



**INTERMEDIATE  
GOVERNMENTAL  
ACCOUNTING**

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**The Governmental Environment**

- Key environmental characteristics
  - Two characteristics of the governmental environment have had an important impact on the development of public-sector accounting and financial reporting practice:
    - 1) Not all of the activities of state and local governments have the same financial objectives (operational accountability).
    - 2) Governments have a special responsibility to demonstrate that they have complied with restrictions on the use of resources (fiscal accountability).

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**The Governmental Environment**

- Different financial objectives for different activities
  - Private sector enterprises set out to make a profit by providing goods or services to customers
    - ◊ Sometimes services offered by governments function in much the same way as private-sector businesses so they are described as business-type activities (i.e. government operated golf courses).
    - ◊ Sometimes services offered by governments do not function like private-sector businesses so they are described as government-type activities (i.e. public safety.)

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### The Governmental Environment

- Fiscal accountability
  - Budgets in the public sector function as more than just a financial plan. They are the concrete manifestation of a legislative body's ability to set public policy.
  - The appropriated budget of a state or local government enjoys the force of law and violations are subject to legal sanctions

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### The Governmental Environment

- Fund Accounting
  - In the private sector generally even the most complex businesses are presented as a single, unitary entity for the purposes of financial reporting.
  - Governments, however, are required to use fund reporting to accompany their government wide financial statements.

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### The Governmental Environment

- Special measurement focus and basis of accounting for government entities
  - Government's use two different measurement focus.
    - ◊ Business-type activities use an economic resources measurement focus.
    - ◊ Government-type activities use a financial resources measurement focus.

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### Financial Reporting Model

- Fund accounting was specifically developed to provide information on fiscal accountability to users of the financial statements.
- Government-wide financials – The GASB determined that government-wide financial statements are necessary to provide information on operational accountability.

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### Governmental Funds (Government-type activities)

- Governmental funds include:
  - General fund
  - Special revenue funds
  - Capital project funds
  - Debt service funds
  - Permanent funds

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### Governmental Funds

- General fund – is the chief operating fund of a state or local government. GAAP prescribes that the general fund be used “to account for and report all financial resources not accounted for and reported in another fund.”

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### Governmental Funds

- Special revenue funds – used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than debt service or capital projects. Notes should disclose the purpose for each major special revenue fund.

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### Governmental Funds

- Debt service funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
  - Care should be taken in applying the number of funds principal with regards to debt service funds. Sound financial management dictates that governments should account for each debt issue separately in their accounting systems, but a single debt service fund is often sufficient for external financial reporting purposes.

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### Governmental Funds

- Capital projects funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Excludes capital projects financed by proprietary funds, trust funds, private organizations, or other governments.

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### Governmental Funds

- Permanent – used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs, that is, for the benefit of the government or its citizenry.

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### Proprietary Funds (business-type activities)

- Proprietary Funds
  - 1) Enterprise funds
  - 2) Internal service funds

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### Proprietary Funds

- Enterprise funds – may be used to report any activity for which a fee is charged to external users for goods or services (defined as an “exchange” or “exchange like” transaction as discussed in GASB 33). GAAP also requires the use of an enterprise fund where:
  - Debt backed solely by fees and charges
  - Legal requirement to recover costs with fees and charges
  - Pricing policies of the activity establish fees and charges designed to recover costs

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**Proprietary Funds**

- Internal service – used to allocate the cost of certain shared activities to other funds.
  - The use of an internal service fund is never required and must always be eliminated in government-wide statements.
  - The goal of an internal service fund should be to measure the full cost of providing goods or services for the purpose of fully recovering that cost through fees or charges. Full cost, for this purpose includes the cost of capital assets used in providing goods or services to customers.

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**Fiduciary Funds**

- GAAP defines fiduciary funds as funds that are used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”

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**Fiduciary Funds**

- Fiduciary funds
  - Pension and other employee benefit trust funds
  - Investment trust funds
  - Private purpose trust funds
  - Agency funds

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### Basis of Accounting

- Basis of accounting determines when the government will recognize transactions in the accounting records and when they will be reported in the financial statements.
  - Governmental funds use the modified accrual basis of accounting.
  - Proprietary funds use the accrual basis of accounting.

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### Basis of Accounting

- Accrual basis of accounting recognizes transactions when they occur, despite the timing of the related cash flows.
  - Using this basis of accounting, revenues are recognized in the accounting period which they become objectively measurable and the government earns them.
  - Expenses are recognized in the period incurred assuming that they are measurable.

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### Basis of Accounting

- Modified accrual basis of accounting modifies the accrual basis of accounting to reflect the spending of financial resources.
  - Revenues are recognized when they are measurable and available.
    - ◊ Measurable means you have some objective way to quantify the revenue.
    - ◊ Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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### Measurement Focus

- Measurement focus determines what a government measures and reports in its financial statements.
  - Governments use the flow of current financial resources measurement focus.
  - Proprietary funds use the economic resources measurement focus.

