Accounting Academy

August 2026 | 24 CPE Credits

Day 3

Course Agenda – Day 3

- Proprietary fund financial statements
- Fiduciary funds
- Fiduciary fund financial statements
- Component units
- Funds, component units, and government-wide reporting
- Interfund activity
- Government-wide financial statements

Proprietary Fund Financial Statements

Basic Financial Statements

- Statement of net position
- Statement of revenues, expenses, and changes in net position
- Statement of cash flows

Major Fund Reporting

- Only applicable to enterprise funds
  - Same rules as applicable to governmental funds
    - 10 percent and 5 percent tests (mandatory major fund)
      - For enterprise funds (Post GASB 103), transfers in, transfers out and capital contributions are classified as nonoperating revenues and expenses which are included in the major fund determination thresholds.
      - For governmental funds, all other financing sources and uses are excluded from major fund determination thresholds.
    - Voluntary use in other situations
- Internal service funds reported in a single column
  - "Fund-type reporting"

Statement of Net Position

Statement of Net Position

- Net position format (preferred)
  - [Assets + Deferred Outflows] – [Liabilities + Deferred Inflows] = Net Position
- Balance sheet format is an option
  - [Assets + Deferred Outflows] = [Liabilities + Deferred Inflows + Net Position]
- Regardless of format, title should be “Statement of Net Position

Classified Presentation

- Required, regardless of format used
- Current assets
  - Reasonably expected to be realized in cash within one year or sold or consumed within a year
    - Exclude restricted assets not available to liquidate current liabilities
- Current liabilities
  - Liquidation reasonably expected to require the use of current assets, or the creation of other current liabilities
    - Includes liabilities ordinarily liquidated within 12 months

NAME OF GOVERNMENT
Proprietary Funds
Statement of Net Position
June 30, 2027

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current Assets:				
Cash	$ 1,389,681	$ 2,310,846	$ 3,700,527	$ 5,883,720
Investments	2,136,642	-	2,136,642	611,286
Restricted assets-customer deposits	30,715	-	30,715	-
Interest receivable	22,468	2,383	24,851	7,079
Accounts receivable, net	4,145,017	33,734	4,178,751	-
Due from other funds	-	12,000	12,000	-
Intergovernmental receivable	-	877,295	877,295	129,192
Inventories	-	117,581	117,581	22,671
Prepaid items	-	-	-	37,823
Total current assets	7,724,523	3,353,839	11,078,362	6,691,771
Noncurrent Assets:				
Capital Assets:				
Land	584,715	1,326,685	1,911,400	-
Construction-in-progress	5,363,783	-	5,363,783	-
Buildings	5,274,379	7,639,062	12,913,441	87,745
Machinery, equipment, and vehicles	1,376,709	9,952,998	11,329,707	5,283,268
Water distribution system	35,422,287	-	35,422,287	-
Less accumulated depreciation	(17,093,133)	(9,869,210)	(26,962,343)	(2,466,987)
Total noncurrent assets	30,928,740	9,049,535	39,978,275	2,904,026
Total assets	38,653,263	12,403,374	51,056,637	9,595,797
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	90,303	-	90,303	90,301
OPEB related	8,435	-	8,435	8,435
Total deferred outflows of resources	98,738	-	98,738	98,736

Proprietary Funds
Statement of Net Position (cont.)

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	1,092,628	532,741	1,625,369	824,705
Accrued liabilities	-	11,412	11,412	-
Compensated absences	24,188	-	24,188	16,679
Claims and judgments	-	-	-	2,174,256
Retainage payable	24,937	-	24,937	-
Customer deposits payable-restricted assets	30,715	-	30,715	-
Accrued interest payable	143,219	-	143,219	-
Bond anticipation note payable	1,625,000	-	1,625,000	-
Intergovernmental payable	-	28,547	28,547	-
Bonds payable - current	938,000	-	938,000	-
Unearned revenue	-	2,192,549	2,192,549	-
Total current liabilities	3,878,687	2,765,249	6,643,936	3,015,640
Noncurrent liabilities:				
Compensated absences	49,207	-	49,207	36,950
Claims and judgments	-	-	-	1,386,533
Bonds payable	9,104,000	-	9,104,000	-
Net pension liability	777,652	-	777,652	777,652
Net OPEB liability	489,231	-	489,231	489,231
Total noncurrent liabilities	10,420,090	-	10,420,090	2,690,366
Total liabilities	14,298,777	2,765,249	17,064,026	5,706,006
DEFERRED INFLOWS OF RESOURCES				
Pension related	5,387	-	5,387	5,387
OPEB related	229,423	-	229,423	229,422
Total deferred inflows of resources	234,810	-	234,810	234,809
NET POSITION				
Net investment in capital assets	19,780,014	9,049,535	28,829,549	2,904,026
Restricted for wheelchair accessibility	-	257,452	257,452	-
Unrestricted	4,438,400	331,138	4,769,538	849,692
Total net position	$ 24,218,414	$ 9,638,125	33,856,539	$ 3,753,718
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.			259,951	
Net position of business-type activities			$ 34,116,490	

Components of Net Position

- Private sector focus on capital maintenance
  - Preservation of invested capital
    - Separate reporting for *retained earnings*

- Public sector focus on degree to which there are constraints on purposes for which amounts may be spent
  - Net investment in capital assets – "Top tier" – Difficult to spend
  - Restricted net position – Purpose constraints narrower than purpose of fund itself
  - Unrestricted net position – No purpose constraints on spending

Components of Net Position

Not Spendable

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
NET POSITION				
Net investment in capital assets	19,780,014	9,049,535	28,829,549	2,904,026
Restricted for wheelchair accessibility	-	257,452	257,452	-
Unrestricted	4,438,400	331,138	4,769,538	849,692
Total net position	$ 24,218,414	$ 9,638,125	33,856,539	$ 3,753,718
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.			259,951	
Net position of business-type activities			$ 34,116,490	

Available for spending Residual category

Purpose constraints narrower than purpose of fund itself

- Components of net position broken down by the level of the government's control over those funds

Total Columns

- Required for enterprise funds
  - Tie to business-type activities column
    - Provide reconciliation, if needed
- Not required for proprietary funds in total
  - Does not tie to government-wide financial statements

Statement of Revenues, Expenses, & Changes in Net Position

GASB 103 – Financial Reporting Improvements

- GASB Statement 103
- GASB Implementation Guide 2025—1
- Exposure Draft of GASB Implementation Guide 2026—1

Effective for:	
	June 30, 2026
	September 30, 2026
	December 31, 2026
	April 30, 2027

Activity Statement

- Operating vs. nonoperating
  - Nonoperating – post GASB 103 must meet definition of nonoperating revenue/expense or it is an operating revenue/expense (with certain exceptions for primary operations)
- Purpose of distinction
  - To demonstrate the degree to which a fund is able to recoup the cost of the goods and services from customers

Operating vs. Nonoperating Revenues and Expenses – GASB 103

- Nonoperating revenues and expenses
  - Subsidies received and provided (definition on next slide)
  - Contributions to permanent and term endowments :*
  - Revenues and expenses related to financing:*
  - Resources from disposal of capital assets and inventory :*
  - Investment income and expenses :*

  * Except if these constitute the proprietary fund's principal ongoing operations

- Operating revenues and expenses
  - All revenues expenses that are not nonoperating revenues and expenses

Subsidies – GASB 103

- Subsidies are:
  - Resources received from another party or fund
    - For which the proprietary fund does not provide goods or services to the provider, and
    - **That directly or indirectly keep the proprietary fund's current or future fees and charges lower than they otherwise would be**
  - Resources provided to another party or fund
    - For which the recipient does not provide goods or services to the proprietary fund, and
    - **That are recoverable through the proprietary funds current or future pricing polices and**
  - All other transfers

Examples of Exceptions

- If the primary purpose of the fund is investing
  - Only report as operating income if primary purpose of the fund is investing
  - *Does not* apply to public entity risk pools

- If the primary purpose of the fund is loan programs
  - Interest revenue is operating income
  - Interest expense on debt is nonoperating

Revenue Reporting

- Report by major source
- Net of discounts and allowances
  - Parenthetical disclosure

Fees and charges (net of discounts and allowances of $7)	$ 93

  - Provide detail in notes

[notes]: "Fees and charges are reported net of discounts and allowances of $7."

  - Report gross amount with deduction

Fees and charges	$100
Less: discounts and allowances	(7)
Net fees and charges	$ 93

Major Fund Reporting

- Same rules as for statement of position
  - Single column for each major enterprise fund
  - Single column for aggregated nonmajor enterprise funds
  - Total column for enterprise funds
  - Single column for aggregated internal service funds

- GASB 103 – with changes from GASB 103 following the definition of nonoperating revenues, you will need to update your major fund determination worksheets.

NAME OF GOVERNMENT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2027

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
Operating revenues:				
Charges for services:				
Metered water sales	$ 9,312,150	$ -	$ 9,312,150	$ -
Tap fees	8,435	-	8,435	-
Passenger fares	-	762,983	762,983	-
Contract transit	-	126,353	126,353	-
Charter	-	248	248	-
Risk management	-	-	-	2,632,108
Fleet management	-	-	-	1,902,063
Miscellaneous	133,423	40,547	173,970	-
Total operating revenues	9,454,008	930,131	10,384,139	4,534,171
Operating expenses:				
Personnel services	2,665,948	-	2,665,948	615,357
Materials and supplies	3,556,232	1,050,965	4,607,197	944,229
Contractual services	781,741	4,008,669	4,790,410	1,251,500
Claims	-	-	-	1,761,680
Depreciation	886,242	827,289	1,713,531	373,469
Total operating expenses	7,890,163	5,886,923	13,777,086	4,946,235
Operating income (loss)	1,563,845	(4,956,792)	(3,392,947)	(412,064)
Noncapital subsidies				
Intergovernmental	10,967	390,474	401,441	-
Transfers in	-	3,728,209	3,728,209	-
Total noncapital subsidies	10,967	4,118,683	4,129,650	-
Operating income (loss) and noncapital subsidies	1,574,812	(838,109)	736,703	(412,064)

NEW under GASB 103: Operating income (loss) and operating subsidies

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position (cont.)

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
Other nonoperating revenues (expenses):				
Investment earnings	276,191	10,819	287,010	139,530
Capital contributions	3,615	1,174,511	1,178,126	-
Loss on disposal of property	(2,278)	(88,031)	(90,309)	-
Interest expense	(446,820)	-	(446,820)	-
Total other nonoperating revenues (expenses)	(169,292)	1,097,299	928,007	139,530
Increase (decrease) in net position	1,405,520	259,190	1,664,710	(272,534)
Net position - beginning of year, as previously presented	22,824,003	9,378,935	32,202,938	4,035,613
Restatements	(11,109)	-	(11,109)	(9,361)
Net position - beginning of year, as restated	22,812,894	9,378,935	32,191,829	4,026,252
Net position - end of year	$ 24,218,414	$ 9,638,125	$ 33,856,539	$ 3,753,718
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.			(20,603)	
Changes in net position of business-type activities			$ 1,644,107	

Reconciliation to Business-Type Activities

- Same rules applicable to the reconciliation for the statement of position

Statement of Cash Flows

Statement of Cash Flows

- Focus
  - Cash and cash equivalents
- Cash
  - Cash on hand
  - Cash on deposit
  - Cash in restricted accounts
  - Position in a cash and investment pool that has the same characteristics as a demand deposit
    - Resources can be deposited or withdrawn without notice or penalty

Cash Equivalents

- Readily convertible to known amounts of cash *and*
- Matures within three months of acquisition
  - Narrower definitions permitted

Recognition of Cash Flows

- Issuance of a check or warrant
- Overdraft from pooled cash and investments
- Changes in the fair value of investments reported as cash equivalents

Do *Not* Recognize as a Cash Flow

- Proceeds of refunding bonds *placed directly* into escrow in a debt defeasance
- Bond proceeds *delivered directly* to a third-party grant recipient
- Donations of commodities
- Rollovers of certificates of deposit
- Changes in the fair value of investments *not reported* as cash equivalents

