

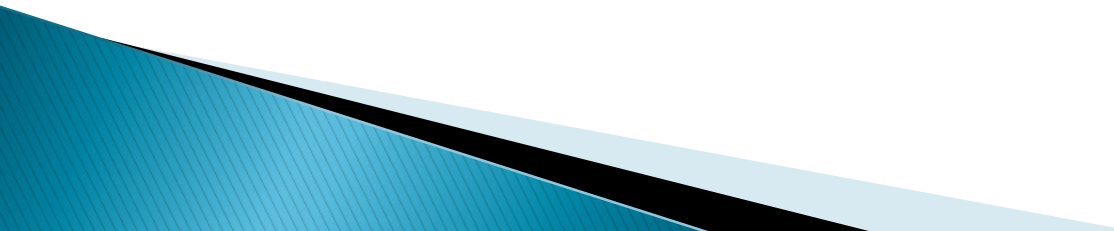


*Shared Knowledge
for Effective Government*

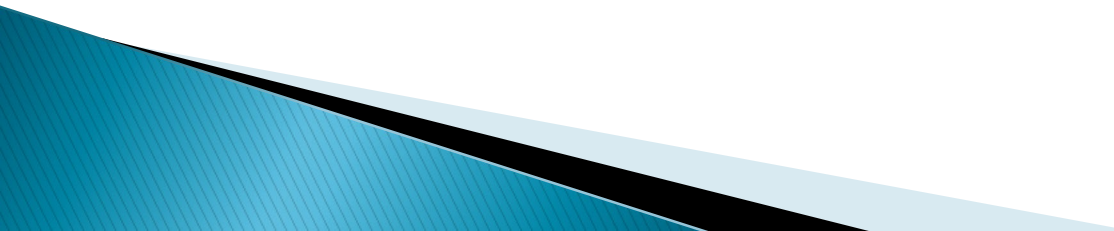
Government-Wide Reporting

Presented by:
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Topics Covered

- ▶ Statement of Net Position
 - ▶ Statement of Activities
 - ▶ Reconciliation of Fund Balances to Statement of Net Position
 - ▶ Reconciliation of Changes in Fund Balance to Changes in Net Position
 - ▶ Internal Service Fund Consolidation
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Statement of Net Position

- ▶ Shows assets, deferred outflows, liabilities, deferred inflows, and net position of the government entity
 - ▶ Columns for Governmental Activities, Business-type Activities, and Component Units
 - ▶ Meant to show a snapshot of the entity at the end of the fiscal year
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Statement of Net Position

▶ Order of Accounts

- Current Assets (in order of liquidity)
 - Liquidity is the amount of time to convert to cash
- Capital Assets
- Deferred outflows or resources
- Current Liabilities (in order of liquidity)
- Long-term liabilities
- Deferred inflows or resources
- Net Investment in Capital Assets
- Restricted Net Position
- Unrestricted Net Position

Statement of Net Position

▶ Current Assets

- Must be listed in order of liquidity

Assets:
Equity in pooled cash and cash equivalents.
Receivables (net allowance for uncollectibles):
Income taxes.
Property and other local taxes
Accounts.
Special assessments
Accrued interest
Due from other governments
Internal balance
Net pension asset

Statement of Net Position

▶ Capital Assets

- Capital assets should be separated by Non-depreciable and depreciable capital assets
- Below are two ways to disclose capital assets on the financials

Capital Assets:
Non-depreciable capital assets. . . .
Depreciable capital assets, net
Total Capital Assets, net.

Capital Assets:
Land
Construction in progress
Buildings
Equipment
Vehicles
Less: Accumulated depreciation . .
Total Capital Assets, net

Statement of Net Position

- ▶ Deferred outflows of resources
 - Defined as a consumption of net assets by the government for a future period

Deferred outflows of resources:	
Pension/OPEB related	
Unamortized deferred charges on refunding	
Total deferred outflows of resources	

Statement of Net Position

- ▶ Current Liabilities
 - Must be listed in order of liquidity

Accounts payable

Accrued wages and benefits payable

Due to other governments

Accrued interest payable

Claims payable.

