



*Shared Knowledge
for Effective Government*

Chapter 21 & 22

Notes to the Financial Statements

Goal

- ▶ Familiarize you with note disclosure requirements and
- ▶ Recommend resources that will enable you to meet those disclosure requirements.

Basic rules in note preparation

- ▶ Include required disclosures
- ▶ Include only needed information
- ▶ Make sure that your disclosures are accurate (modify templates) and tie to financial statements
- ▶ Exclude both subjective assessments and predictions on future financial position
- ▶ Avoid “negative disclosure”
- ▶ Disclosure is never a substitute for display of face of financial statements
- ▶ Check for changes in authoritative guidance

Overview of note preparation

- ▶ Obtain a template (you need a starting point)
- ▶ Customize notes using your financial statements and information used to prepare statements
- ▶ GAAFR Chapter 21 & 22
- ▶ AOS Website – templates/other entities
- ▶ GASB Statements
- ▶ GASB Comprehensive Implementation Guides
- ▶ GFOA Certificate of Award or Other Checklists

Notes – Why?

- ▶ Management’s tool for clarifying amounts or circumstances
- ▶ Descriptions of policies (required)
- ▶ Additional detail to supplement the amount reported on the face of the statements
- ▶ Additional information on items or events that are not in the financial statements (legal; regulatory; subsequent events)
- ▶ “spirit of full disclosure”

Summary of Significant Accounting Policies (SSAP)


Required by GAAP **

- ▶ Specialized environment (governmental reporting)
- ▶ Selection among GAAP alternatives
- ▶ Application of professional judgment

SSAP Requirements

- ▶ Presented before or as 1st note to the statements
- ▶ Should disclose information consistent with requirements on previous slide:
 - Variations of GAAP unique to state and local governments
 - Selection of GAAP application where more than one alternative exists
 - Unusual or innovative application of GAAP has been applied

Required Disclosure in SSAP

- ▶ Description of Govt–Wide Statements
 - ▶ Reporting Entity – including component units
 - ▶ Basis of Presentation for Govt Wide and Fund financial statements
 - ▶ Basis of Accounting
 - ▶ Budgetary Information
 - ▶ Statement of Net Position/Balance Sheet Accounts
 - ▶ Change in Net Position/Fund Balance Accounts
- 

Description of the government-wide financial statements

- Mention that fiduciary funds and fiduciary-type component units are *NOT* included.
- Do not make this disclosure unless there are fiduciary funds or fiduciary-type component units.
- Practical Consideration: This is typically combined within other requirements such as basis of presentation.

Brief Description of Reporting Entity

- ▶ Typically includes services/programs provided
- ▶ Disclosure that the Reporting Govt is a component unit of another Govt, if necessary.
- ▶ Analysis of component unit(s), including:
 - Description of each unit and relationship
 - Whether unit is presented as discrete or blended component unit
 - How to obtain separately issued statements for unit

Basis of Presentation – government-wide financial statements (disclosures)

1. Governmental and business-type activities, major component units
2. Policy for eliminating internal activity
3. Effect of component units with differing fiscal year ends

Governmental and business-type activities, major component units

- ▶ Explain how data from the fund financial statements are incorporated into either governmental activities or business-type activities and
- ▶ Identify major discretely presented component units and indicate where information on individual units can be found within the basic financial statements
- ▶ The fact that fiduciary funds are not included in either of the activities columns is already explained in description

Policy for eliminating internal activity

- ▶ Explain which elements of internal activity have been eliminated from the GW statement of activities and which have been retained.
- ▶ The disclosure concerning the elimination of internal activity should be specific rather than generic
- ▶ *Interfund services provided and used* rather than reimbursements, transfers, or loans
 - Example: water billings to the parks department are reported as program revenues of the water department.

Effect of component units with differing fiscal year ends

- ▶ Identify any differences in fiscal years and
- ▶ Describe the effect of the difference on amounts reported for the period.
- ▶ The fact that different fiscal years are used should be disclosed even when there is no effect on the amounts reported for the period.