Gross vs. Net Reporting

- Gross reporting normally required
  - Exceptions:
    - Investments *not* classified as cash equivalents
    - Loans receivable
    - Debt
  - Qualify for net reporting if:
    - Due on demand (or mature within three months of acquisition) *and*
    - Large in amount and rapid turnover

Format

- Four categories
    1. Cash flows from operating activities
    2. Cash flows from noncapital financing activities
    3. Cash flows from capital and related financing activities
    4. Cash flows from investing activities
- Used differently than in private sector

NAME OF GOVERNMENT
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2027

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 8,898,450	$ 914,592	$ 9,813,042	$ 111,312
Receipts from interfund charges for transit services	-	8,000	8,000	-
Receipts from interfund charges for fleet management services	-	-	-	1,774,063
Receipts from interfund charges for risk management services	-	-	-	2,631,049
Receipt of customer deposits	1,215	-	1,215	-
Other receipts	133,423	-	133,423	-
Payments to suppliers and service providers	(4,355,973)	(4,939,960)	(9,295,933)	(3,996,418)
Payments to employees for salaries and benefits	(2,570,570)	-	(2,570,570)	(351,799)
Payments to other funds for services provided	(354,452)	(234,455)	(588,907)	-
Return of customer deposits	(5,915)	-	(5,915)	-
Net cash provided by (used for) operating activities	1,746,178	(4,251,823)	(2,505,645)	168,207
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	3,728,209	3,728,209	-
Operating grants	10,967	276,728	287,695	-
Net cash provided by noncapital financing activities	10,967	4,004,937	4,015,904	-

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bond anticipation notes	1,500,000	-	1,500,000	-
Connection fees	3,615	-	3,615	-
Capital grants and contributions	-	1,075,131	1,075,131	-
Acquisition and construction of capital assets	(863,678)	(843,151)	(1,706,829)	(639,405)
Principal paid on capital debt	(1,027,000)	-	(1,027,000)	-
Interest paid on capital debt	(448,474)	-	(448,474)	-
Proceeds from the sale of assets	20,450	22,694	43,144	-
Net cash provided by (used for) capital and related financing activities	(815,087)	254,674	(560,413)	(639,405)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(3,277,717)	-	(3,277,717)	(2,438,442)
Proceeds from sale of investments	2,989,249	-	2,989,249	2,407,638
Interest on investments	253,723	16,964	270,687	137,355
Net cash provided by investing activities	(34,745)	16,964	(17,781)	106,551
Net increase (decrease) in cash and cash equivalents	907,313	24,752	932,065	(364,647)
Cash, beginning of year (including $35,415 for the water fund reported in restricted accounts)	513,083	2,286,094	2,799,177	6,248,367
Cash, end of year (including $30,715 for the water fund reported in restricted accounts)	$ 1,420,396	$ 2,310,846	$ 3,731,242	$ 5,883,720

1. Cash Flows from Operating Activities

- Private-sector definition
  - Anything related to the operating *statement*
    - Including *nonoperating* items

	Operating revenue	$ 100
Less:	Operating expense	95
	Operating income	$ 5
	Nonoperating revenue	$ 3
Less:	Nonoperating expense	1
	Nonoperating income	$ 2
	Net increase (decrease)	$ 7

Operating Statement

Cash Flows from Operating Activities (cont.)

- Public-sector definition
  - Anything related to operating *income*
  - Residual category

	Operating revenue	$ 100	Operating Income
Less:	Operating expense	95	
	Operating income	$ 5	
	Nonoperating revenue	$ 3	
Less:	Nonoperating expense	1	
	Nonoperating income	$ 2	
	Net increase (decrease)	$ 7	

Practical Example – Interest Revenue

- Always a *cash flow from operating activities* in the private sector
  - Reported in the *operating* statement
- Rarely a *cash flow from operating activities* in the public sector
  - Normally reported as *nonoperating* revenue

Presentation of Cash Flow from Operating Activities

- By major categories of receipts and payments
  - Receipts from customers
  - Receipts for interfund services
  - Payments to suppliers of goods or services*
  - Payments to employees for services*
  - Payments for interfund services

*May not be combined (as in private sector)

Program Loans

- Normally loans are *not* classified as *cash flows from operating activities*

- Exception for *program loans*
  - Loans that benefit individual constituents and aim at promoting public policy goals rather than generating income or profit
    - Student loans, low-income housing loans
  - *Not* applicable to cash flows related to a borrowing used to finance a loan program

Cash Flows from Operating Activities

- Inflows
  - Cash sales of goods and services
  - Collections of receivables related to sales of goods and services
  - Collection of principal and interest on program loans
  - Collection of customer deposits

Cash Flows from Operating Activities

- Outflows
  - Payments to vendors
  - Payments to employees
  - Payments of benefits on behalf of employees
  - Liquidation of liabilities related to the provision of goods and services
  - Payment of taxes, duties, fines, fees, and penalties
  - Return of customer deposits
  - Program loans

2. Cash Flows from Noncapital Financing Activities

- Cash flows related to grants, taxes, transfers, and borrowings (including related interest expense) with *three exceptions*
  - *Inflows* from grants and taxes specifically received for capital construction, acquisition, or improvement,
  - *Inflows* from transfers received for capital construction, acquisition, or improvement, and
  - *Inflows and outflows* related to borrowings clearly attributable to capital construction, acquisition, or improvement

Clarification

- Amounts paid to allow *others* to construct, acquire, or improve their own capital assets are *noncapital* from the vantage point of the reporting unit that provides the resources
  - "Capital" grants to other governments properly classified as cash flows out from *noncapital* financing activities

Cash Flows from Noncapital Financing Activities

- Inflows
  - Debt proceeds other than from capital debt (including debt used to finance program loans)
  - Grants available for operating purposes
  - Transfers available for operating purposes
  - Taxes available for operating purposes

Cash Flows from Noncapital Financing Activities

- Outflows
  - Debt service on debt used for other than capital or related purposes
  - Grants to others (including capital grants)
  - Transfers to other funds (including transfers for capital or related purposes)

3. Cash Flows from Capital and Related Financing Activities

- Cash flows associated with the construction, acquisition, improvement, or disposal of capital assets
  - Note: in the private sector, capital-related cash flows are treated as cash flows from investment activities

Cash Flows from Capital and Related Financing Activities

- Inflows
  - Capital debt proceeds
  - Capital grant proceeds
  - Capital contributions
  - Transfers received for capital acquisition
  - Proceeds of the disposition of capital assets
  - Proceeds of capital-type special assessments
  - Taxes restricted for capital purposes or capital-related debt service

Cash Flows from Capital and Related Financing Activities

- Outflows
  - Debt service on capital-related debt
  - Payments related to the acquisition, construction, or improvement of capital assets

4. Cash Flows from Investing Activities

- Cash flows related to the purchase and sale of investments (including investment income) and the making and collection of loans (other than program loans)
  - Also miscellaneous interest revenues

- Note: In the private sector, cash flows related to capital assets are reported in this category

Cash Flows from Investing Activities

- Inflows
  - Loan collections (except for program loans)
  - Sales of investments
  - Interest received (except on program loans)
  - Increase in fair value of investments subject to fair value reporting and classified as cash equivalents

Cash Flows from Investing Activities

- Outflows
  - Loans made to others (except for program loans)
  - Purchase of investments
  - Decrease in fair value of investments subject to fair value reporting and classified as cash equivalents

Reconciliation

- Amounts to be reconciled
  - Statement of cash flows
    - *Cash flows from operating activities*
  - Statement of revenues, expenses, and changes in net position
    - *Operating income* in the statement of revenues, expenses, and changes in net position

- Location
  - Face of the statement of cash flows or
  - Accompanying schedule
    - Note disclosure is *not* sufficient

Reconciliation

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 1,563,845	$ (4,956,792)	$ (3,392,947)	$ (412,064)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	886,242	827,289	1,713,531	373,469
(Increase) decrease in accounts receivable	(422,135)	4,461	(417,674)	-
(Increase) in due from other funds	-	(12,000)	(12,000)	-
(Increase) in intergovernmental receivables	-	-	-	(17,747)
(Increase) decrease in inventories	-	35,948	35,948	(22,671)
(Increase) decrease in prepaid items	1,275	-	1,275	(37,823)
Decrease in pension related deferred outflows of resources	17,095	-	17,095	17,094
Decrease in OPEB related deferred outflows of resources	49,828	-	49,828	49,828
(Decrease) in deposits payable	(4,700)	-	(4,700)	-
(Decrease) increase in accounts payable	(304,273)	(76,480)	(380,753)	474,878
(Decrease) in amounts payable related to equipment purchases	(69,454)	-	(69,454)	-
(Decrease) in accrued liabilities	-	(3,623)	(3,623)	-
(Decrease) increase in compensated absences	(6,100)	-	(6,100)	17,729
(Decrease) in intergovernmental payable	-	(70,626)	(70,626)	-
(Decrease) in claims and judgments payable	-	-	-	(309,040)
(Decrease) in net pension liability	(24,992)	-	(24,992)	(24,994)
(Decrease) in net OPEB liability	(28,836)	-	(28,836)	(28,836)
(Decrease) in pension related deferred inflows of resources	(24,691)	-	(24,691)	(24,691)
Increase in OPEB related deferred inflows of resources	113,074	-	113,074	113,075
Total adjustments	182,333	704,969	887,302	580,271
Net cash provided by (used for) operating activities	$ 1,746,178	$ (4,251,823)	$ (2,505,645)	$ 168,207
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets	$ -	$ 213,126	$ 213,126	$ -
Purchase of machinery, equipment, and vehicles on account	69,454	-	69,454	-

Elements of Reconciliation

- Sales on credit
  - Increase operating income
  - No effect on cash flows
- Collection of receivables
  - No effect on operating income
  - Cash inflow

Elements of Reconciliation (cont.)

- Incurrence of payables and similar liabilities
  - Decrease in operating income
  - No cash flow
- Liquidation of payables and similar liabilities
  - No effect on operating income
  - Cash outflow

Elements of Reconciliation (cont.)

- Purchase of inventories
  - No effect on operating income
  - Cash outflow
- Consumption of inventories
  - Decrease operating income
  - No effect on cash flows

Elements of Reconciliation (cont.)

- Depreciation expense
  - Decrease operating income
  - No effect on cash flows

- Amortization expense
  - Decrease operating income
  - No effect on cash flows

- GASB 103: With the implementation of GASB 103, there are transactions that may be reported differently in the Statement of Revenue and Expense and Changes in Net Position versus the Statement of Cash Flows (the requirements for the cash flows statement did not change under GASB 103). If such occurs, this also needs to be reconciled.

Noncash Investing, Capital, or Financing Transactions

- Definition
  - Changes in the reported balance of an asset or liability that does not involve cash
  - A similar transaction involving cash would have been classified in a category other than *cash flows from operating activities*

- Example: Donation of a capital asset

Noncash Transactions

- Presentation options
  - Narrative
  - Tabular format
- Location
  - Face of the statement of cash flows
  - Accompanying schedule
- Single transaction involving both cash and noncash components
  - Provide information on noncash component
    - Example: Inception of a lease with an initial down payment, capital assets purchased on account (AP, retainage payable)

Information on Noncash Investing, Capital, or Financing Transactions

	Business-type Activities			Governmental Activities
	Water	Transit	Total Enterprise Funds	Internal Service Funds
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets	$ -	$ 213,126	$ 213,126	$ -
Purchase of machinery, equipment, and vehicles on account	69,454	-	69,454	-

Traceability of Cash and Cash Equivalents

- Traceability
  - “The total amounts of cash and cash equivalents at the beginning and end of the period shown in the *statement of cash flows should be easily traceable* to similarly titled line items or subtotals shown in the *statement of financial position* as of those dates.”
  - *Cash* must include amounts reported in restricted accounts, where it is not distinguished from noncash items

Traceability

- Four ways to meet requirement
- Assumptions:
  - $150 reported as *cash*
  - Another $6 of cash included in *restricted assets* ($25)

Traceability (cont.)

Option 1

- Report the portion of restricted assets that represents cash and cash equivalents as a *separate line item on the statement of position*

Cash	$150
Restricted assets	
Cash	$6
Investments	$19

Option 2

- Report the amount of cash and cash equivalents included as part of restricted assets parenthetically on the statement of position

Cash	$150
Restricted assets (includes $6 cash)	$25

Example (cont.)