Statement of Net Position

▶ Long-term liabilities

- Include debt obligations and net pension/OPEB liability of the entity
- Amounts due within one year should be separated from other amounts

Long-term liabilities:
Due within one year
Due in more than one year:
Net pension liability
Other amounts due in more than one year

Statement of Net Position

- ▶ Deferred inflows of resources
 - Defined as an acquisition of net assets by the government that is applied to a future reporting period

Deferred inflows of resources:
Property taxes levied for the next fiscal year
Pension/OBEP related
Total deferred inflows of resources

Statement of Net Position

▶ Net Position

◦ Net investment in capital assets

- Represents the current carrying value of capital assets less the amount of debt applicable to the acquisition of those assets
- Can be a deficit
 - Depreciated at a faster pace than debt/capital lease is retired.

Statement of Net Position

- ▶ Net Position, con't
 - Restricted Net Position
 - Represents amounts of Net Position restricted for a specific use resources – subject to *externally imposed* restrictions (creditors, grantors, contributors, laws/regulations of other governments, constitutional provisions)
 - Unrestricted Net Position
 - Amount of net position left over
 - Can be a deficit
 - $\text{Assets} + \text{Def Outflows} < \text{Liabilities} + \text{Def Inflows}$

Statement of Net Position

- ▶ Net Position
 - Example (municipality)

Net position:
Net investment in capital assets
Restricted for:
Debt service
Capital projects
Security of persons and property.
Transportation projects.
Community development programs
Police and fire pension
Other purposes.
Unrestricted (deficit)

Statement of Net Position

- ▶ Component Units
 - Will be listed out to the right after the primary government information
 - May be listed in total in one column or broken out individually
 - Governments may also distinguish between Major and Nonmajor Component Units

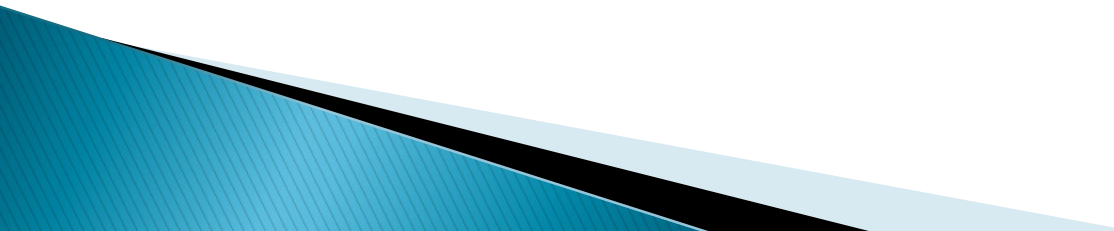
Statement of Net Position

- ▶ Example



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Statement of Activities

- ▶ Shows changes in a government's net position over a length of time
 - ▶ Includes Governmental activities, Business-type activities, and Component Units
 - ▶ Net Position at the end of the year should match Net Position from the Statement of Net Position
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Statement of Activities

- ▶ **Formatting and Order**
 - The Statement of Activities should be displayed in a matrix format.
 - Program specific revenues should offset the expenses associated with the revenues.
 - General revenues should be listed next
 - Extraordinary gains/losses
 - Special items
 - Transfers
- ▶ **Example on the following slide**

Statement of Activities



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Statement of Activities

▶ Program Revenues

- Arise because the specific program with which they are identified exists.
- Program revenues should be paired against the expenses that are used to generate them
- 4 types
 - Charges for services
 - Are charges for providing goods, services, and privileges directly from a governmental entity, charges are intended to cover the cost of the services they provide
 - Examples: Services charges (water/sewer), License and permits, special assessment charges, intergovernmental charges

Statement of Activities

- ▶ Program revenues
 - Operating grants and contributions
 - Monies received from a government or individual that must be used for a particular purpose
 - Special Note: If Multi-use grants are intended to finance more than one program then they should be reported as program revenues as long as the amounts restricted to each program are identifiable. If not they are considered General Revenues
 - Capital grants and contributions
 - Use the same criteria as operating grants except that monies are restricted to the purchase of capital assets rather than operating expenses
 - Offset to where depreciation will be charged