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### Governmental vs. Proprietary Funds

Transaction	Govt Fund	Prop. Fund
Does this fund report the receipt of proceeds from long-term borrowings in the operating statement?	Yes	No
Does the fund report capital outlay in the operating statement?	Yes	No
Does the fund report the repayment of the principal of debt in the operating statement?	Yes	No
Does the fund report a charge for the consumption of capital assets (i.e. Depreciation)?	No	Yes

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### Revenue Recognition for Grants

- The “available” criterion applies to reimbursement grants. For expenditure driven grants in governmental funds, revenues are recognized at the time of the expenditure only if the reimbursement will be received within the government’s period of availability.

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### Government-Wide Statements

- The government-wide statements include:
  - Statement of Net Position.
  - Statement of Activities (cost of services approach).
  - Economic resources measurement focus.
  - Accrual basis of accounting.
  - Governmental activities.
  - Business-type activities.
  - Discretely presented component units.

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### Statement of Net Position (Previously Statement of Net Assets)

- All assets (including capital assets)
- Deferred Inflows
- All liabilities (including long-term liabilities)
- Deferred Outflows
- Net position (rather than fund balances, retained earnings; GASB 34 was called total net assets).
  - Invested in capital assets, net of related debt
  - Restricted
  - Unrestricted
- Choice between classified format or order of liquidity.

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### Statement of Net Position Deferred Outflows (1 of 3)

- **Deferred outflow of resources: a consumption of net position by the government that is applicable to a future reporting period**
- **Has a positive effect on net position, similar to assets**
- **Outflow of resources: a consumption of net position by the government that is applicable to the reporting period**

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**Statement of Net Position  
Deferred Outflows ( 2 of 3)**

Some transactions in which the resulting item should be reported as a deferred outflow of resources (currently classified as assets)

- Grant paid in advance of meeting timing requirement
- Deferred amounts from the refunding of debt (debits)
- Costs to acquire rights to future revenues (intra-entity)
- Deferred loss from sale-leaseback

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**Statement of Net Position  
Deferred Outflows (3 of 3)**

Some transactions in which the resulting item should be reported as a deferred outflow of resources (currently classified as assets)

- Debt issuance costs (other than insurance)
- Initial direct costs incurred by the lessor for operating leases
- Acquisition costs for risk pools
- Loan origination costs

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**Statement of Net Position  
Deferred Inflows (1 of 3)**

- **Deferred inflow of resources:** an acquisition of net position by the government that is applicable to a future reporting period
- Has a negative effect on net position, similar to liabilities
- **Inflow of resources:** an acquisition of net position by the government that is applicable to the reporting period

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**Statement of Net Position  
Deferred Inflows (2 of 3)**

Some transactions in which the resulting item should be reported as a deferred inflow of resources (currently classified as liabilities)

- Grants received in advance of meeting timing requirement
- Taxes received in advance
- Deferred amounts from refunding of debt (credits)
- Proceeds from sales of future revenues
- Deferred gain from sale-leaseback

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**Statement of Net Position  
Deferred Inflows ( 3 of 3)**

Some transactions in which the resulting item should be reported as a deferred inflow of resources (currently classified as liabilities)

- "Regulatory" credits (gains or other reductions)
- "Unavailable" revenue in governmental funds
- Loan origination fees (excluding points) – lessor accounting
- Commitment fees (after exercise of expiration)

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**Difference from Fund Statements (1 of 2)**

- Long-term assets
  - Receivables
  - Capital Assets
- Liabilities
  - Debt
  - Compensated Absences
  - Claims and Judgments
  - Pension Benefit Obligation
  - Other Post Employment Benefits (OPEB)

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### Difference from Fund Statements (2 of 2)

- Inventory (expense when used rather than when purchased). Previously had the option of using the consumption method or the purchase method, but now we can only use the consumption method.
- Interest payable on long-term debt.

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### Capital Infrastructure Assets

Non-depreciable Assets	Depreciable Assets
Land	Buildings
Land Improvements	Building Improvements
Construction in Progress	Vehicles and Equipment
Infrastructure (modified approach)	Infrastructure not using the modified approach
Inexhaustible works of art & historical treasures	Exhaustible works of art & historical treasures

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### Depreciation

- Things to consider in implementing depreciation.
  - Depreciable lives
  - Depreciation methods
  - Capitalization threshold
  - In what department of the government does the asset belong?

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### Definition of Infrastructure

- Infrastructure, defined as:
  - Long-lived capital assets that can be preserved for a significantly greater period than most capital assets
  - Normally stationary items
  - Examples:
    - ◊ Roads and bridges, dams
    - ◊ Water and sewer systems

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### Infrastructure Assets

- Reporting alternatives
  - Historical cost based depreciation
  - Modified approach

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### “Modified” Approach

- No depreciation is required if the government demonstrates that it is maintaining qualifying infrastructure assets approximately at or above the condition level established.
- Condition assessments must be performed at least every three years.