Basis of presentation – fund financial statements (3 disclosures)

1. Description of types of funds reported and identification of fund type for each major fund.
2. Descriptions of activities accounted for in the major funds, internal service funds, and fiduciary funds (specific to reporting government)
3. Interfund eliminations

Major and nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds by fund type

- ▶ Identify each of the fund types used in the fund financial statements and
- ▶ Indicate the fund type of each of the major funds
- ▶ A description of the use of each of the fund types is appropriate

Descriptions of activities accounted for in the major funds, internal service funds, and fiduciary funds

- ▶ Provide at least a generic description of the activities of the general fund and
- ▶ Provide a specific description of the activities of
 - Each major fund, other than the general fund and
 - Each fund-type column
- ▶ A description is not necessary if the title of the column itself already provides the necessary information

Interfund eliminations

- ▶ Disclose the elimination of internal balances and transfers between governmental funds or between enterprise funds if a separate eliminations column is not presented
- ▶ This disclosure normally is necessary because relatively few governments present an eliminations column in the fund statements

Basis of Accounting

- ▶ Accrual–government–wide financial statements
 - Indicate that the accrual basis of accounting is used
- ▶ Modified accrual–governmental fund financials statement
 - Explain how revenues and expenditures are recognized
 - Specific mention of the availability period
- ▶ Accrual–proprietary and fiduciary fund financial statements

Budgetary data

- ▶ Describe the budgetary basis of accounting if other than GAAP
- ▶ Explain how the budgetary basis of accounting differs from GAAP
- ▶ The purpose of the disclosure is to explain why the *actual* amounts in the budgetary comparison statement do not trace to the amounts reported in the statement of revenues, expenditures, and changes in fund balances.

Budgetary data (cont.)

- ▶ Disclose any excess of expenditures over appropriation in the general fund or individual major special revenue funds for which an annual budget is legally adopted, if not otherwise visible
- ▶ This requirement does not extend to other governmental

Statements of Net Position/Balance Sheet Accounts

- ▶ If the statement of cash flows focuses on both cash and cash equivalents, provide the definition used for cash equivalents
- ▶ Describe the methods used to value different types of assets (GASB 72)
- ▶ Describe the government's policy for capitalizing assets
 - Capitalization Threshold
 - Assumptions used in estimating historical cost
 - Extent of infrastructure capitalization

- ▶ Describe the government's policy for estimating the useful lives of capital assets for purposes of calculating depreciation expense
- ▶ Identify the method (i.e., straight line) used to calculate depreciation expense
- ▶ Description of the modified approach for reporting infrastructure assets
 - If used, include key factors in method
- ▶ Explanation of deferred outflows of resources or deferred inflows of resources

- ▶ Describe any unusual or innovative accounting treatments
- ▶ Describe any accounting treatment that is especially significant because of unusual circumstances
- ▶ Describe the flow assumption used for net position–restricted v. net position–unrestricted
- ▶ Describe the flow assumption for restricted fund balance v. the unrestricted portion of fund balance

- ▶ Describe the flow assumption within the unrestricted portion of fund balance among committed fund balance, assigned fund balance, and unassigned fund balance.
- ▶ Fund balance disclosure:
 - Government's highest level of decision-making authority
 - Body or official authorized to assign amounts to a specific purpose
 - Formal action required to commit fund balance and
 - Policy used to authorized the assignment of resources

Change in Net Position/Fund Balance Accounts

- ▶ Describe the specific revenues classified as program revenues
- ▶ Mention if indirect costs are reported as functional expenses as the result of an administrative cost recovery element built into a charge for centralized services
- ▶ Mention how indirect costs have been allocated to functions or programs if indirect costs have been allocated in a separate column

- ▶ Describe any unusual or innovative accounting treatments
- ▶ Describe any accounting treatment that is especially significant because of unusual circumstances
- ▶ Property tax revenue
 - Indicate the lien dates, the levy dates, the due dates, and the collection dates
 - Indicate the length of the availability period used for property taxes if it is in excess of 60 days and the unusual circumstances that justify its use

- ▶ Vacation, sick leave, and other compensated absences
 - Mention if employees are reimbursed for unused sick leave upon retirement, or if unused sick leave is treated as additional service time in the calculation of postemployment benefits
- ▶ Provide the definition used to distinguish operating revenues and expenses from nonoperating revenues and expenses in the proprietary fund statement of revenues, expenses, and changes in net position

Detailed Note Disclosures

- ▶ Details of reconciling items
 - Combine several similar balances or transactions
 - Involve netting
- ▶ Stewardship, compliance, and accountability
 - Violations of legal or contractual provisions
 - Deficit in individual funds
- ▶ Accounting changes
 - Prior period adjustments
 - Changes in accounting principles
 - Changes in estimate
 - Changes in entity
- ▶ Bankruptcies