Statement of Activities

- ▶ Program revenues
 - Investment earnings
 - Endowments
 - Permanent Funds
 - Legal restriction to a specific use

Statement of Activities

▶ General Revenues

- Includes items that are not specifically identified within a program, they include:
- Items that should be reported separately:
 - Income taxes
 - Sales taxes
 - Property taxes
 - Franchise taxes
- Non-tax sources of revenue will fall into the following categories:
 - Unrestricted grants and contributions
 - Unrestricted Investment income
 - Miscellaneous

Statement of Activities

▶ Other potential items

◦ Extraordinary items

- Unusual in nature (possessing a high degree of abnormality *and* clearly unrelated the ordinary activities of the entity.
- Infrequent in occurrence (not reasonably expect to recur in the foreseeable future, taking into account the environment in which the entity operates.

◦ Special items

- Significant transactions or other events within the control of management that are unusual in nature or infrequent in occurrence

◦ Transfers

- This line item contains transfers not eliminated between governmental and enterprise funds

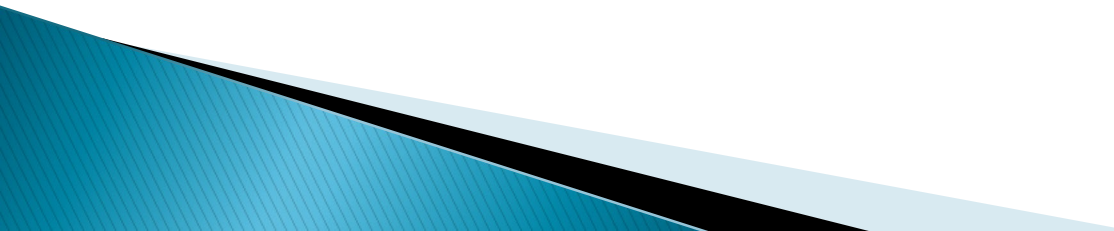
Reconciliation of Fund Balances to Net Position

- ▶ Shows the change in measurement focus from the current financial resources focus (modified accrual) to economic resources focus (full accrual)
- ▶ Presentation
 - May be located at the bottom of the Balance Sheet or on a separate page
 - Should start with governmental fund balances and show reconciling items to Net position

Reconciliation of Fund Balances to Net Position

- ▶ Common reconciling items
 - Capital Assets
 - Long-term unmatured principal
 - Unmatured interest payable
 - Accrued liabilities (such as compensated absences)
 - Unamortized premiums/discounts on long-term debt
 - Deferred charges on debt refundings
 - Net pension/OPEB liability related items
 - Internal service fund (discussed later)

Reconciliation of Changes in Fund Balance to Changes in Net Position

- ▶ Shows how the change in accounting basis affects the changes in fund balance and net position
 - ▶ Presentation
 - May be located at the bottom of the Statement of Revenues, Expenditures, and Changes in Fund Balances or on a separate page
 - Should start with Change in Fund Balances and show reconciling items to Change in Net Position
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Reconciliation of Changes in Fund Balance to Changes in Net Position

- ▶ Common reconciling items and applicable journal entries

<u>Acquisition of Capital Assets</u>			<u>Unavailable revenue</u>		
Capital Assets	xx		Deferred inflows of resources	xx	
Expense		xx	Revenue		xx
<u>Depreciation of Capital Assets</u>			<u>Accrued interest on long-term liability</u>		
Expense	xx		Interest expense	xx	
Accumulated Depreciation		xx	Accrued interest payable		xx
<u>Issuance of Long term debt</u>			<u>Capital lease transactions</u>		
Bond Issuance	xx		Capital lease inception	xx	
Long-term liabilities		xx	Long-term liabilities		xx
<u>Compensated Absences</u>			<u>Principal retirement</u>		
Expense	xx		Long-term liabilities	xx	
Long-term liabilities		xx	Principal retirement		xx