Option 3

- Report the amount of cash and cash equivalents included as part of restricted assets *parenthetically on the statement of cash flows*

Ending cash (including $6 included in *restricted assets*)	$156

Option 4

- Provide a *reconciliation on the face of the statement of cash flows*

Ending cash - statement of cash flows	$156
Less: amount reported in *restricted assets*	($6)
Ending cash - statement of position	$150

Items to Reconcile

NAME OF GOVERNMENT
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2027

	Business-type Activities Water	Business-type Activities Transit	Business-type Activities Total Enterprise Funds	Governmental Activities Internal Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash provided by (used for) operating activities	1,746,178	(4,251,823)	(2,505,645)	168,207	A
Cash, end of year (including $30,715 for the water fund reported in restricted accounts)	$ 1,420,396	$ 2,310,846	$ 3,731,242	$ 5,883,720	B
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ 1,563,845	$ (4,956,792)	$ (3,392,947)	$ (412,064)	
Net cash provided by (used for) operating activities	$ 1,746,178	$ (4,251,823)	$ (2,505,645)	$ 168,207	A

NAME OF GOVERNMENT
Proprietary Funds
Statement of Net Position

	Water	Transit	Total Enterprise Funds	Internal Service Funds	
ASSETS					
Current Assets:					
Cash	1,389,681	2,310,846	3,700,527	5,883,720	
Investments	2,136,642	-	2,136,642	611,286	
Restricted assets-customer deposits	30,715	-	30,715	-	
Total Cash	$ 1,420,396	$ 2,310,846	$ 3,731,242	$ 5,883,720	B

Major Fund Reporting

- Same rules applicable as for other proprietary fund financial statements
  - Single column for each major enterprise fund
  - Single column for aggregated nonmajor enterprise funds
  - Single column for aggregated internal service funds

Proprietary Fund Statement of Cash Flows

Exercise

Answer Key

Flow type	Label
Operating	O
Noncapital financing	N
Capital financing	C
Investing	I

EXAMPLE 1	
Local City	
Proprietary Funds	
For the Year Ended December 31, 2027	
Cash Inflows and Cash Outflows	
	Enterprise Fund
	Water and Sewer
Capital contributions	$ 1,645,919
Interest and dividends	454,793
Operating transfers to other funds	(290,000)
Principal paid on capital debt	(2,178,491)
Other operating receipts (payments)	(2,325,483)
Interest paid on capital debt	(1,479,708)
Payments to other funds for internal activity	(1,296,768)
Proceeds from capital debt	4,041,322
Purchase of capital assets	(4,194,035)
Receipts from customers	
Inflows:	
Receivable (beginning of period)	17,684,312
Revenues of period	21,000,854
Subtotal inflows:	38,685,166
Netted against:	
Receivable (end of period)	(27,284,966)
Net cash inflow	11,400,200
Payments to suppliers	
Outflows:	
Payable (beginning of period)	734,929
Expenses of period	4,361,852
Subtotal outflows:	5,096,781
Netted against:	
Payable (end of period)	(2,371,432)
Net cash outflow	2,725,349
Payments to employees	
Outflows:	
Payable (beginning of period)	5,127,001
Expenses of period	3,319,267
Subtotal outflows:	8,446,268
Netted against:	
Payable (end of period)	(5,086,213)
Net cash outflow	3,360,055
Cash and Cash Equivalents - beginning of the year	$ 8,724,308
Cash and Cash Equivalents - end of year	

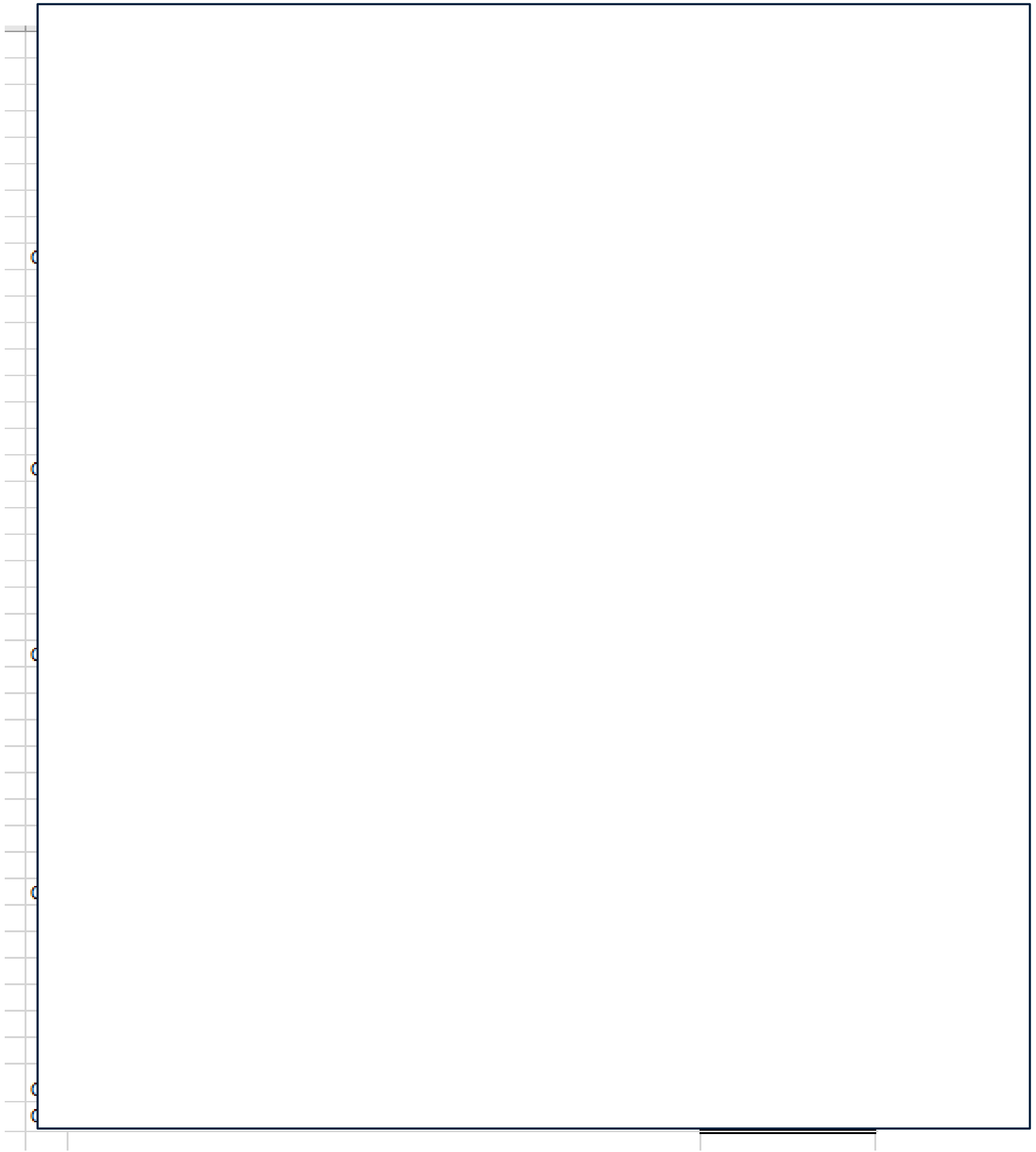
Answer Key

Answer Key

Flow type	Label
Operating	O
Noncapital financing	N
Capital financing	C
Investing	I

For the Year Ended December 31, 2027 **Cash Inflows and Cash Outflows** *(expressed in thousands)*	Higher Education Student Services
Transfers in from other funds	$ 596,492
Principal payments on long-term capital financing	(73,138)
Purchase of investment securities	(75,220)
Operating grants and donations received	19,562
Other operating receipts	145,176
Proceeds from sale of capital assets	26,557
Dividends and interest	2,877
Proceeds from long-term capital financing	222,456
Transfers out to other funds	(543,571)
Interest paid on capital debt	(93,623)
Proceeds from sale of investment securities	44,048
Acquisition of capital assets	(260,420)
Receipts from customers	
Inflows:	
Receivable (beginning of period)	5,687,662
Revenues of period	4,172,485
Subtotal inflows:	9,860,147
Netted against:	
Receivable (end of period)	(7,240,886)
Net cash inflow	2,619,261
Payments to suppliers	
Outflows:	
Payable (beginning of period)	2,134,619
Expenses of period	3,354,123
Subtotal outflows:	5,488,742
Netted against:	
Payable (end of period)	(4,332,959)
Net cash outflow	1,155,783
Payments to employees	
Outflows:	
Payable (beginning of period)	3,760,230
Expenses of period	3,919,267
Subtotal outflows:	7,679,497
Netted against:	
Payable (end of period)	(6,249,256)
Net cash outflow	1,430,241
Cash and Cash Equivalents - beginning of the year	$ 910,977
Cash and Cash Equivalents - end of year	

Answer Key



Identifying Component Units

GASB Framework Based on Accountability

- Financial accountability is always traceable to elected officials
- A governmental financial reporting entity includes
  - A primary government (PG)
  - Legally separate entities for which the primary government is financially accountable = Component units (CUs), if any

	Primary government
+	Component units
=	Financial reporting entity

What is a Primary Government?

- Every general-purpose government
- A special-purpose government, if it has (all):
  - A separate legal status
  - A separately-elected governing body, and
  - Fiscal independence – Does not require substantive approval from another government for its (any):
    - Budget,
    - Tax levies, rates, charges or contributions, or
    - Issuance of bonded debt (if this type of government is permitted to issue debt)

When is a Special Purpose Government a CU of a PG?

- If the PG is financially accountable for a legally separate entity, as demonstrated by
  - A combination of primary and secondary factors, or
  - The PG's majority equity interest in a potential component unit (PCU), other than as an investment; or
- If the PG's financial statements would be misleading if the PCU was omitted

Factors for Evaluating Financial Accountability

- Combination of primary and secondary factors
  - Board appointment or equivalent + financial benefit or burden relationship
  - Board appointment or equivalent + ability to impose will
  - Fiscal dependence + financial benefit or burden relationship

Primary Government (PG) Financial Accountability for a Component Unit (CU)

Board appointment or equivalent

\+ Ability to impose will

=

\+ Financial benefit or burden

=

Fiscal dependence

\+ Financial benefit or burden

=

Majority equity interest (non-investment)

=

Financial accountability

Primary Factor 1: Board Appointment Authority

- PG's appointments to the PCU's governing body (board) include
  - Appointments made by the PG's governing board or the PG's elected or appointed officials
  - Ex-officio service of officials/employees of the PG on the PCU's governing board

- Also
  - The PG's appointment authority must be *substantive*
  - The PG must appointment of a *voting majority* of the PCU's board
  - The PG must have *on-going appointment authority* or the ability to unilaterally abolish the PCU

Primary Factor 1: Board Appointment Authority Equivalent

- The PG is deemed to have board appointment authority if
  - The PCU does not have its own board, and
  - The PG performs the duties that a governing board typically would perform
- However, this equivalency does not apply to PCUs that are
  - Defined contribution (DC) pension plans
  - DC other postemployment benefit (OPEB) plans
  - DC other employee benefit plans (e.g., IRC Section 457 plans)

Primary Factor 2: Fiscal Dependence

- Fiscal dependence exists if substantive approval of the PG is needed by a PCU for one or more of the following
  - Budget adoption
  - Setting of tax levies rates, charges, or, for DB pension or OPEB (collectively, PEB) plans only, contributions
  - Issuance of bonded debt (if debt issuance is permitted for such entities)

Primary Factor: Fiscal Dependence (cont.)