Detailed notes on all activities and funds

- ▶ Assets
- ▶ Deferred outflows of resources
- ▶ Liabilities
- ▶ Deferred inflows of resources
- ▶ Net position/fund balance
- ▶ Interfund receivables and payables and interfund eliminations
- ▶ Revenues and expenditures/expenses
- ▶ Service concession arrangements
- ▶ Donor–restricted endowment disclosures
- ▶ Interfund transfers

Assets–Cash Deposits

- ▶ Legal and contractual provisions governing deposits
 - Statutory requirement to collateralize the uninsured balance of deposits
 - Material violations
- ▶ Policies governing deposits
 - Custodial credit risk
 - Foreign currency risk
 - Disclose if no policies exist (GASB 40 ¶6)
- ▶ Exposure to custodial credit risk as of the reporting date
 - Only when its actually present
 - Any losses of the current period
 - Any recovery of losses from a prior period
- ▶ Exposure to foreign currency risk

Assets–Investments

- ▶ Valuation basis – Fair Market Value (GASB 72)
- ▶ Participation in external investment pools
 - Briefly describe regulatory oversight if not SEC registered
 - State whether fair value is the same as the value of pool shares if not SEC registered
 - Indicate if participations is involuntary (GASB 62 ¶210)

Assets–Investments

- ▶ Income associated with investments reported in another fund
 - IF all investment income goes to general fund (GASB31 ¶15f)
- ▶ Information on realized gains and losses (optional)
 - Indicate that the calculation of realized gains and losses is entirely separate from the calculation of the net change in the FV of investments
 - Indicate that realized gains and losses of the current period include changes in FV that actually occurred in prior periods and were thus included as part of the net change in the FV of investments reported in those periods. (GASB31 ¶15)

Assets–Investments

- ▶ Legal and contractual provisions governing investments
 - Material violations, along with the action taken to address those violations (GASB3 ¶65–66)
- ▶ Policies governing investments (if relevant)
 - Credit risk (including custodial credit risk)
 - Concentration risk
 - Interest rate risk
 - Foreign currency risk
 - If no policy and relevant – the fact should be disclosed

Assets–Investments

- ▶ Exposure to credit risk
 - Disclose least favorable credit rating for debt securities held directly and indirectly (GASB40 & 59)
 - Other than guaranteed by US government
 - If no rating available – disclose that fact
 - Aggregated by investment type or credit quality
- ▶ Exposure to custodial credit risk as of the reporting date (GASB 40)
 - Type of investment
 - Amount of investment, and
 - How the investment was held
 - Losses of the current period
 - Recovery of losses from prior period

Assets–Investments

- ▶ Concentration risk (GASB40)
 - Disclose if 5% or more with a single issuer
 - Affiliates and subsidiaries of a common parent company engaged in similar activities and having similar economic characteristics may need to be treated as a single issuer.
- ▶ Interest–rate–risk
 - Key factor – length of time debt will remain outstanding at lower–than–market interest rates
 - Focus on maturity date
 - Method used to disclose = method used to manage risk
 - Include any contractual terms that make debt especially sensitive to changes in interest rates
 - Applies solely to investments in debt mutual funds, external debt investment pools, or other pooled debt investments (GASB 59)

Assets–Investments

- ▶ Foreign currency risk
 - Amount denominated in each currency by type of investment in US dollars
- ▶ Commitments under yield–maintenance repurchase agreements
 - Considered to be a “true” purchase
 - Reported amount and FV to be sold back and
 - Description of the term of the agreement

Assets–Receivable Balances

- ▶ Present any significant components of receivables not separately visible on the face of the financial statements
- ▶ Disclose any significant balances not expected to be collected within one year of the reporting date

Assets–Capital Assets

- ▶ For each major asset class (GASB 34)
 - Beginning balances
 - accumulated depreciation shown separately
 - Capital acquisitions (additions)
 - Sales and dispositions (deletions)
 - Ending balances
 - accumulated depreciation shown separately
- ▶ Governmental activities vs. Business–type activities
- ▶ Depreciating vs. Non–depreciating

