxx
49	Net Cash Flow from Investments in Non-Financial Assets (40-48)	xxx	xxx
50	Cash Flow from Financing		
51	Cash inflows		
52	Disbursements from Reserve Funds	xxx	xxx
53	Proceeds of Sale of Separated Local Government Assets	xxx	xxx
54	Domestic loans – Central Government	xxx	xxx
55	Domestic loans – Other Local Governments	xxx	xxx
56	Domestic loans – Bank	xxx	xxx
57	Domestic loans – Non-Bank Financial Institutions	xxx	xxx
58	Domestic loans – Bonds	xxx	xxx
59	Domestic loans – Other	xxx	xxx
60	Repayments of loans by Central Government Business Enterprises	xxx	xxx
61	Repayments of loans by Local Government Enterprises	xxx	xxx
62	Repayments of loans by other Local Governments	xxx	xxx
63	Total Cash Inflows (52 to 62)	xxx	xxx
64	Cash Outflows		
65	Establishment of Reserve Funds	xxx	xxx
66	Local Government capital participation	xxx	xxx
67	Repayment of domestic loans – Central Government	xxx	xxx
68	Repayment of domestic loans – Other Local Governments	xxx	xxx
69	Repayment of domestic loans – bank	xxx	xxx
70	Repayment of domestic loans – Non-Bank Financial Institutions	xxx	xxx
71	Repayment of domestic loans – bonds	xxx	xxx
72	Repayment of domestic loans – other	xxx	xxx
73	Loans to Central Government Business Enterprises	xxx	xxx
74	Loans to Local Government Business Enterprises	xxx	xxx
75	Loans to Other Local Governments	xxx	xxx
76	Total Cash Outflows (65 to 75)	xxx	xxx
77	Net Cash Flow from Financing (63-76)	xxx	xxx
78	Cash Flows from Non-Budgetary Activities		
79	Cash Inflows		
80	Third Party Liabilities Withheld	xxx	xxx
81	Total Cash Inflows (80 to 80)	xxx	xxx

82	Cash Outflows		
83	Third Party Liabilities Withheld	xxx	xxx
84	Total Cash Outflows (83 to 83)	xxx	xxx
85	Net Cash Flow from Non-Budgetary Activities (81-84)	xxx	xxx
86	Increase/Reduction in Cash (31+49+77+85)	xxx	xxx
87	Opening Balance at Local Government Treasury	xxx	xxx
88	Closing Balance at Local Government Treasury (86+87)	xxx	xxx
89	Closing Balance at Disbursing Treasurers	xxx	xxx
90	Closing Balance at Receiving Treasurers	xxx	xxx
91	Cash Closing Balance (88+89+90)	xxx	xxx

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- 1 **D. For structure and contents of the Notes to the Financial Statements, see**
- 2 **Government Accounting Standards No. 04.**
- 3

GOVERNMENT ACCOUNTING STANDARDS COMMITTEE

Consultative Committee

1. Director General of the Treasury, Ministry of Finance, Chair
2. Director General of Local Government Financial Management Development, Ministry of Home Affairs, Deputy Chair
3. Director General of Local Autonomy, Ministry of Home Affairs, Member
4. Expert Advisor to the Minister of Finance on State Expenditure, Member
5. Chair of the Indonesian Association of Accountants, Member
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