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### Statement of Activities

- Net cost format (expenses minus program revenue – net cost)
- Expenses by functions/programs
- Revenues by:
  - Program (charges for services and program specific operating and capital grants) or
  - General (i.e. taxes and other non program revenue)
- Special, extraordinary items and transfers

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### Expenses

- Expenses are reported by function
  - Direct expenses – required
  - Indirect expenses allocation permitted
    - ◊ Separate column for indirect expenses if allocated
  - Depreciation
  - Interest

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### Program and General Revenues

- Program revenues reduce the net cost of a program.
  - Charges for services
  - Program specific grants and contributions
- Net cost is financed by general revenues. All revenues are general revenues unless they are required to be reported as program revenues.

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### Differences from Fund Statements

- Recognition of revenues on accrual basis.
  - Property taxes – no availability criterion, recorded on full accrual basis of accounting.
  - Recognition of expenses for long-term liabilities.
    - ◊ Compensated absences
    - ◊ Claims and judgments
    - ◊ Pension benefit obligation
    - ◊ OPEB

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### GASB 34 Requirements Fund Level Statements

- Fund Presentations
  - Major funds
  - Non-major funds presented in a single column by category
  - Major fund concept does not apply to fiduciary funds or internal service funds

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### Major Fund Criteria

- General Fund is always a major fund
- Individual fund is:
  - At least 10 percent of assets including deferred outflows, liabilities including deferred inflows, revenue, expenditures/ expenses, ( excluding extraordinary items) of the relevant category or fund type
- At least 5 percent of total governmental and enterprise funds combined
- Other funds that are deemed to be important for separate disclosure

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### Governmental Fund Statements

- Required Statements:
  - Balance Sheet
  - Statement of Revenue, Expenditures, and Changes in Fund Balances
- Characteristics of governmental fund statements:
  - ◊ Current financial resources measurements focus
  - ◊ Modified accrual
  - ◊ Reconciliation required to government-wide statements for both statements

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### Treatment of Internal Service Funds

- Remove the ‘doubling up’ effect of internal service fund activity.
- Generally, assets and liabilities are reported with governmental activities – unless internal service funds primarily support business-type activities.

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### Proprietary Funds

- Economic resources measurement focus
- Accrual basis of accounting
- Enterprise redefined
  - Debt secured solely by pledge of net revenues from fees or charges
  - Laws or regulations require recovery of cost
  - Pricing policy designed to recover cost

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### Proprietary Fund Statements

- Classified Statement of Net Position
- Statement of Revenue, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Reconciliation required for financial position and operating statements (if necessary)

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### Proprietary Fund Statements

- Statement of Net Position (previously Net Assets)
  - Classified – current vs. long term
  - Restricted assets must be reported as such
  - Net position
    - ◊ Invested in capital assets, net of related debt
    - ◊ Restricted
    - ◊ Unrestricted

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### Proprietary Fund Statements

- Operating Statement
  - Distinguish between operating and non-operating
  - Capital contributions and transfers reported separately

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### Proprietary Fund Statements

- Cash Flow
    - Four categories of cash flows
      - ◊ Operating
      - ◊ Non-capital financing
      - ◊ Capital and related financing
      - ◊ Investing
- Direct method is required for cash flows

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### Component Unit Presentations

- Discrete presentation in government-wide statements
- Major component unit reporting choices:
  - Separate columns in the government-wide statements
  - Separate statements after fund presentations
  - Condensed information in the notes

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### Required Supplementary Information

- Budgetary comparisons for general fund and major special revenue funds
  - Original and final budget
  - Actual on budgetary basis or GAAP basis
  - Reconciliation to GAAP basis statements
  - When applicable – infrastructure-modified approach
    - ◊ Three most recent condition assessments
    - ◊ Estimated amount to maintain and preserve versus actual amount for the last five years

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**MD & A**  
**Management Discussion and Analysis**

- The MD & A is a section of a government's annual report in which management discusses numerous aspects of the company, both past and present. Among other things, the MD&A provides an overview of the previous year of operations and how the government fared in that time period. Management will usually also touch on the upcoming year, outlining future goals and approaches to new projects.

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**MD & A**

- The MD&A is a very important section of an annual report, especially for those analyzing the fundamentals, which include management and management style. Although this section contains useful information, investors should keep in mind that the section is unaudited.

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**MD & A**

- MD&A's should:
  - enable readers to view the government through the eyes of management;
  - complement as well as supplement financial statements;
  - be reliable, that is, complete, fair and balanced, and providing material information — namely, information that could influence a reasonable investor in making a decision to invest or continue to invest in the government;

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**MD & A**

- Have a forward-looking orientation;
  - focus on management’s strategy for generating value for investors over time;
  - be written in plain language, with candor and without exaggeration, and embody the qualities of understandability, relevance, comparability and consistency over reporting periods.