Assets–Capital Assets

- ▶ Amount of depreciation expense report for each function or program
- ▶ Capitalization of interest costs (GASB 62)
 - Total interest cost of the period expensed and
 - Interest cost of the period that was capitalized (GASB 62)
- ▶ Capital assets pledged as security for loans

Assets–Collections

- ▶ Ex. Works of art and historical artifacts
- ▶ Do not have to be capitalized
- ▶ Provide a description and explain why its not been capitalized

Assets–Impairments and Insurance Recoveries (GASB 42)

- ▶ General description of the impairment
- ▶ Amount of the impairment and
- ▶ Financial statement classification
- ▶ Carrying value of impaired capital assets
- ▶ The amount and classification of any insurance recoveries
- ▶ If not visible in the financial statements

Assets–Lease Receivables

- ▶ Only if a significant part of the government's activities
- ▶ Capital leases:
 - General description of the arrangement
 - Components of the net investment
 - Future minimum lease payments
 - Unguaranteed residual values
 - Initial direct costs (direct financing leases only)
 - Related liability
 - Future minimum lease payments for the next 5 years, and
 - Total contingent rentals of the period

Assets–Lease Receivables

- ▶ Operating leases
 - General description of the arrangement
 - Cost and carrying amount of leased property (by major class)
 - Accumulated depreciation (in total)
 - Minimum future rentals in the aggregate and for each of the next 5 years (noncancelable leases only), and
 - Total contingent rentals of the period

Assets–Valuation Allowances

- ▶ Disclose the amount of the valuation allowance if it is not otherwise visible in the financial statements (GASB 34 & 62)
 - Ex. Allowance for doubtful accounts

Asset Disclosures Not Common for Ohio

- ▶ Derivative instruments
- ▶ Reverse repurchase agreements
- ▶ Securities lending transactions
- ▶ Right to service mortgage loans
- ▶ Sponsor disclosures for external investment pools

Deferred outflows of resources

- ▶ If in aggregate on financial statements, provide detail on the different types of deferred amounts
- ▶ Disclose any situation where a transaction resulted in a significant change in the amount reported for one of the three categories of net position
 - Net investment in capital assets
 - Restricted
 - Unrestricted

Liabilities–Payable Balances

- ▶ Present any significant components of payables not separately visible in the financial statements

Liabilities–Pension/OPEB Plans (GASB 68/75)

- ▶ Name of the plan
- ▶ Entity that administers the plan
- ▶ Description of plan
 - “defined contribution pension plan”
- ▶ Description of benefit terms
- ▶ Contribution rates in dollars or as a % of salary
 - For employees
 - For employer, and
 - Nonemployer contributing entities, if any

Liabilities–Pension/OPEB Plans (GASB 68/75)

- ▶ Authority to establish or amend benefits & rates
- ▶ Amount of pension/OPEB expense
- ▶ Amount of forfeitures reflected in pension expense
- ▶ Amount of the employer’s liability outstanding at the end of the period, if any
- ▶ Does plan issue a stand–along report?

Liabilities–Termination Benefits

- ▶ Describe the arrangement
 - Types of benefits
 - Number of affected employees
 - Period over which benefits will be provided
- ▶ Indicate the cost of providing the benefits
- ▶ Describe the significant methods and assumptions used to calculate the liability

Liabilities–Construction & Other Significant Commitments

- ▶ List existing arrangements to enter into future transactions
 - Construction
 - Supplies
- ▶ Encumbrances meet this definition
 - If significant, disclose by major fund and by nonmajor funds in the aggregate

Liabilities–Claims & Judgments

- ▶ Various risks of loss to which the government is exposed
- ▶ How each risk of loss is handled
 - Purchase of insurance
 - Participation in a public–entity risk pool
 - Risk retention
- ▶ Significant reduction from the prior year in insurance coverage in any major risk category, and
- ▶ Past 3 fiscal years whether settlements exceeded insurance coverage

Liabilities–Claims & Judgments

- ▶ If a participate in a risk pool:
 - Describe the nature of the government’s participation in the pool, and
 - Describe the rights and responsibilities of both the government and of the pool
- ▶ Risk retention (internal service fund):
 - Basis for estimating the liability for unpaid claims
 - Are claim adjustments included in the liability
 - If claim liabilities are discounted
 - Disclose that amounts are at present value and
 - The range of discount rates used