- Purely ministerial (compliance) approvals, such as the following, do *not* constitute substantive approval
  - Approving/certifying that a debt issue is within debt margin
  - Approving/certifying that a local budget meets state funding and budget balance requirements
  - Approving/certifying that tax rates and levies are within limitations

Secondary Factor: Ability to Impose Will

- The PG has the ability to impose its will on a PCU, if the PG can (any)
  - Remove PCU's board members at will
  - Modify or approve the PCU's budget
  - Modify or approve rates or fees charged by the PCU
  - Veto, overrule, or modify decisions of the PCU's board
  - Appoint, hire, reassign, or dismiss persons responsible for day-to-day operations of the PCU, or
  - Has other similar authority

Secondary Factor: Financial Benefit or Burden Relationship

- A financial benefit or burden relationship with a PCU exists when a PG (or any of its CUs) has any of the following entitlements or obligations
  - Is legally entitled to, or can otherwise access, the PCU's resources
  - Is legally obligated, or has otherwise assumed the obligation, to finance the deficits of, or provide financial support to, the PCU
  - Is obligated in some manner for the debt of the PCU
  - Is legally obligated or has otherwise assumed the obligation to make contributions to a PCU that is a trusted DB PEB plan
  - Or has other, similar rights or obligations

Secondary Factor: Financial Benefit or Burden (cont.)

- Benefit
  - Excludes exchange and exchange-like transactions between a PG and a PCU
  - Excludes support provided when no obligation exists
  - Excludes a PG’s right to the PCU’s assets if the PCU dissolves
- Burden
  - Includes tax-increment financing

Misleading to Exclude

- Based on nature and significance of relationship with primary government
  - Organizations closely financially related to or financially integrated with the primary government
- Separate tax-exempt organizations
  - Direct benefit
  - Access to resources
  - Significance (individually)

Clarifications

- An entity may qualify as a potential component unit for more than one primary government, *however*
- An entity may only be reported as a component unit of one primary government

Knowledge Check

Component Units

Question 1

Conceptually, the scope of the financial reporting entity is based on:

A. Financial interrelatedness
B. Financial oversight
C. Accountability of elected officials
D. Assumption of risks and benefits

Question 2

Which of the following always would qualify as a *primary government*?

A. County
B. Municipality
C. School district
D. All of the above
E. Both A and B

Question 3

To qualify as a primary government, a special-purpose government must:

A. Have separate legal status
B. Have a separately elected governing body
C. Be fiscally independent
D. All of the above
E. Any of the above

Question 4

Which of the following would be evidence of a relationship of financial benefit or burden?

A. The primary government is the largest single customer of a potential component unit

B. The primary government is entitled to the assets of a potential component unit should it dissolve

C. The primary government uses tax-increment financing to support the potential component unit

Question 5

Which of the following is evidence of fiscal dependence?

A. Another government is responsible for determining the entity's compliance with a state balanced-budget law
B. The law prohibits all units of its type from issuing long-term debt
C. Another government must approve the unit’s budget
D. All of the above

Question 6

If a voting majority of the board members of a primary government automatically serve as board members for a defined benefit pension plan that is a potential component unit, the "board appointment" criterion would be met, even though the primary government had not literally "appointed" the unit's board.

A. True

B. False

Question 7

It is possible for a potential component unit to *meet the criteria* for *inclusion* as a component unit of more than one primary government

A. True

B. False

Question 8

It is possible for a single legally separate entity *to be reported* as a component unit of more than one primary government.

A. True

B. False

Question 9

To meet the “board appointment criterion,” the primary government must have:

A. Continuing appointment authority
B. The ability to unilaterally abolish the unit
C. Either A or B
D. Both A and B

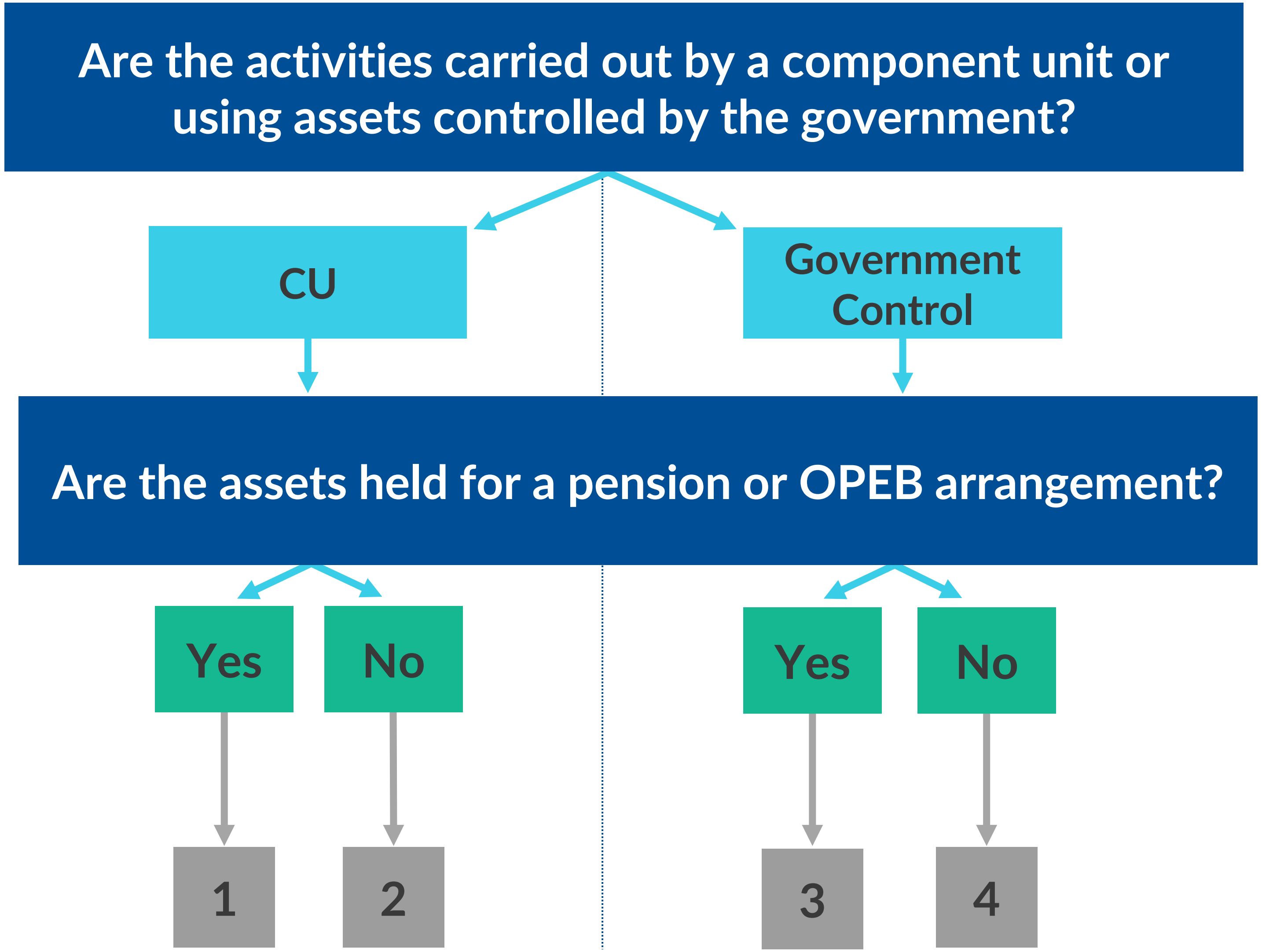
Fiduciary Activities

Fiduciary Activities

- Fiduciary = of, relating to, or involving a confidence or trust (Merriam-Webster Dictionary)

- Generally, a government's activities on behalf of specific individual or organizational beneficiaries, and that are not an integral part of its governmental or business-type activities

Identifying Fiduciary Activities



Four Paths in Flowchart

1. Fiduciary component units that are pension and other postemployment benefit (OPEB) arrangements
2. Fiduciary component units other than pension and OPEB arrangements
3. Pension and OPEB arrangements that are not component units
4. Other fiduciary activities

Component Units (CUs)

Primary Government Controls Assets

Path 1: Fiduciary Component Units – Postemployment Benefits (PEB)

- Meets component unit (CU) criteria of GASB 14
- Generally, fiduciary if it is one of the following arrangements:

Pension plan administered through a trust	OPEB plan administered through a trust	GASB PEB Trusts (Path 1 A)
Assets accumulated for pensions not in a trust from entities not part of the reporting entity	Assets accumulated for OPEB not in a trust from entities not part of the reporting entity	Non-Trusted PEB (Path 1 B)

Path 2: Fiduciary Component Units – Other Than PEB

- Meets component unit (CU) criteria of GASB 14
- Generally, fiduciary assets associated with the activity are:

Administered through a trust		GASB Other Fiduciary Trusts (Path 2 A)
Assets for the benefit of individuals not administered through a trust	Assets for the benefit of organizations or other governments not administered through a trust	Non-Trusted Other Fiduciary (Path 2 B)

Control of Assets (Path 3 and Path 4)

- Control of assets relevant to Government controls the assets of an activity if that government:
  - Holds the assets, or
  - Has the ability to direct the use, exchange, or employment of the assets

- Clarifications
  - Use – expends or consumes an asset for benefit of individuals, organizations, or other governments
  - Direct – designate a third party to perform a government's fiduciary duties without assuming them
    - Does not alter government's ability to direct the use, exchange, or employment of the assets
  - Control is not negated by
    - Purpose restrictions
    - Delegation of authority (third-party administrator)

Path 3: Pension and OPEB That Are Not CUs

- If not CU, pension and OPEB arrangements ARE fiduciary activities if the government **controls the assets** and is one of the following arrangements:

Pension plan administered through a trust	OPEB plan administered through a trust	GASB PEB Trusts (Path 3 A)
Assets accumulated for pensions not in a trust from entities **not** part of the reporting entity	Assets accumulated for OPEB not in a trust from entities **not** part of the reporting entity	Non-Trusted PEB (Path 3 B)

Path 4: Other Fiduciary Activities

- If not CU, other activities ARE fiduciary activities if the government controls the assets and is one of the following arrangements:

Administered through a trust	GASB Other Fiduciary Trusts (Path 4 A)
Assets for the benefit of individuals not administered through a trust; Assets for the benefit of organizations or other governments not administered through a trust	Non-Trusted Other Fiduciary (Path 4 B)

GASB Fiduciary Trusts

"PEB Trusts"

- Administered through trusts or equivalent arrangements where:
  - Contributions from employers and nonemployer contributing entities and earnings on those contributions are irrevocable
  - Plan assets are dedicated to providing pensions/OPEB to plan members in accordance with the benefit terms
  - Plan assets are *legally protected* from the creditors of the employers, nonemployer contributing entities, and, for DB plans, members.

"Other Fiduciary Trusts"

- Administered through trusts or equivalent arrangements where:
  - The government itself is not a beneficiary of the trust
  - Trust assets are *dedicated* to providing benefits to recipients in accordance with benefit terms
  - Trust assets are *legally protected* from the creditors of the government.