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**Financial Statement Data Analysis**

- MD & A is the only required component of the financial statements that has comparative information. These comparative summaries or schedules include:
  - Net Positions
  - Changes in Net Positions
  - Capital Assets
  - Long-term debt

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**Fiscal Health Analysis for Colorado Counties and Municipalities**

**Ratio 1: Cash to Liabilities Ratio (CLR)**

Entity-Wide Unrestricted Cash and Investments  
Entity-Wide Current Liabilities

**Ratio 2: Unrestricted Fund Balance Ratio (UFB)**

General Fund Unrestricted Fund Balance  
General Fund total Expenditures (Net of Transfers)

**Ratio 3: Debt Burden Ratio (DBR)**

Total Governmental Revenue of Fund(s) Paying Debt  
Total Governmental Debt Payments

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**Fiscal Health Analysis for Colorado Counties and Municipalities**

**Ratio 4: Tax Revenue per Capita (TRC)**  

$$\frac{\text{Total Governmental Funds Tax Revenue}}{\text{Population}}$$

**Ratio 5: Expenditures per Capita (EPC)**  

$$\frac{\text{General Fund Total Expenditures (Net of Transfers)}}{\text{Population}}$$

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**Fiscal Health Analysis for Colorado Counties and Municipalities**

**Ratio 6: Operating Margin Ratio (OMR)**  

$$\frac{\text{General Fund Total Revenue} - (\text{General fund Total Expenditures, Net of Transfers})}{\text{General Fund Total Revenue}}$$

- **Ratio 7: Enterprise Funds Net Position (EFNP)**  

$$\frac{\text{Current Year Net Position of the Enterprise Fund}}{\text{Prior Year Net Position of the Enterprise Fund}}$$

<http://www.leg.state.co.us/OSA/coauditor1.nsf/LocalGovPublic?openform>

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**CAFR Preparation**

- Discussion Topics
  - CAFR Preparation - overview and common pitfalls
  - Capital Assets – presentation and disclosure issues and strategies
  - Long-Term Debt – presentation and disclosure issues and strategies
  - Revenue Recognition and Deferred Revenue – governmental vs. government-wide

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**CAFR Preparation  
Common Pitfalls in CAFR Presentation**

- Converting from modified accrual to full accrual statements
- Footnotes do not agree with what is presented in the basic financial statements
- Implementation of new pronouncements and related disclosures

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**CAFR Preparation  
Keys to Preparing CAFR**

- Reporting information in the fund statements under the correct functional or activity
  - (i.e. interest expenditures, debt principal payments and capital outlay)
- Preparing footnote disclosures that tie into the basic financial statements and provide enough information to agree to reconciling items
  - ( debt disclosure, capital assets disclosure and accounts receivable disclosure)
- Reduce the number of subsidiary schedules. The more schedules and preparation worksheets that are created, the greater the likelihood of an error

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**CAFR Preparation  
Keys to Preparing CAFR**

- Invested in capital assets, net of related debt
  - Items to exclude from the calculation
    - ◊ Unexpended bond proceeds. Bonds only become capital-related debt, and bond proceeds only become capital assets, as the proceeds are expended for a capital purpose.
    - ◊ \* Bond issuance costs. Unlike premiums and discounts, unamortized bond issuance costs do not "follow the debt" and are ignored for purposes of this calculation.
    - ◊ \* Internal borrowings. Borrowings within the primary government do not qualify for purposes of this calculation.

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**CAFR Preparation  
Keys to Preparing CAFR**

- Invested in capital assets, net of related debt (continued)
  - Items to include in the calculation
    - ◊ Intangible capital assets. The fact that a capital asset is intangible does not make it any the less capital.
    - ◊ Refunding bonds. Refunding bonds assume the character of the debt they replace. Accordingly, bonds used to refund capital-related debt are themselves considered to be capital-related.

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**CAFR Preparation  
Capital Assets**

- Key is capital asset footnote
- Typical government has numerous assets in construction in progress account and it is recommended that governments consider a transfer column to account for completed projects that get moved from non depreciable assets to depreciable

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**CAFR Preparation  
Capital Assets**

- Capital additions-Purchased assets versus contributed assets
  - Purchased assets are fund expenditures and to reconcile to full accrual basis need to “credit” expenditures
  - If capital outlay reported in the fund statements does not agree to the purchased capital additions need to determine those items reported under capital outlay and what function they belong for reporting on the statement of activities
  - If capital outlay already reported within functional expenditures in the fund statements need to remove the appropriate capital additions from the functional expenditures to report the accrual based functional expenses
  - Contributed assets are not considered fund expenditures or revenues and need to “credit” appropriate capital contribution revenue activity
  - Helpful to distinguish between additions that are contributed versus purchased to aid the reader when comparing fund activities

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**CAFR Preparation  
Capital Assets**

- Disposal of capital assets-Reporting and calculating gain/loss
  - Governments routinely report disposals of capital assets. This activity is reported in the deletion column of the footnote and it is important to properly explain in the reconciliation what type of activity this represented during the year
  - Disposals themselves are not reported in the government fund statements
  - Cash proceeds received are reported in the fund statements as other financing source
  - Government-wide presentation report difference of book value of disposal and proceeds received from sale of capital assets as a gain/loss on sale of assets. The loss is reported as a functional expense within the proper functional relative to the asset disposed of and the gain is typically reported as a general revenue

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**CAFR Preparation  
Capital Assets**