Liabilities–Claims & Judgments

- Tabular reconciliation of changes in the aggregate liability for both the current and the previous year
 - Beginning balance
 - Plus incurred claims
 - Less paid claims
 - Other (change in estimation technique)
 - Ending balance
- ▶ Component unit's note:
 - Types of risk
 - Any significant reduction in coverage
 - Past 3 fiscal years – settlements exceed coverage
 - Name the primary government
 - Nature of participation – rights and responsibilities

Liabilities– Lease Obligations–Capital (GASB 62)

- ▶ Capital lease:
 - Gross amount of assets acquired by major class
 - Total contingent rentals of the period
 - Basis for contingent rentals
 - Future sales, use, or market interest rates
 - Assets acquired and accumulated amortization
 - Amortization expense
 - If not in depreciation, disclose
 - Terms of any renewal options, purchase options, or escalation clauses, and
 - Restrictions imposed by contract – limitations on additional leasing

Liabilities– Lease Obligations–Operating (GASB 62)

- ▶ General description of the arrangement
 - How contingent rentals are determined
 - Terms of renewal or purchase options
 - Restrictions
- ▶ Rental expense of the period by
 - Minimum rentals
 - Contingent rentals
 - Sublease rentals
- ▶ Total minimum rentals receivable for noncancelable subleases, if more than one year
- ▶ Future minimum payments for each of the next 5 years and in 5 year increments thereafter, if noncancelable

Liabilities– Short–Term Debt and Liquidity (GASB 38 & 62)

- ▶ Provide a schedule:
 - Beginning balances
 - Increases
 - Decreases
 - Ending balances
- ▶ Describe the terms of any replacement financing (short to long)
- ▶ Disclose circumstances of any defaults

Liabilities–

Long–Term Debt (GASB 34 & 38)

- ▶ Describe each bond issue and capital lease outstanding
- ▶ Schedule of long–term liabilities
 - Beginning balances
 - Increases
 - Decreases
 - Ending balances, and
 - Portion due within 1 year
- ▶ Governmental activities vs. business–type activities
- ▶ By major class of liabilities
- ▶ Disclose which funds have been used to liquidate governmental comp abs or other non–debt liability

Liabilities– Long-Term Debt (GASB 34 & 38)

- ▶ Debt service requirement to maturity
 - Principal due in each of the next 5 years
 - Interest due in each of the next 5 years
 - Principal due for each 5 year increment thereafter
 - Interest due for each 5 year increment thereafter
- ▶ Terms of interest rate changes for variable-rate debt
- ▶ Disclosure of legal debt margin
- ▶ Amount of bonds authorized but unissued and unused lines of credit, if significant

Liabilities– Long–Term Debt (GASB 48)

- ▶ Debt supported by pledged revenues
 - Identify the specific revenue pledged and the approximate amount (remaining P&I)
 - Identify the debt and its purpose
 - Period the revenue will not be available for other uses
 - Proportion of revenue stream pledged
 - Compare pledged revenues net of operating expense to P&I

Liabilities– Long-Term Debt (GASB 6)

- ▶ Special assessment debt and related activities
 - Government obligated:
 - Nature of the obligation
 - Include guarantee, reserve, or sinking fund to cover defaults
 - Amount of delinquent receivables, in not on statements
 - Government NOT obligated:
 - Amount of the debt
 - The fact that government is agent not liable

Liabilities– Long–Term Debt (GASB 7)

- ▶ Current refundings and advance refundings
 - General description of the transaction
 - Difference in cash flows (refunding v no refunding)
 - Economic gain or loss
- ▶ In–substance defeasance (still liable)
 - Disclose for as long as the debt remains outstanding
- ▶ Refunded using variable rate debt
 - Disclose min & max rate
 - Disclose min & max savings

Liabilities– Long–Term Debt (GASB Interpretation 1)

- ▶ Demand bonds
 - Describe the arrangement
 - Terms of any standby liquidity agreement (letter of credit)
 - Related commitment fees
 - Amount drawn down as of the financial reporting date
 - Describe the take–out agreement
 - Present debt service requirements should take–out occur

Liabilities– Long–Term Debt (GASB 62)

- ▶ Bond anticipation notes
 - Replacement debt issued prior to the issuance of the financials statements
 - Or
 - Qualifying financing agreement that extends at least 12 months beyond the reporting date

Liabilities– Long–Term Debt (GASB 62)