Source Restrictions for Fiduciary Activities

- If non-trusted and not PEB-related, to be fiduciary, a government's own activities (not CU) must be carried out using assets that the government *controls* and that are not its:
  - Own source revenue,
  - Government-mandated or voluntary non-exchange transactions
    - Except for pass-through grants for which the government does not have administrative or direct financial involvement

Own-Source Revenues

- Generated by a government itself
- Includes:
  - Exchange and exchange-like revenues (e.g., water charges, sewer charges)
  - Investment earnings
  - Derived tax revenues (e.g., sales taxes, income taxes)
  - Imposed nonexchange revenues (e.g., property taxes)

Administrative Involvement

- A government has administrative involvement if, for example, it:
  - Monitors compliance with the requirements* of the activity
  - Determines eligible expenditures*, or
  - Has the ability to exercise discretion in how assets are allocated
  - Sets fees

*Requirements established by the government or by a resource provider that does not directly benefit from the assets

Fiduciary Fund Accounting

Fiduciary Fund Types

- Four types
  1. Pension (and other employee benefit) trust fund
  2. Investment trust fund
  3. Private-purpose trust fund
  4. Custodial fund

Pension (and Other Employee Benefit) Trust Funds

- Fiduciary assets held in a GASB PEB trust or in a GASB other fiduciary trust
  - Administers employee benefits for members of the plan

Investment Trust Funds

- External investment pools
  - Criteria
    - Outside parties
    - Generation of income as objective
    - Sharing of investment earnings and losses
- Individual investment accounts
  - Investments held for specific outside parties
- Trust complies with Cod. Sec. 1300.134(c)

Private-Purpose Trust Funds

- All other trust activities
  - Trust complies with Cod. Sec. 1300.134(c)
- Escheat property
  - Only resources expected to be remitted to property owners
    - Balance reported directly as revenue of fund to which the resources escheat
  - Liability only for amounts due to specific property owners

Custodial Funds

- All other fiduciary activities not held in trust
- External portion of investment pool, not held in a qualifying trust
  - Portion held for parties outside of the government's financial reporting entity
  - Report in custodial fund but in separate column from other custodial funds
- Fiduciary activity assets held for pension and OPEB benefits, not in a qualifying trust
- Have a measurement focus
  - Reports all applicable financial statement elements
    - Assets, deferred outflows, liabilities, deferred inflows, net position, additions, and deductions

Liability Recognition

- Recognize liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources
- Liabilities, other than those to beneficiaries, should be recognized in accordance with existing accounting standards using the economic resources measurement focus

Fiduciary Fund Financial Statements

Basic Financial Statements

- Two basic financial statements
  - Statement of fiduciary net position
  - Statement of changes in fiduciary net position
- No statement of cash flows needed

Format

- Fund-type reporting
  - A fiduciary fund cannot be a major fund
- One column for each fund type
  - Pension (and other employee benefit) trust funds
  - Investment trust funds
  - Private-purpose trust funds
  - Custodial funds
- Total column is not necessary since data from fiduciary funds are not included in the government-wide financial statements

Fiduciary-Type Component Units

- Fiduciary-type component units are treated just like fiduciary funds
  - Aggregate with the primary government's fiduciary funds, by fund type

Statement of Fiduciary Net Position

Format

- Net position format

  Assets + deferred outflows

  Less: Liabilities + deferred inflows

  Net position

- Balance sheet format is not an option

- Assets and liabilities presented in their relative order of liquidity
  - Classified presentation is *not* an option

NAME OF GOVERNMENT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2027

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund	Custodial Funds	
				Bania Fund	External Investment Pool Fund
ASSETS					
Cash	$ 1,949,318	$ 16,635,601	$ 2,750	$ 229,936	$ 562,541
Investments:					
U.S. government and agency obligations	3,822,318	145,408,222	-	-	1,125,994
State and local obligations	424,354	-	-	-	356,444
Corporate bonds	2,654,365	-	-	-	-
Mutual funds	14,387,892	8,999,552	-	-	-
Certificates of deposit	-	1,000,000	66,379	-	-
Receivables	94,124	226,545	921	-	-
Total assets	23,332,371	172,269,920	70,050	229,936	2,044,979
LIABILITIES					
Accounts payable	11,683	30,450	-	-	5,688
Claims payable	74,121	-	-	-	-
Refunds payable	1,000	-	-	-	-
Due to local governments	-	-	-	138,183	-
Total liabilities	86,804	30,450	-	138,183	5,688
NET POSITION					
Restricted for:					
Pensions	21,948,529	-	-	-	-
Postemployment benefits other than pensions	1,297,038	-	-	-	-
Pool participants	-	172,239,470	-	-	-
Individuals and organizations	-	-	70,050	91,753	-
Other governments	-	-	-	-	2,039,291
Total net position	$ 23,245,567	$ 172,239,470	$ 70,050	$ 91,753	$ 2,039,291

Assets

- Level of detail for pension/other postemployment benefit (OPEB) plans
  - Report by major categories
    - Cash and cash equivalents
    - Receivables
      - By principal components
    - Investments
      - By principal components
    - Assets used in operations

Employer Receivable for Pensions/OPEB

- Basis for recognition for contributions receivable
  - Sufficient
    - Due pursuant to formal commitments
    - Due pursuant to statutory or contractual requirements
  - Insufficient
    - Existence of employer liability

Categories of Fiduciary Net Position

- Categories of net position

Fund Type	**Pension (& other employee benefit) trust funds**	**Investment trust funds**	**Private-purpose trust funds**	**Custodial funds**
Description of net position	Assets restricted for pensions Assets restricted for post-employment benefits other than pensions	Assets restricted for pool participants	Assets restricted for individuals, organizations, or other governments	Assets restricted for individuals, organizations, or other governments

Statement of Changes in Fiduciary Net Position

NAME OF GOVERNMENT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2027

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund	Custodial Funds	
				Bania Fund	External Investment Pool Fund
ADDITIONS					
Contributions:					
Employer	$ 2,694,121	$ -	$ -	$ -	$ -
Plan members	712,009	-	-	-	-
Private contributions	-	-	53,085	3,422,212	-
Total contributions	3,406,130	-	53,085	3,422,212	-
Investment earnings:					
Interest	434,402	2,074,433	3,663	7,224	532,125
Dividends	15,101	16,258	-	-	-
Net increase in the fair value of investments	2,600,278	1,102,404	83	-	231,223
Total investment earnings	3,049,781	3,193,095	3,746	7,224	763,348
Less investment expense	59,937	218,601	-	-	-
Net investment earnings	2,989,844	2,974,494	3,746	7,224	763,348
Total additions	6,395,974	2,974,494	56,831	3,429,436	763,348
DEDUCTIONS					
Benefits	3,082,382	-	-	-	-
Refunds of contributions	9,254	-	-	-	-
Administrative expenses	6,577	15,950	-	-	5,523
Purchases by inmates	-	-	42,810	-	-
Distributions to shareholders	-	1,149,741	-	-	753,258
Recipient payments	-	-	-	3,553,958	-
Total deductions	3,098,213	1,165,691	42,810	3,553,958	758,781
Net increase (decrease) in fiduciary net position	3,297,761	1,808,803	14,021	(124,522)	4,567
Net position - beginning	19,947,806	170,430,667	56,029	216,275	2,034,724
Net position - ending	$ 23,245,567	$ 172,239,470	$ 70,050	$ 91,753	$ 2,039,291

Example Additions

- Employer contributions
- Plan member contributions
- Other contributions
- Gifts and bequests
- Investment income

Example Deductions

- Benefits and refunds paid to plan members and beneficiaries
- Administrative expenses
- Distributions to shareholders
- Benefit payments to individuals
- Payment of sales tax to other governments

Statement of Changes in Fiduciary Net Position

- If, at time of receipt, resources held for three months or less
  - Option to report single aggregated totals for each
    - Additions
    - Deductions
  - Example – County collects and remits property taxes to other taxing bodies
    - Addition – *Property taxes collected for other governments*
    - Deduction – *Property taxes remitted to other governments*

Investment Activity

- Trust funds
  - Investment-related costs must be treated as a reduction of additions
- Postemployment benefit trust funds – report three elements
  - Net appreciation (depreciation) in the fair value of investments
  - Interest income, dividend income, and other income
  - Total investment expense*
    - Investment management fees, custodial fees, other significant investment-related costs

*Always reported separately

Investment Activity Example

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund	Private-purpose Trust Fund	Custodial Funds	
				Bania Fund	External Investment Pool Fund
ADDITIONS					
Contributions:					
Employer	$ 2,694,121	$ -	$ -	$ -	$ -
Plan members	712,009	-	-	-	-
Private contributions	-	-	53,085	3,422,212	-
Total contributions	3,406,130	-	53,085	3,422,212	-
Investment earnings:					
Interest	434,402	2,074,433	3,663	7,224	532,125
Dividends	15,101	16,258	-	-	-
Net increase in the fair value of investments	2,600,278	1,102,404	83	-	231,223
Total investment earnings	3,049,781	3,193,095	3,746	7,224	763,348
Less investment expense	59,937	218,601	-	-	-
Net investment earnings	2,989,844	2,974,494	3,746	7,224	763,348
Total additions	6,395,974	2,974,494	56,831	3,429,436	763,348

Reassignment of Employee Pension/OPEB Balances

- Sometimes an employee may change pension or OPEB plans by moving from one department or agency to another
  - Resulting movement of the employee's account balances is treated as a deduction from the former and an addition to the latter
    - *Not* a transfer

Knowledge Check

Fiduciary Activities

Question 1

Fiduciary funds should be reported by:

A. Major fund
B. Fund type
C. Both A and B

Question 2

Which of the following is a true statement concerning the presentation of fiduciary-type component units?

A. They should be reported in one or more separate columns at the far right of the fiduciary fund financial statements
B. They should be excluded from the fiduciary fund financial statements
C. They should be treated like a fiduciary fund of the primary government

Question 3

Which of the following would be reported as a fiduciary fund by a local government?

A. A state-administered pension plan for firefighters
B. An internal cash and investment pool
C. Both A and B
D. None of the above

Question 4

A county has established an investment pool to provide for the combined management of $900 of local government resources and $300 of its own resources. What amount, if any, should be reported in an investment trust fund?

A. $1,200
B. $900
C. $300
D. $0

Question 5

What amount should be reported as a liability to beneficiaries in a pension trust fund?

A. An amount equal to the assets reported in the fund
B. An amount equal to benefits actually due and payable to beneficiaries
C. An amount equal to the net present value of benefits earned to date by employees
D. Both B and C

Question 6

Which of the following arrangements could be reported as an investment trust fund?

A. A public-entity risk pool
B. Internal pooled cash and investments
C. All of the above
D. None of the above

Question 7

How are decreases in fiduciary funds properly described in the statement of changes in fiduciary net position?

A. Expenses
B. Deductions
C. Expenditures
D. Disbursements

Question 8

Which of the following fund types would be included in the statement of changes in fiduciary net position?

A. Pension (and other employee benefit) trust funds
B. Private-purpose trust funds
C. Investment trust funds
D. Custodial funds
E. All the above
F. A, B, and C

Question 9

Investment-related costs should be reported as part of:

A. Additions
B. Deductions

Funds, Component Units, & Government-Wide Financial Reporting

What's Included in the Basic Financial Statements?

- Government-wide financial statements
- Fund financial statements
  - Governmental funds
  - Proprietary funds
  - Fiduciary funds
- Disclosures
  - Summary of significant accounting policies (SSAP)
  - Note disclosures to the financial statements

Two Types of Accountability

- Operational accountability
  - Government-wide financial statements
    - Focus = Use and availability of resources to meet objectives
      - Current period and the foreseeable future
- Fiscal accountability
  - Fund financial statements
    - Focus = Compliance

Government-Wide Financial Statements

Governmental Activities	• Governmental Fund Financial Statements • General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Permanent Funds • Internal Service Funds that primarily serve Governmental Funds
Business-type Activities	• Enterprise Fund Financial Statements • Internal Service Funds that primarily serve Enterprise Funds
Fiduciary Funds	• Not Reported

Presentation of Component Units

- Based on relationship with primary government
  - Integral part of the primary government?
    - Treat component unit's funds as funds of the primary government = *Blending*
      - Exception = Reclassify general fund of the blended component unit as a special revenue fund
  - Not an integral part of the primary government?
    - Report together with but separately from the primary government
      - One or more columns to the right of the primary government's total column
- Not applicable to fiduciary-type component units
  - Final result, however, equivalent to "blending"

Component Units with Different Fiscal Year-Ends

- Component unit data to include:
  - Option 1
    - Most recently completed component unit fiscal year
  - Option 2
    - Next component unit fiscal year (if fiscal year-end is within three months of fiscal year-end of the primary government)

Criteria for Blending

- Any of the following situations:
  - Substantively the same governing body + financial benefit or burden
  - Substantively the same governing body + operational responsibility
  - Service or benefit (almost) exclusively to the primary government
  - Total debt repayable (almost) entirely from resources of the primary government
  - Primary government is sole corporate member of legally separate not-for-profit corporation
- Exclusion = Legally separate tax-exempt organizations
  - Discretely presented *(except if sole corporate member)*

How Funds are Combined for Blending

	Separate reporting		Reclassification	Reporting entity
Fund Type	**Primary government (as legally defined)**	**Blending component unit**	**Funds of blended component unit**	**Primary government**
General fund	1	1	-1	1
Special revenue	2	1	+1	4
Debt service	1	1		2
Capital projects	1			1
Enterprise	2			2
Total	**7**	**3**	**0**	**10**

Discretely Presented Component Units

- Statement of net position and statement of activities
  - Present in one or more columns to the right of the primary government total column
  - ~~Three~~ Two options
    1. Report all component units in a single column
    2. Report separate columns for each major component units, and a single column for all nonmajor in the aggregate
    3. ~~Report separate columns for each component unit~~

After 103 is implemented, display each major DPCU in a separate column on statements of net position and activities, ***if*** it does not reduce readability (i.e., not too crowded)

- Statement of cash flows is not needed for discretely presented component units

Presentation of Component Units

- Option 1 – Present all in one column

Primary government			Component units
Governmental activities	Business-type activities	Total	
$500	$100	$600	$115

  - If any CUs are major, then a combining statement identifying the major CUS in the Basic Financial Statements is required
  - If preparing an ACFR, a combining statement for the nonmajor CUs in the Supplementary Information is required

Presentation of Component Units

- Option 2 – Major CUs in separate columns

Primary Government			Component units		
			Major		Non-Major
Governmental activities	Business-type activities	Total	Unit 1	Unit 2	
$500	$100	$600	$50	$50	$15

  - If preparing an ACFR, a combining statement for the nonmajor CUs in the Supplementary Information is required

Source of Data for Discretely Presented Component Units

- Government-wide financial statements of those component units
  - Entity-wide total column
    - Primary government + discretely presented component units

Major Discretely Presented Component Units

- Criteria for identifying major component units:
  - Type of services it provides to citizens
  - Engaged in significant transactions with the primary government
  - Significant financial benefit or burden to primary government

Presentation of Major Discretely Presented Component Units

- Presentation of information on each major component unit (three options)

  1. Present each in a separate column

  2. Present a combining statement in the basic financial statements

  3. ~~Present condensed data in the notes to the financial statements~~

After 103 is implemented, presentation DPCU condensed financial statements in the notes no longer an option

Knowledge Check

Government-wide Reporting

Question 1

Which financial statements are especially well suited for demonstrating fiscal accountability?