- Depreciation
  - Reconciling amount to agree to the footnote addition figure
  - Detail in footnote to disclose the expense by function

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**CAFR Preparation  
Long-Term Liabilities**

- Agenda
  - Review disclosure requirements
  - Presentation suggestions
  - Inter-relationships and accuracy checks

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**CAFR Preparation  
Long-Term Liabilities**

- **Common Disclosure Requirements (GASB Cod. 2300)**
  - Should include all long-term liabilities, including compensated absences and claims and judgments
  - Table of changes
  - Amount due within one year of statement date
  - Which governmental funds typically used to liquidate other long-term liabilities such as compensated absences in prior years

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**CAFR Preparation  
Long-Term Liabilities**

- **Common Disclosure Requirements (GASB Cod. 2300)**
  - Debt service requirements to maturity – principal and interest (variable rate debt should use rate in place at year end and disclose variable rate structure)
  - Debt refunding
  - Interest rates, maturity dates, subordinate features (generally accepted)
  - Pledged assets and restrictive covenants (SFAS No. 5)

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**CAFR Preparation  
Long-Term Liabilities**

- **Component Unit Disclosure (Cod. 2300.115)**
  - Up to professional judgment
  - Based on component unit's significance to total discretely presented component units and relationship to primary government

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**CAFR Preparation  
Long-Term Liabilities**

- Other Special Disclosure/Reporting
  - Bond, tax or revenue anticipation notes
  - Special assessment debt
  - Demand bonds
  - Conduit debt

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**CAFR Preparation  
Long-Term Liabilities**

- Presentation Suggestions
  - Include table of changes at the beginning of your long-term liabilities footnote
  - Include all long term liabilities in the same table
  - Total the entire table and reflect that amount in your reconciliation

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**CAFR Preparation  
Long-Term Liabilities**

- Inter-relationships and accuracy checks
  - Use subtotals in the table that will agree directly to the SONP and Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance:
    - ◊ Ending amounts – current and long term = SONP
    - ◊ New debt issued = Statement of Revenue
    - ◊ Premiums or discounts should be separate Other Financing Source/Use = Statement of Revenue
    - ◊ Principal payments = Statement of Revenue
    - ◊ Loss on refunding – disclosure should state amount of principal refunded

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**CAFR Preparation  
Long-Term Liabilities**

- Inter-relationships and accuracy checks
  - Internal Service fund debt – either show separately in footnote or in reconciliation, to agree to balance sheet

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**CAFR Preparation  
Revenue Recognition and Deferred Revenue**

- Agenda
  - Review standards – modified accrual versus accrual
  - Relationship – government-wide vs. governmental funds
  - Relationship to reconciliations – governmental funds and government-wide statements

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**CAFR Preparation  
Revenue Recognition and Deferred Revenue**

- Standards – Modified accrual basis - GASB Codification 1600.106
  - Revenues are to be recognized in the accounting period they become both measurable and available to finance expenditures of the fiscal period
  - Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period
  - Length of time used to define available should be disclosed in the summary of significant accounting policies

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**CAFR Preparation**  
**Revenue Recognition and Deferred Revenue**

- Standards – AICPA Accounting and Audit Guide – State and Local Governments 6.12
  - Notes that many governments use the property tax standard and accrue based on cash received during a defined number of days after year end
  - Many governments apply this time period approach for all types of revenues and in all governmental funds
  - Paragraph 6.13 – Differences between amount reported as receivables and the amounts recognized as revenues are reported as deferred inflows (a liability) (Prior to GASB 63 & GASB 65 was called deferred revenues)

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**CAFR Preparation**  
**Revenue Recognition and Deferred Revenue**

- Standards Generally
  - Measurability is usually not the problem
  - Defining “available” is the problem
  - Real key to defining availability is whether such resources will be used to pay liabilities of the current period

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**CAFR Preparation**  
**Revenue Recognition and Deferred Revenue**

- Relationship – government-wide vs. governmental funds
  - As auditors have seen two common problems:
    - ◊ Measurable transaction is recorded as revenue in both presentations, regardless of when cash was received
    - ◊ Measurable transaction is deferred in both presentations, even though accrual basis accounting clearly requires revenue recognition

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**CAFR Preparation**  
**Revenue Recognition and Deferred Revenue**

- Examples
  - Development fees to be paid over a period of several years
  - Long-term notes receivable
- Disclosure Examples
  - Consider inclusion of footnote if extensive differences exist

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**GASB – “ A Lot to Get Our Arms Around”**



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**Exposure Drafts/Preliminary Views**

- Preliminary Views
  - Recognition of Elements of Financial Statements and Measurement Approaches
  - Economic Condition Reporting: Financial Projections

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**GASB 65 – Items Previously Reported as Assets and Liabilities**

- Objective of this Statement is to determine whether certain balances currently reported as assets and liabilities should continue to be reported as such or instead should be reported as:
  - A deferred outflows of resources, or
  - An outflow of resources (expense/expenditure);
- Or
  - A deferred inflows of resources, or
  - An inflows of resources (revenue).
  - Effective for periods beginning after December 15, 2012.
  - Early Application is encouraged.