Reconciliation of Changes in Fund Balance to Changes in Net Position

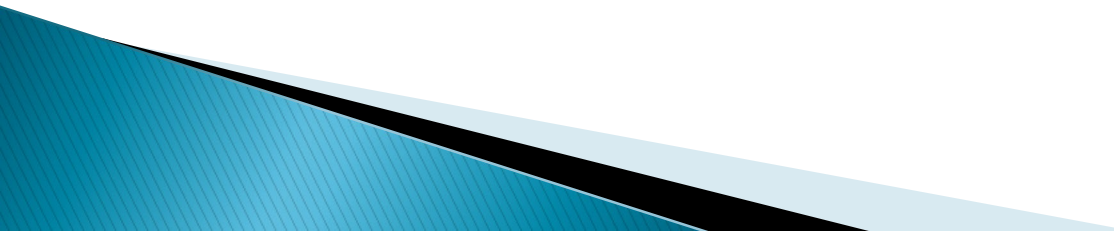
<u>Summary of Reconciling Items</u>			
Item	Governmental Funds	Governmental Activities	Action Required
Issuance of long-term debt	Other financing source	Liability	Replace other financing source with liability
Original issue discount	Other financing use	Contra-liability	Replace other financing use with contra-liability
Repayment of principal	Expenditure	Reduction of related liability	Replace expenditure with reduction of related liability
Capital asset acquisitions	Expenditure	Assets	Replace expenditure with capital assets constructed or acquired
Sales of capital assets	Other financing source	Removal of asset sold	Replace other financing source with removal of the asset sold + gain or loss
Donations of capital assets	Not reported	Capital asset and corresponding revenue/capital contribution	Add capital asset and corresponding revenue/capital contribution
Revenues of the current period	Deferred item	Revenue	Replace deferred items with revenues
Accrued interest on long-term debt	Not reported	Reported as an expense and liability	Report as expense and liability
Depreciation of capital assets	Not reported	Expense and increase in related contra-asset account	Recognize expense and increase in related contra-asset account
Amortization of premium	Not reported	Adjustment to interest expense	Reduce the premium and decrease interest expense
Amortization of discount	Not reported	Adjustment to interest expense	Reduce the discount and increase interest expense
Amortization of deferred charges on refunding	Not reported	Adjustment to interest expense	Reduce the deferred charge and increase interest expense

Internal Service Fund Consolidation

▶ Definition

- Used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost-reimbursement basis

▶ Consolidation

- For government wide reporting, internal service funds must be incorporated into either governmental or business-type activities
 - Based on predominant users
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Internal Service Fund Consolidation

▶ Consolidation

- Operating profits/losses are allocated
- Use reasonable basis for allocation
- Assets/liabilities should be reported with the predominant user of the goods and/or services
- Amounts owed between governmental and business-type activities show up on the Statement of Net Position as “Internal Balance Receivable/Payable”

Internal Service Fund Consolidation

Consolidation of Internal Service Fund Health Care Insurance

Operating Profit/Loss of Internal Service Fund \$25,000^A

Allocate based on services provided:

<u>Governmental</u>	<u>Related Expenses</u>	<u>% to Allocate</u>	<u>Allocated Amounts</u>
General government	\$4,000	28%	\$6,969
Security of persons and property	5,000	35%	8,711
Community environment	250	2%	436
Transportation	2,500	17%	4,355
Other	1,250	9%	2,178
<u>Business-type</u>			
Water	450	3%	784
Sewer	650	5%	1,132
Refuse	250	2%	436
	<u>\$14,350</u>	<u>^A</u>	<u>\$25,000</u>

Entries to record:

Gov Act	Equity in pooled cash	20,000	
Gov Act	General government	6,969	
Gov Act	Security of persons and property	8,711	
Gov Act	Community environment	436	
Gov Act	Transportation	4,355	
Gov Act	Other	2,178	
Gov Act	Internal balance receivable	2,352	
Gov Act	Claims payable		7,500
Gov Act	Net position		37,501
Buss Act	Water Expense	784	
Buss Act	Sewer Expense	1,132	
Buss Act	Refuse Expense	436	
Buss Act	Internal balance payable		2,352
		<u>47,353</u>	<u>47,353</u>

Questions?

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