A. Government-wide financial statements

B. Fund financial statements

Question 2

A primary government has a general fund and two special revenue funds. Its single blended component unit has a general fund and three special revenue funds. How many special revenue funds would be reported by the financial reporting entity?

A. Two
B. Three
C. Five
D. Six

Question 3

The “(almost) exclusive service or benefit” criterion is only applicable in situations where the primary government and a component unit share substantively the same board.

A. True

B. False

Question 4

What is the minimum number of columns that would need to be presented on the face of the financial statements for seven discretely presented component units if just two were considered to be major units?

A. One
B. Three
C. Seven

Question 5

From which column of a component unit's government-wide financial statements should data be drawn for inclusion in the financial statements of the financial reporting entity?

A. Primary government total column
B. Entity-wide total column
C. Either A or B

Interfund Activity

Categories of Interfund Activity

- Reciprocal (exchange/exchange-like transactions)
  1. Interfund loans
  2. Interfund services provided and used

- Nonreciprocal (nonexchange transactions)
  3. Interfund transfers
  4. Interfund reimbursements

Reciprocal - 1. Interfund Loans

- Payments made to others with the expectation of repayment
  - Repayment <u>not</u> expected in a reasonable time?
    - Reclassify as transfer
- Treatment
  - Lender – Report receivable
  - Borrower – Report payable

Journal Entries for Interfund Loans

	DR	CR
General fund:		
Interfund receivable – enterprise fund	$100	
Cash		$100
(Short-term loan)		
Enterprise fund:		
Cash	$100	
Interfund payable – general fund		$100
(Short-term loan)		

Reciprocal - 2. Interfund Services Provided and Used

- Payments for goods provided or services rendered
  - Payments related to programmatic activity
    - Water billings vs. overhead allocation
- Treatment
  - Seller = Report receivable + revenue
  - Buyer = Report payable + expense/expenditure

Journal Entries for Interfund Services Provided and Used

	DR	CR
General fund:		
Expenditures – parks department	$100	
Due to other funds – water fund		$100
(Purchase of water)		

	DR	CR
Water fund:		
Due from other funds – general fund	$100	
Revenue – intragovernmental		$100
(Sales revenue – water)		

Nonreciprocal - 3. Interfund Transfers

- Subsidies
  - Including loans without expectation of repayment in a reasonable period
- Treatment
  - Provider – Report *transfer out*
  - Recipient – Report *transfer in*

Journal Entries for Interfund Transfers

	DR	CR
General fund:		
Other financing uses – transfers out – transit fund	$100	
Cash		$100
(Annual subsidy)		

	DR	CR
Transit fund:		
Cash	$100	
Transfers in – general fund		$100
(Annual subsidy)		

Nonreciprocal - 4. Interfund Reimbursements

- Repayment from other funds of amounts paid on their behalf
  - Allocation of overhead
  - Combined payments to vendors for goods and services to multiple funds
  - Combined receipts of taxes, fees or grant revenue due to multiple funds

- Treatment of reimbursements
  - Recipient of repayment – Reduction of expense/expenditure
  - Fund making repayment – Expense/expenditure
  - Fund that collected combined receipts – Reduction of revenue*
  - Fund entitled to receipts – Revenue*

* Based on circumstances, might alternatively be unearned revenue or deferred inflows of resources

Interfund Reimbursement Example

- All departments and programs order office supplies using a city-wide purchasing contract with a vendor
- All invoices from the vendor are paid initially out of the general fund, and then other funds reimburse the general fund for the supplies they ordered and received
- Reimbursements take place periodically. If a reimbursement is not made prior to FYE, the interfund balance is reported.

Journal Entries for Interfund Reimbursements

	DR	CR
General fund:		
Expenditure – general government	$100	
Cash		$100
(Purchase of supplies)		
Due from other funds – special revenue fund	$25	
Expenditure – general government		$25
(Reimbursement due)		
Special revenue fund:		
Expenditures	$25	
Due to other funds – general fund		$25
(Purchase of supplies)		

Journal Entries for Interfund Reimbursements (cont.)

	DR	CR
General fund		
Cash	$100	
Due from other funds – special revenue fund		$100
(Receipt for interfund balance)		
Special revenue fund		
Due to other funds – general fund	$100	
Cash		$100
(Payment for interfund balance)		

Transfers of Capital Assets

- Two rules

1. Transfers must equal
    - *Transfers in = Transfers out*

2. A capital asset can never change value as a result of movement within the financial reporting entity

Challenge 1: Difference in Measurement Focus

- Governmental funds
  - ***Do not*** report capital assets
- Proprietary funds
  - ***Do*** report capital assets

Practical Result

- Transfers of capital assets between governmental funds and proprietary funds cannot "balance"
  - Governmental funds ***cannot report***
    - The receipt of a capital asset
    - The disposal of a capital asset
  - Proprietary funds ***must report***
    - The receipt of a capital asset
    - The disposal of a capital asset

Solution

- Proprietary funds
  - Receipt of capital asset from governmental fund = *Capital contribution* (<u>not</u> *transfer in*)
  - Contribution of capital asset to governmental fund = *Loss on disposal* (<u>not</u> *transfer out*)
- Governmental funds
  - Nothing to report in either direction

Transfer of Capital Asset from General Fund to Enterprise Fund

Fund level

General fund (no JE)

Enterprise fund

	DR	CR
Capital asset	$ 130	
Accumulate depreciation		$ 30
Capital contribution		100

(Receipt of general government capital asset)

Transfer of Capital Asset from General Fund to Enterprise Fund (cont.)

Government-wide level

Governmental activities

	DR	CR
Accumulated depreciation	$ 30	
Transfer out	100	
Capital asset		$ 130

(Transfer of capital asset to enterprise fund)

Business-type activities

	DR	CR
Capital contribution	$ 100	
Transfer in		$ 100

(Transfer of general government capital asset)

Transfer of Capital Asset from Enterprise Fund to General Fund

Fund level

General fund (no JE)

Enterprise fund

	DR	CR
Accumulated depreciation	$ 30	
Non-operating expense- loss on disposal	100	
Capital asset		$ 130

(Donation of capital asset to general government)

Transfer of Capital Asset from Enterprise Fund to General Fund (cont.)

Government-wide level

Governmental activities

	DR	CR
Capital asset	$ 130	
Accumulated depreciation		$ 30
Transfer in		100

(Transfer of capital asset from enterprise fund)

Business-type activities

	DR	CR
Transfer out	$ 100	
Non-operating expense- loss on disposal		$ 100

(Transfer of general government capital asset)

Government-Wide Financial Statements

- Single measurement focus and basis of accounting
  - Both governmental activities and business-type activities report capital assets
    - Therefore transfers of capital assets would balance

- Result
  - Enterprise fund financial statements
    - Capital contribution/loss on disposal
  - Government-wide financial statements
    - Transfers in/transfers out

Challenge 2: Internal Sales of Capital Assets at Acquisition Value

- Asset value = Carrying value
- If carrying value < acquisition value
- How to treat the difference?

Example

- Enterprise Fund A sells equipment to Enterprise Fund B at acquisition value
- Carrying value:

Historical cost	$	100
Accumulated depreciation		(30)
Carrying value	$	70

- Acquisition value = $90

Internal Sale of Capital Asset at Acquisition Value (Between Enterprise Funds)

Enterprise fund A

	DR	CR
Cash	$ 90	
Accumulated depreciation	30	
Equipment		$ 100
Transfer in		20

(Sale of capital asset to another fund)

Enterprise fund B

	DR	CR
Tranfer out	$ 20	
Equipment	100	
Accumulated depreciation		$ 30
Cash		90

(Purchase of capital asset from another fund)

Example

- General Fund sells equipment to Enterprise Fund at acquisition value
- Carrying value:

Historical cost	$	100
Accumulated depreciation		(30)
Carrying value	$	70

- Acquisition value = $90

Internal Sale of Capital Asset at Acquisition Value (Between General Fund & Enterprise Fund)

Fund level

General fund

	DR	CR
Cash	$ 90	
Transfer in		$ 20
OFS - Sale of capital asset		70

(Sale of capital asset to another fund)

Enterprise fund

	DR	CR
Transfer out	$ 20	
Equipment	100	
Accumulated depreciation		$ 30
Cash		90

(Purchase of capital asset from another fund)

Internal Sale of Capital Asset at Acquisition Value (Between General Fund & Enterprise Fund) (cont.)

Government-wide level

Governmental activities

	DR	CR
OFS - Sale of capital asset	$ 70	
Accumulated depreciation	30	
Equipment		$ 100

(Sale of capital asset to another fund)

Business-type activities (no additional JE needed)

Activity Involving *Discretely* Presented Component Units

- *Transactions vs. interfund activity*
  - Subsidies received = Revenue
    - *Not* transfer in
  - Subsidies provided = *Expense/expenditure*
    - *Not* transfer out

Knowledge Check

Interfund Activity

Question 1

How would the general fund classify the billing of other funds for their proportionate share of general government overhead?

A. Interfund services provided and used
B. Interfund reimbursements
C. Interfund transfers
D. Either A or B

Question 2

How would a fund that provided programmatic services to another fund classify its billing of the other fund for those services?

A. Interfund services provided and used
B. Interfund reimbursements
C. Interfund transfers
D. Either A or B

Question 3

How would the general fund classify its annual subsidy to a water utility?

A. Interfund transfers
B. Revenue and expenditure/expense
C. Either A or B

Question 4

Which of the following would be reported as a *transfer*?

A. A capital asset is moved from *governmental activities to business-type activities*

B. A capital asset is moved between two proprietary funds

C. A capital asset associated with the operations of a governmental fund is moved to an enterprise fund

D. All of the above

E. Both A and B

Question 5

A discretely presented component unit pays $100 (acquisition value) for a capital asset of the primary government with a carrying value of $60. At what amount would the component unit report the newly acquired asset?