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**Items to be Reported as Deferred Outflows**

- Transactions in which the resulting item should be classified as a deferred outflow of resources:
  - Resources advanced to another government in relation to a government mandated nonexchange transaction or a voluntary nonexchange transaction when time requirements are the only eligibility requirements that have not been met by the other government (paragraph 19 of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*).

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**Items to be Reported as Deferred Outflows**

- Transactions in which the resulting item should be classified as a deferred outflow of resources:
  - Deferred loss resulting from sale-leaseback transactions (paragraph 242 of Statement 62).
  - Net balance (debit) of direct loan origination costs, including any portion related to points, for mortgage loans held for resale prior to the point of sale (paragraph 467 of Statement 62).
  - Fees paid to permanent investors to ensure the ultimate sale of loans prior to the point of sale (paragraph 469 of Statement 62).

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**Items to be Reported as an Outflow of Resources**

- Transactions in which the resulting item should be recognized as an outflow of resources:
  - Acquisition costs for insurance entities and public entity risk pools (paragraphs 28–30 of Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and paragraphs 412–414 of Statement 62).
  - Initial direct costs incurred by the lessor for operating leases (paragraph 227 of Statement 62).
  - Debt issuance costs (paragraph 12 of Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, and paragraph 187 of Statement 62).

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**Items to be Reported as an Outflow of Resources**

- Transactions in which the resulting item should be recognized as an outflow of resources:
  - Net balance (debit) of direct loan origination costs, including any portion related to points, related to lending activities (paragraph 45 of Statement 10 and paragraph 434 of Statement 62).
  - Fees paid related to a purchased loan or a group of loans (paragraph 442 of Statement 62).
  - Net balance (debit) of direct loan origination costs, including any portion related to points, for mortgage loans held for investment (paragraph 467 of Statement 62).

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**Items to be Reported as an Outflow of Resources**

- Transactions in which the resulting item should be recognized as an outflow of resources:
  - Net balance (debit) of direct loan origination costs, including any portion related to points, related to lending activities (paragraph 45 of Statement 10 and paragraph 434 of Statement 62).
  - Fees paid related to a purchased loan or a group of loans (paragraph 442 of Statement 62).
  - Net balance (debit) of direct loan origination costs, including any portion related to points, for mortgage loans held for investment (paragraph 467 of Statement 62).
  - Fees paid to permanent investors to ensure the ultimate sale of loans after the ultimate sale occurs (paragraph 469 of Statement 62).

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**Items to be Reported as Deferred Inflows**

- Transactions in which the resulting item should be classified as a deferred inflow of resources:
  - Resources received in advance in relation to an imposed nonexchange transaction (paragraph 18 of Statement 33).
  - Resources received in advance in relation to a government-mandated nonexchange transaction or a voluntary nonexchange transaction when time requirements are the only eligibility requirements that have not been met by the receiving government (paragraph 19 of Statement 33).
  - Deferred credit amounts resulting from the refunding of debt (paragraph 5 of Statement 23, and paragraph 221 of Statement 62).

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**Items to be Reported as Deferred Inflows**

- Transactions in which the resulting item should be classified as a deferred inflow of resources:
  - Proceeds from the sale of future revenues (paragraphs 13–16 of Statement 48).
  - Unavailable revenue related to the application of modified accrual accounting (*Statement No. 6, Accounting and Financial Reporting for Special Assessments*, and Statement 33).
  - Deferred gain resulting from sale-leaseback transactions (paragraph 242 of Statement 62).
  - Net balance (credit) of loan origination fees, excluding any portion related to points, for mortgage loans held for resale prior to the point of sale (paragraph 467 of Statement 62).

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**Items to be Reported as Deferred Inflows**

- Transactions in which the resulting item should be reported as a deferred inflow of resources:
  - Net balance (credit) of loan origination fees related to points for lending activities and mortgage loans held for investment (paragraph 45 of Statement 10 and paragraphs 434 and 467 of Statement 62).
  - Resources generated by current rates intended to recover costs that are expected to be incurred in the future (paragraph 482 of Statement 62).
  - Gains or other reductions of net allowable costs intended to reduce rates over future periods (paragraph 482 of Statement 62).

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**Items reported as Inflow of Resources**

- Transactions in which the resulting item should be recognized as an inflow of resources:
  - Net balance (credit) of loan origination fees, excluding any portion related to points, related to lending activities (paragraph 45 of Statement 10 and paragraph 434 of Statement 62).
  - Commitment fees realized upon exercise or expiration of the commitment (paragraphs 437 and 438 of Statement 62).
  - Commitment fees charged for entering into an agreement that obligates the government to make or acquire a loan or to satisfy an obligation of the other party under a specified condition when exercise is considered remote (paragraphs 437 and 438 of Statement 62).