A. $100

B. $60

Government-Wide Financial Statements

Financial Statements

Type of financial statement	Private-sector business	Governmental Funds	Proprietary funds	Government-wide reporting
Statement of position	Balance sheet	Balance Sheet	Statement of net position	Statement of net position
Statement of resource flows – accrual basis	Operating statement	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, & changes in net position	Statement of activities
Statement of resource flows – cash basis	Statement of cash flows	N/A	Statement of cash flows	N/A

Scope

- Include
  - Governmental funds
  - Proprietary funds
  - Non-fiduciary component units
- Exclude
  - Fiduciary funds
  - Fiduciary component units

Government-Wide Statement of Net Position

Format Options

- Net position format *(preferred)*:

Assets	$ 97	
Deferred outflows of resources	3	
Subtotal		$ 100
Liabilities	$ (30)	
Deferred inflows of resources	(2)	
Subtotal		$ (32)
Net position		$ 68

- Balance sheet format:

Assets	$ 97	
Deferred outflows of resources	$ 3	
Total assets and deferred outflows of resources		$ 100
Liabilities	$ 30	
Deferred inflows of resources	$ 2	
Net position	$ 68	
Total liabilities, deferred inflows of resources, and net position		$ 100

Presenting Assets and Liabilities

- Relative order of liquidity, *or*
- Classified presentation
  - Current
  - Noncurrent
- Either presentation is acceptable

Illustration – Relative Order of Liquidity Approach

Assets	Total	Current portion	Noncurrent portion	Average maturity
Type A	$100	$ 80	$ 20	3 months
Type B	$150	$125	$ 25	5 months
Type C	$200	$ 60	$140	15 months
Total	$450	$265	$185	9 months

A statement of net position prepared using the relative order of liquidity approach would present just three lines, as follows:

Assets:	
Type A	$100
Type B	150
Type C	200
Total assets	$450

Illustration – Relative Order of Liquidity Approach Additional Requirement

- Additional requirement for liabilities with an average maturity *in excess of one year*

Liabilities	Total	Due within one year	Due in more than one year	Average Maturity
Type A	$100	$80	$20	3 months
Type B	$150	$125	$25	5 months
Type C	$200	$60	$140	15 months
Total	$450	$265	$185	9 months

- Report together but disclose components

Liabilities:		
Type A		$100
Type B		150
Type C		
Due within one year	$ 60	
Due in more than one year	140	
		200
Total liabilities		$450

Illustration – Classified Presentation Approach

Assets	Total	Current portion	Noncurrent portion	Average maturity
Type A	$100	$ 80	$ 20	3 months
Type B	$150	$125	$ 25	5 months
Type C	$200	$ 60	$140	15 months
Total	$450	$265	$185	9 months

In contrast, a statement of net position presented using the classified approach would report six lines:

Current assets:	
Type A	$ 80
Type B	125
Type C	60
Total current assets	$265
Noncurrent assets:	
Type A	$ 20
Type B	25
Type C	140
Total non-current assets	$185
Total assets	$450

Activity Columns

- Governmental fund data
  - Incorporated into *governmental activities*
- Enterprise fund data
  - Incorporated into *business-type activities*
- Internal service fund data
  - Incorporated into activity of predominant customers

Primary Government Total Column

- Consolidated
  - Receivables and payables between *governmental activities* and *business-type activities* must be netted

	Governmental activities	Business-type activities	Primary government total
Internal balances	$100	($100)	$0

Discretely Presented Component Units

- Reporting on the government-wide financial statements options after GASB 103
  - Single column for aggregate of all DPCUs
    - Combining statement will be required to identify major component units, if any
  - Separate column for each major discretely presented component unit (DPCU), one column for aggregate of all other component units.

Optional Presentations

- Total column for reporting entity
  - Extra eliminations required
- Comparative data

Optional

NAME OF GOVERNMENT
Statement of Net Position
June 30, 2027

	Primary Government			Component Units		Entity-wide Total
	Governmental Activities	Business-type Activities	Total	Urban Renewal Agency	Cable Television	
ASSETS						
Cash	$ 20,274,543	$ 3,700,527	$ 23,975,070	$ 195,647	$ 462,992	
Investments	22,119,677	2,136,642	24,256,319	-	-	
Restricted assets-customer deposits	-	30,715	30,715	-	-	
Receivables (net of allowance for uncollectibles)	10,559,689	4,203,602	14,763,291	3,000	273,328	
Intergovernmental receivable	4,115,528	877,295	4,992,823	-	-	
Lease receivable	301,773	-	301,773	-	-	
PPP receivable	2,364,241	-	2,364,241	-	-	
Due from component unit	32,615	-	32,615	-	-	
Internal balances	(271,951)	271,951	-	-	-	
Inventories	829,294	117,581	946,875	-	-	
Prepaids	86,551	-	86,551	-	2,266	
Capital assets not being depreciated	59,937,290	7,275,183	67,212,473	6,601,630	-	
Capital assets, net of accumulated depreciation/ amortization	227,980,140	32,703,092	260,683,232	-	206,426	
Total assets	348,329,390	51,316,588	399,645,978	6,800,277	945,012	
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	8,176,794	90,303	8,267,097	-	-	
OPEB related	2,006,240	8,435	2,014,675	-	-	
Deferred amount on refunding	726,762	-	726,762	-	-	
Total deferred outflows of resources	10,909,796	98,738	11,008,534	-	-	

NAME OF GOVERNMENT
Statement of Net Position
June 30, 2027

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Urban Renewal Agency	Cable Television
LIABILITIES					
Accounts payable and other accrued liabilities	8,125,536	1,636,781	9,762,317	5,801	31,260
Contracts and retainage payable	2,199,240	24,937	2,224,177	-	-
Accrued interest payable	716,657	143,219	859,876	-	-
Deposits payable	18,367	30,715	49,082	16,218	11,260
Intergovernmental payable	-	28,547	28,547	-	-
Due to primary government	-	-	-	32,615	-
Bond anticipation notes payable	6,905,200	1,625,000	8,530,200	-	-
Revenue anticipation note payable	-	-	-	4,000,000	-
Unearned revenues	2,317,521	2,192,549	4,510,070	-	150,000
Long-term liabilities:					
Due within one year:					
Total pension liability - non-funded plan	1,341,542	-	1,341,542	-	-
Bonds, notes, leases, subscriptons, claims, compensated absences	8,077,380	962,188	9,039,568	-	1,050
Due in more than one year:					
Net pension liability - actuarially funded	37,393,283	777,652	38,170,935	-	-
Total pension liability - non-funded plan	10,161,092	-	10,161,092	-	-
Net OPEB liability	38,754,055	489,231	39,243,286	-	42,000
Bonds, notes, leases, subscriptons, claims, compensated absences	85,936,983	9,153,207	95,090,190	-	1,216
Total liabilities	201,946,856	17,064,026	219,010,882	4,054,634	236,786
DEFERRED INFLOWS OF RESOURCES					
Lease related	303,578	-	303,578	-	-
PPP related	2,929,873	-	2,929,873	-	-
Pension related	1,749,441	5,387	1,754,828	-	-
OPEB related	7,507,647	229,423	7,737,070	-	-
Total deferred inflows of resources	12,490,539	234,810	12,725,349	-	-

NAME OF GOVERNMENT
Statement of Net Position
June 30, 2027

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Urban Renewal Agency	Cable Television
NET POSITION					
Net investment in capital assets	204,208,178	28,829,549	233,037,727	6,601,630	206,426
Restricted for:					
Debt service	1,045,320	-	1,045,320	-	-
Housing services	625,881	-	625,881	-	-
Law enforcement	376,200	-	376,200	-	-
Wheelchair accessibility	-	257,452	257,452	-	-
Community redevelopment:					
Expendable	4,177,496	-	4,177,496	-	-
Nonexpendable	10,000	-	10,000	-	-
Other purposes	53,573	-	53,573	-	-
Unrestricted (deficit)	(65,694,857)	5,029,489	(60,665,368)	(3,855,987)	501,800
Total net position	$ 144,801,791	$ 34,116,490	$ 178,918,281	$ 2,745,643	$ 708,226

Presentation of Capital Assets

- At a minimum, depreciating and non-depreciating assets should be presented on separate lines

Capital assets:	
Land and construction in progress	$2,200
Depreciable buildings, machinery, and improvements	700

Net Position

- Three components
  1. Net investment in capital assets
  2. Restricted net position
  3. Unrestricted net position

- Focus on *degree to which there are constraints on purposes for which amounts can be spent*

Net Investment in Capital Assets Calculation

Capital assets (both tangible and intangible)

Less: Accumulated depreciated/amortization

Less: Outstanding principal of capital-related borrowings related to the government's own capital assets (limited to proceeds expended for capital purposes and *excluding* unspent proceeds) ("outstanding capital-related debt")

Less: Debt used to refund capital-related borrowings

Less: Any other (non-debt) capital-related liabilities as of fiscal year end, including accounts payable and retainage payable

Less Original issue premiums on outstanding capital-related debt

Less: Capital-related deferred inflows of resources (such as a gain on refunding of outstanding capital-related debt)

Plus: Original issue discounts on outstanding capital-related debt

Plus: Capital-related deferred outflows of resources (such as a loss on refunding of outstanding capital-related debt)

Equals: Net investment in capital assets

Net Investment in Capital Assets

- Include
  - All of the government's own capital assets (tangible and intangible), even if acquired without borrowing
  - Debt used to construct, develop, acquire, or improve a government's own capital asset (including any related premiums or discounts)
  - Unamortized deferred inflows of resources arising directly from the acquisition or improvement of the government's capital asset
- Exclude
  - Amounts related to debt proceeds not yet expended
  - Borrowings within the primary government
  - Borrowings related to capital assets of another government
  - Proceeds applied for noncapital purpose, i.e., debt service "reserve fund" or issuance costs

Net Investment in Capital Assets (cont.)

- If capital-related debt is later refunded, refunding debt assumes capital-related character
  - Deferred resource flows (deferred “gains” and “losses”) from refunding are also capital and are included in the calculation
- It is possible for the net investment in capital assets to be a *negative number*

Example

- Assumptions
  - $20,000 bonds issued
    - $500 used to fund debt service reserve account and issuance costs
  - Spending through completion of project

	Capitalized Assets	Expenditures not capitalized	Total
Year 1	$ 7,500	$100	$ 7,600
Year 2	9,800	50	9,850
Year 3	2,000	50	2,050
	$19,300	$200	$19,500

Calculation of Capital-Related Debt

The amount of capital-related debt for each of these years would be calculated as follows:

	Year 1	Year 2	Year 3
Beginning Balance of capital-related debt	$ 0	$ 7,600	$17,450
Capitalized project spending	7,500	9,800	2,000
Noncapitalized project spending (non significant)	100	50	50
Ending balance capital-related debt	$7,600	$17,450	$19,500

Recap

- Capital-related debt

Recap:

Net carrying value of debt	$20,000
Less: amount applied to noncapital purposes	(500)
Total capital-related debt	$19,500

Associating Capital Assets With Borrowings

- Borrowing must be in same column as the capital asset
  - General government capital asset + general government debt
  - Business-type activity capital asset + business-type activity debt

Example 1

- Taxpayer-supported debt
  - Governmental activities
- Used to acquire enterprise fund asset
  - Business-type activities
- Capital-related debt only in primary government total column

Governmental activities	Business-type activities	Primary government total
Taxpayer-supported borrowing	Capital asset	Capital asset + borrowing

Example 1

	Governmental activities	Business-type activities	Primary government Total
Capital assets	-	1,000	1,000
Debt	900		900
Net Investment in Capital Assets	-	1,000	100

n NICA

d, thus, the amount included in NICA

- Primary government NICA amount would include both the capital asset and the capital-related debt

Example 2

- Debt of the primary government
- Used to acquire capital asset for discretely presented component unit
- Capital-related debt only in entity-wide total column (if presented)

	Primary government total	Component Unit	Entity-wide total
Capital assets	-	2,000	2,000
Debt	1,500		1,500
Net Investment in Capital Assets	-	2,000	500

Capital Assets

- Capital assets that are *not* reported
  - GASB Statement Number 34
    - Governments have the option not to capitalize (report) some assets (e.g. infrastructure acquired or constructed prior to June 30, 1980)
      - Debt related to such capital assets should still be considered “capital-related debt”
- If no related borrowings
  - Do not describe as “net”
    - Investment in capital assets

Restricted Net Position

- Formula:

  Restricted resources (assets)

  Less: Related liabilities and deferred inflows of resources

  Restricted net position

- Related liabilities
  - Liabilities that will be repaid from restricted resources
    - Exclusive of capital-related debt, which is always included as part of *net investment in capital assets*
  - Liabilities that provided restricted resources

- Restricted = externally enforceable limitations on use
  - Parties outside of government (grantors, donors, or other governments)
  - Includes constitutional provisions and enabling legislation

When is a Liability/Deferred Inflow Related to Restricted Assets?