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**Items reported as Inflow of Resources**

- Transactions in which the resulting item should be recognized as an inflow of resources:
  - Fees received related to a purchased loan or a group of loans (paragraph 442 of Statement 62).
  - Net balance (credit) of loan origination fees, excluding any portion related to points, for mortgage loans held for investment (paragraph 467 of Statement 62)
  - Net balance (credit) of loan origination fees, including any portion related to points, for mortgage loans held for resale after the sale occurs (paragraph 467 of Statement 62)

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**Items reported as Inflow of Resources**

- Transactions in which the resulting item should be recognized as an inflow of resources:
  - Fees that are realized after the funding of mortgage loans has occurred or after the commitment to guarantee the funding of mortgage loans expires (paragraph 469 of Statement 62)
  - Fees realized when a commitment is arranged directly between a permanent investor and a borrower (paragraph 470 of Statement 62)

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### Revenue Recognition in Governmental Funds

- Revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available (NCGA Statement 1, paragraph 62).
- When an asset is recorded in governmental fund financial statements but the revenue is not **available**, **the government** should report a **deferred inflow of resources until such time as** the revenue becomes available.

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### Other Areas Addressed by GASB 65

- Use of the term *deferred* should be limited to *deferred inflows and* deferred outflows of resources
- Major fund calculation guidance will be amended:
  - Use aggregate assets/deferred outflows and aggregate liabilities/deferred inflows in the calculation

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### GASB 67 and 68

- Accounting and Financial Reporting for Pensions – an amendment to GASB 27
  - Changes to these agent employers would be as follows:
    - ◊ Recognize a net pension liability (accrual basis)
    - ◊ Net pension liability = employer’s total pension liability less the amount of plan net position restricted for pensions (plan net position), as of the end of the employer’s reporting period.

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**GASB 67 and 68**

- Accounting and Financial Reporting for Pensions – an amendment to GASB 27 (continued)
  - Disclosure requirements:
    - ◊ For the current year, changes in the net pension liability
    - ◊ Significant assumptions used to calculate the total pension liability, including assumptions used in calculation the discount amount
    - ◊ The date of the underlying actuarial valuation, information about changes of assumptions and benefit terms
    - ◊ The basis for determining the employer contributions to the plan
    - ◊ The individual components of the current-period pension expense

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**GASB 67 and 68**

- Accounting and Financial Reporting for Pensions – an amendment to GASB 27 (continued)
  - Disclosure requirements (continued):
    - ◊ Explanations of changes in the deferred outflows of resources and deferred inflows of resources related to pensions during the current period
    - ◊ Description of the plan
    - ◊ Number of governments participating in the plan
    - ◊ Classes of employees covered
    - ◊ Number of retired employees receiving benefits
    - ◊ Number of inactive employees entitled but not yet receiving benefits
    - ◊ Number of active employees

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**GASB 67 and 68**

- Accounting and Financial Reporting for Pensions – an amendment to GASB 27 (continued)
  - Required Supplementary Information:
    - ◊ Changes in the net pension liability
    - ◊ Information about the components of the net pension liability and related ratios as of the employer’s year-end
      - Total pension liability
      - Amount of plan net position
      - Net pension liability
      - Plan net position as % of the total pension liability
      - Amount of covered-employee payroll
      - Net pension liability as a % of covered-employee payroll

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**Statement No. 69**

- ***Government Combinations and Disposals of Government Operations***

Effective Date: The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

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**Statement 70**

***Accounting and Financial Reporting for Nonexchange Financial Guarantees***

Effective Date: The provisions of Statement 70 are effective for financial statements for reporting beginning after June 15, 2013.

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**Statement No. 71**

- ***Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68***

Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

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**Statement No. 72**

***Fair Value Measurement and Application***

Effective Date: The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

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**Statement No. 73**

• ***Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***

Effective Date: The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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**Statements 74 and 75**

• ***Statement No. 74  
Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

• ***Statement No. 75  
Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

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**Statements 76 and 77**

- **GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***  
Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.
- **GASB Statement No. 77, *Tax Abatement Disclosures***  
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

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**Statements 78 and 79**

- **GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***  
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.
- **GASB Statement No. 79, *Certain External Investment Pools and Pool Participants***  
Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015.

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**Statements 80 and 81**

- **GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14***  
Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
- **GASB Statement No. 81, *Irrevocable Split-Interest Agreements***  
Effective Date: The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged.

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**GASB Statement No. 82,**

***Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73***

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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**Issues Unique to Colorado Governments**

- Budget Reporting Requirements
- TABOR

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**Budget Reporting Requirements**

- CRS 92-1-103 requires each local government to adopt an annual budget. To the extent that the financial activities of any local government are fully reported in the budget or budgets of a parent local government or governments, a separate budget is not required. Such budget shall present a complete financial plan by fund and by spending agency within each fund for the budget year.

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**TABOR**

- The TABOR amendment was approved by Colorado voters in 1992. TABOR places limits on revenue, spending, and debt which may be weakened only by the approval of the voters.

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**TABOR**

- TABOR requires the establishment of “emergency reserves... to use for declared emergencies only”, amounting to “3% or more of its fiscal year spending excluding bonded debt service”. [TABOR (5)]

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**TABOR**

- “Fiscal year spending means all district expenditures and reserve increases except, as to both, refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales”. [TABOR (2) (e)]

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### TABOR

- The term “reserve” in the definition of fiscal year spending refers to fund balances, and “reserve transfers or expenditures” means moneys which are passed from one fund of cash or assets held as a reserve to another such fund or moneys which are disbursed from such fund. [C.R.S. 24-77-102 (12-14)]

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### Management Process

- To-Do’s for Managers
  - Plan
  - Perform
  - Evaluate
  - Communicate

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### Management Process Overview of the Planning Framework

- **Goal/Vision:** To increase the value of stakeholders’ interest in the organization
- **Mission:** Fundamental way in which the entity will achieve the goal of increasing stakeholders’ value
- **Strategic Objectives:** Broad, long-term goals that determine the fundamental nature and direction of the business and that serve as a guide for decision making

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### Management Process Overview of the Planning Framework

- **Tactical Objectives:** Mid-term goals for positioning the organization to achieve its long-term strategies.
- **Operating Objectives:** Short-term goals that outline expectations for performance of day-to-day operations
- **Business Plan:** A comprehensive statement of how the organization will achieve its objectives
- **Budgets:** Expressions of the business plan in financial terms.

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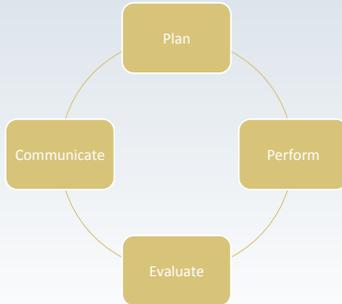
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### Management Cycle



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### Managerial Reporting

- Management or Managerial Accounting can use innovative analyses and presentation techniques to enhance the usefulness of information to people within the government entity.

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Management Vs. Financial Accounting		
	Management Accounting	Financial Accounting
<b>Primary Users</b>	Managers, employees	Lenders, governmental agencies, public
<b>Report Format</b>	Flexible, driven by user's needs	Based on GAAP
<b>Purpose of Reports</b>	Provide information for planning, control, performance measurement & decision making	Report on past performance

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Management Vs. Financial Accounting		
	Management Accounting	Financial Accounting
<b>Nature of Information</b>	Objective and verifiable for decision making; more subjective for planning (relies on estimates)	Objective and verifiable
<b>Units of Measure</b>	Monetary at historical or current market or projected values; physical measures of time or number of objects	Monetary at historical and current market values
<b>Frequency of Reports</b>	Prepared as needed; may or may not be on a periodic basis	Prepared on a periodic basis

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**Analysis for Decision Making**

- **Short-run Decision Analysis** is the systematic examination of any management decision whose effects will be felt over the course of the next year.
  - Planning:
    - ◊ Discover the problem or need
    - ◊ Identify all reasonable courses of action that can solve the problem or meet the need

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### Continue: Short-Run Decision Analysis

- Planning
  - ◊ Prepare a thorough analysis of each possible solution and identify its total costs, savings, other financial effects, and any qualitative factors.
  - ◊ Select the best course of action
  
  - ◊ Continue through the management cycle.

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### Incremental Analysis for Short-Run Decisions

- **Irrelevant Costs and Revenues** are those that will not differ between the alternatives.
- **Differential Costs and Revenues** (incremental costs) are those that change between alternatives.
  
- First step in incremental analysis is to eliminate any irrelevant revenues or costs.

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### Incremental Analysis for Short-Run Decisions

- **Opportunity Costs** are the benefits that are forfeited or lost when one alternative is chosen over another.
- **Outsourcing** is the use of suppliers outside the organization to perform services or produce goods that could be performed or produced internally.

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**Incremental Analysis for Short-Run Decisions**

- **Keep or Drop** unprofitable (unproductive, under-achieving) segments, divisions, or services.
- **Sell or Process-Further** is a decision about whether to sell a joint product at the split-off point or sell it after further processing. In government, this is not so much as selling, but providing the service.

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**Capital Investment Analysis**

- Process of making decisions about capital investments. Consists of identifying the need, analyzing courses of action to meet that need, preparing reports for managers, choosing the best alternative, and allocating funds among competing needs.

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**Measures Used in Capital Investment Analysis**

- **Net Income and Net Cash Inflows** are a means to measure the benefit if involves cash receipts.
- **Cost Savings** measure the benefits, such as reduced costs, from proposed capital investments.
- **Time Value of Money** should be used in decision making (Present Value and Future Value)

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### Measures Used in Capital Investment Analysis

- **Payback Period Method** determines the minimum time it will take to recover the initial investment.
  - Payback period =  $\frac{\text{Cost of Investment}}{\text{Annual Net Cash Inflows}}$

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### Helpful Websites

- Governmental Accounting Standards Board  
<http://gasb.org/>
- Government Finance Officers Association  
<http://www.gfoa.org/>
- Colorado Government Finance Officer Association  
<http://www.cgfoa.org/>

Or you can contact me [karin.slater@mcsd.org](mailto:karin.slater@mcsd.org)

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