- Liability/deferred inflow of resources resulted from the same flow of resources that produced the restricted asset
  - Liability to grantor for unspent portion of an advance
- Asset must be used to repay the liability*

* Exclusive of capital-related borrowings, which are always included as part of the calculation of *net investment in capital assets*

Restrictions Must Be Substantive

- Governmental activities
  - Purpose narrower than governmental activities
    - Fire protection grant restricted
      - Purpose narrower than governmental activities
- Business-type activities
  - Purpose narrower than individual enterprise fund
  - Total amount reported as *restricted net position* in the business-type activities column should equal the sum of the amounts reported in the *enterprise fund* financial statements
- *Always* a positive balance
- Flow assumptions may be necessary

Example: Restrictions in Governmental Activities vs. BTA

Resources limited to spending on:	Governmental Activities / Transit Special Revenue Fund	Business-type Activities / Transit Enterprise Fund
Any transit purpose	Restricted	Unrestricted
Light-rail transit	Restricted	Restricted

Assets Accumulated for Capital Purposes

- Unexpended assets restricted for capital purposes should be included as part of the calculation of *restricted net position*
  - Not a capital asset until expended

Clarifications

- Neither *restricted net position* in total, nor any subcategory of *restricted net position*, could ever report a negative balance

- A flow assumption is needed if a government plans to use both restricted and unrestricted resources for the same purpose

Restricted Net Position Detail

- Distinguish expendable and nonexpendable portions (if a portion is nonexpendable)
- Display major categories in meaningful detail *on the face* of the government-wide statement of net position
  - Note disclosure is *not* sufficient

Unrestricted Net Position

- Residual category
- Includes borrowings used to finance capital grants *to others*
- Includes long-term borrowings *within the primary government*

Calculation of Net Investment in Capital Assets

Exercise

Assumptions

- Example of annual comprehensive financial report
- Assumptions
  - Calculate the net investment in capital assets for each example's *governmental activities only*
  - Use the supporting documentation from each example's annual comprehensive financial report (Statement of Net Position and notes to the financial statements) for the calculation
  - Use Net Investment in Capital Assets Calculator (Excel worksheet)
  - Assume all *outstanding deferred inflows/deferred outflows of resources* related to the refunding of debt are capital-related

Net Investment in Capital Assets of a Reporting Unit[a]

	$
All capital assets of the reporting unit (both tangible and intangible)	
Less: Accumulated depreciation/amortization on those assets	
Net carrying value of capital assets (may be entered directly instead of entering above)	-
Less:	
● Outstanding principal of capital debt and other capital borrowings[b] of the reporting unit (only that pertaining to the reporting unit's own capital assets), limited to the portion of the debt of which proceeds were expended for capital purposes[c] and excluding unspent proceeds ("capital-related debt")	-
● Outstanding principal balance of debt and other borrowing used to refund capital-related debt, including *refundings of* refundings of capital-related debt, etc. ("capital refunding debt")	-
● Outstanding principal balance of any other capital-related liabilities as of fiscal year end, such as accounts payable and retainage payable for for capital purposes	-
● Unamortized balance of original issue premiums on outstanding capital-related debt, including outstanding capital refunding debt	-
● Unamortized balance of capital-related deferred inflows of resources, such as from "gains" on a refunding of capital-related debt and capital refunding debt, or those arising from the acquisition of a capital asset through a conduit debt associated arrangement or through a service concession arrangement or other public-private or public-public partnership	-
Plus:	
● Unamortized balance of original issue discounts on outstanding capital debt	-
● Unamortized balance of capital-related deferred outflows of resources, such as from "losses" on refunding of outstanding capital debt	-
Equals: Net investment in capital assets of the reporting unit	-

Calculation of Net Investment in Capital Assets

Notes		Explanations (not definitions)
a	Reporting unit:	Generally, a column in basic financial statements represents a reporting unit
		Liabilities and deferred resource flows pertaining specifically to the capital assets reported in the same column are relevant to the calculation
b	Capital debt & other Capital borrowings:	Includes only debt and other borrowings of the reporting unit from which the proceeds were used for capital purposes resulting in capital assets of the same reporting unit. All successor borrowings of the reporting unit that refinance earlier borrowings from which the proceeds were used for capital purposes
c	Capital purposes:	Construction, development, acquisition or improvement of capital assets of the reporting unit

Where to Find the Necessary Information?

1. Information on the carrying value of the capital assets?
   - Face of the statement of net position; capital asset note disclosure
2. Information on capital-related debt?
   - Debt note disclosures
3. Information on premiums and discounts from capital-related debt?
   - Debt note disclosures
4. Information on capital-related liabilities, other than debt?
   - Retainage payable; accounts payable

Where to Find the Necessary Information? (cont.)

5. Information on deferred outflows of resources and deferred inflows of resources from refinancing of capital-related debt?
   - Face of the statement of net position, and the long-term liabilities note disclosures
6. Information on deferred inflows of resources from capital asset acquisition through certain arrangements (conduit debt associated arrangements and PPPs)?
   - Face of the statement of net position, and note disclosures
7. Information on unspent bond proceeds of capital-related debt?
   - Restricted cash and investments reported in capital projects fund; also consider amount of proceeds not spent on capital assets in debt service reserve funds.

Example 1

Statement of Net Position - Assets

Page 1 of exercise handout

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 11,349,919	$ 5,680,573	$ 17,030,492
Receivables (Net Where Applicable of Allowance for Uncollectibles)			
Property Taxes	3,961,988	-	3,961,988
Intergovernmental	448,601	-	448,601
Accounts	54,410	241,255	295,665
Interest	17,034	4,444	21,478
Other	222,185	-	222,185
Prepaid Expenses	73,075	9,838	82,913
Deposits	7,876	969	8,845
Internal Balances	(25,000)	25,000	-
Net Pension Asset	53,090	-	53,090
Capital Assets not Being Depreciated	5,700,281	159,222	5,859,503
Capital Assets Being Depreciated (Net of Accumulated Depreciation)	11,331,201	8,701,912	20,033,113
Total Assets	33,194,660	14,823,213	48,017,873

$17,031,482

Statement of Net Position – Liabilities & Deferred Inflows of Resources

Page 1 of exercise handout

LIABILITIES			
Accounts Payable * Includes $49,000 in retainage payable for capital projects	513,626	190,079	703,705
Interest Payable	43,892	-	43,892
Accrued Payroll	115,750	8,167	123,917
Unearned Revenue	26,327	26,010	52,337
Refundable Deposits	556,252	-	556,252
Other Liabilities	39,170	21,500	60,670
Long-Term Liabilities			
Due Within One Year	396,503	81,892	478,395
Due in More than One Year	4,181,929	1,187,432	5,369,361
Total Liabilities	5,873,449	1,515,080	7,388,529
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	3,961,988	-	3,961,988
Total Deferred Inflows of Resources	3,961,988	-	3,961,988
Total Liabilities and Deferred Inflows of Resources	9,835,437	1,515,080	11,350,517

Note Disclosures – Long Term Liabilities (cont.)

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Capital

The 2021 Series General Obligation Alternate Revenue Source Bonds were issued to fund the costs of Special Service Area #15 road improvements and are funded by the taxes specifically designated in the Special Service Area Funds with the public benefit portion funded by a transfer from the Village's capital projects fund.

Capital

The 2023 Series General Obligation Alternate Revenue Source Bonds were issued to finance certain capital improvements of Special Service Areas #18, 19, 20, 21, 22 and 23 and are funded by the taxes specifically designated in the Special Service Area Funds, motor vehicle license fees, and ad valorem taxes levied against all taxable property within the Village.

Capital ★

The 2025 Series Debt Certificates were issued to refund the 2012 Series Debt Certificates and to refund a portion of the 2015 Series Debt Certificates, both capital-related. The proceeds of the 2025 Series Debt Certificates were placed in an irrevocable trust to provide for the payment of the old Certificates. Accordingly, the trust account assets and liability for the refunded bonds are not included in the financial statements.

★ Refunding debt

Note Disclosures – Long Term Liabilities (cont.)

Page 3 of exercise handout

Capital

The 2025A Series General Obligation Alternate Revenue Source Bonds were issued to pay the costs of certain road improvements within the Village's Special Service Areas #17 and 24 and to pay the costs of issuance of the bonds. Repayment of the debt is funded by the taxes specifically designated in the Special Service Area funds.

Capital

The 2026 Series General Obligation Alternate Revenue Source Bonds were issued to pay the costs of certain road improvements within the Village's Special Service Areas #25 and to pay the costs of issuance of the bonds. Repayment of the debt is funded by taxes specifically designated in the Special Service Area fund.

Capital

The 2027 Series General Obligation Alternate Revenue Source Bonds were issued to pay the costs of certain road improvements within the Village's Special Service Areas #26 and to pay the costs of issuance of the bonds. Repayment of the debt is funded by taxes specifically designated in the Special Service Area fund.

Statement of Net Position – Deferred Outflows of Resources

Page 1 of exercise handout

DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Charge on Refunding	61,814	-	61,814
Total Deferred Outflows of Resources	61,814	-	61,814
Total Assets and Deferred Outflows of Resources	33,256,474	14,823,213	48,079,687

Note Disclosures – Long Term Liabilities

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Not Capital

	Balances May 1, 2026	Additions	Maturities and Retirements	Balances April 30, 2027	Current Portion
Accrued Compensated Absences	$ 298,616	$ 26,273	$ 29,862	$ 295,027	$ 29,503
Net Pension Obligation	181,982	3,195	-	185,177	-
Unamortized Premium on Bonds	36,274	17,843	3,297	50,820	-
Unamortized Discount on Bonds	(16,808)	-	(1,216)	(15,592)	-
2021 Series General Obligation Alternate Revenue Source Bonds	289,000	-	21,000	268,000	22,000
2023 Series General Obligation Alternate Revenue Source Bonds	455,000	-	30,000	425,000	30,000
2025 Series Debt Certificates	2,030,000	-	225,000 ★	1,805,000	230,000
2025A Series General Obligation Alternate Revenue Source Bonds	475,000	-	30,000	445,000	30,000
2026 Series General Obligation Alternate Revenue Source Bonds	440,000	-	20,000	420,000	25,000
2027 Series General Obligation Alternate Revenue Source Bonds	-	700,000	-	700,000	30,000
TOTAL GOVERNMENTAL ACTIVITIES	$ 4,189,064	$ 747,311	$ 357,943	$ 4,578,432	$ 396,503

$480,204

$2,258,000

★ Refunding debt

$4,578,432 - $480,204 = $4,098,228 Capital L-T Liabilities

Example #1 – ANSWER KEY

Net Investment in Capital Assets of a Reporting Unit[a]

Example #1 – ANSWER KEY (cont.)

Review

Question 1

Which of the following presentations could be used to present required information on individual major discretely presented component units?

A. Separate columns in the financial statements
B. Condensed financial data in the notes
C. Combining statements in the financial subsection of the comprehensive annual financial report (CAFR)
D. All of the above
E. Both A and B

Question 2

The primary government's fiscal year ends on September 30, 2020, while its component unit's fiscal year ends on December 31, 2020. As of what date should component unit data be presented in the financial statements of the reporting entity?

A. December 31, 2019
B. December 31, 2020
C. September 30, 2020
D. Either A or B

Question 3

Legally separate tax-exempt organizations that qualify as component units should be:

A. Blended
B. Discretely presented
C. Either A or B depending upon the circumstances

Question 4

Which of the following columns would be reported in government-wide financial statements?

A. Governmental activities
B. Business-type activities
C. Fiduciary activities
D. Both A and B
E. All of the above

Question 5

Which of the following would be visible in the statement of resource flows?

A. Interfund loans
B. Interfund reimbursements
C. Transfers
D. All of the above
E. None of the above

Question 6

How would a borrowing between two funds be classified?

A. Interfund loan
B. Interfund transfer
C. Either A or B

Question 7

It is possible that a transaction reported as a transfer in one set of financial statements will be reported differently in a separately issued set of financial statements.

A. True

B. False