- ▶ Troubled debt restructuring
 - Describe principal changes in terms
 - Aggregate gain on restructuring of payables, and
 - Aggregate net gain/loss on transfers of assets

- In subsequent periods:
 - Portion of restructured payables that represents contingent payment
 - Total amount contingently payable and
 - Conditions that trigger debt restructurings

Liabilities– Long–Term Debt (GASB Interpretation 2)

- ▶ Conduit debt
 - Describe the conduit debt obligations
 - Aggregate amount outstanding and,
 - Indicate clearly that the government has no obligation beyond the resources provided by related leases or loans

Liabilities–Landfill Closure and Postclosure Care (GASB 18)

- ▶ Describe the nature and source of landfill closure and postclosure care requirements
- ▶ Liability is based on landfill capacity used to date
- ▶ Amount of liability, if not visible on statements
- ▶ Estimated total current cost of care
- ▶ Percentage of capacity used to date
- ▶ Estimated remaining years to be used
- ▶ How are financial assurance requirements being met

Liabilities–Landfill Closure and Postclosure Care (GASB 18)

- ▶ Assets restricted for payment of closure and postclosure care, if not shown on statements
- ▶ Nature of the estimates and the potential for changes
 - Result of inflation/deflation
 - Changes in technology
 - Changes in laws or regulations

Liabilities–Pollution Remediation Obligations (GASB 49)

- ▶ Nature and source of the remediation obligation
- ▶ Amount of the remediation liability
 - –if not shown on statements
- ▶ Methods and assumptions used to estimate the liability
- ▶ Potential for changes in estimate
 - Price changes
 - Changes in technology
 - Changes in laws and regulations
- ▶ Amount liability has been reduced due to unrealizable anticipated recoveries

Deferred Inflows of Resources (GASB 63)

- ▶ If in aggregate on financial statements, provide detail on the different types of deferred amounts
- ▶ Disclose any situation where a transaction resulted in a significant change in the amount reported for one of the three categories of net position
 - Net investment in capital assets
 - Restricted
 - Unrestricted

Net Position/Fund Balance (GASB 46)

- ▶ Amount of restricted net position due to enabling legislation
- ▶ Nonspendable fund balance
 - Not in spendable form v. amounts legally required to be maintained, if not shown on statements
- ▶ Committed fund balance
 - Highest level of decision-making authority
 - Formal action needed to establish, modify or rescind
- ▶ Assigned fund balance
 - Who is authorized
 - Policy to authorize

Net Position/Fund Balance

(GASB 46 & 54)

- ▶ Flow assumption for restricted v. unrestricted resources
- ▶ Flow assumption for unrestricted resources
 - Committed v Assigned v unassigned
- ▶ Specific details of restricted, committed, and assigned fund balance, if not shown on statements
- ▶ Stabilization arrangement
 - Authority for establishing
 - Requirements for additions
 - Conditions for spending, and
 - Balance, if not shown on statements
- ▶ Minimum fund balance policy

Interfund Receivables and Payables / Interfund Eliminations (GASB 38 & NCGA 1)

- ▶ Summary of interfund balances based on the columns reported on statements
- ▶ Purpose of interfund balances
 - Operating receivables/payables v. advances
- ▶ Amounts not expected to be repaid within 1 year
- ▶ Eliminate for Government-wide statement
 - Governmental to governmental
 - Business-type to business-type

Revenues and Expenditures/Expenses (GASB 34 & 48)

- ▶ Discounts and allowances
 - –if not shown on statements
- ▶ Interest expense included in direct expense
 - Interest on long-term debt for program
 - Amount shown as functional expense rather than interest expense

Revenues and Expenditures/Expenses (GASB 48)

- ▶ Future revenues that have been sold
 - In the year of the sale
 - Identify the specific revenue sold
 - Approximate amount
 - Period covered by the sale
 - Proportion of the revenue stream that has been sold
 - Compare proceeds with PV of future revenues
 - Assumptions used to make estimates

Revenues and Expenditures / Expenses (GASB 34)

- ▶ Transactions that would be reported as special items had they been within the control of management
 - Either unusual in nature OR
 - Infrequent in occurrence
- ▶ Significant transactions involving major discretely presented component units
 - Nature and amount of those transactions

Revenues and Expenditures / Expenses

- ▶ Transactions not reported because not measurable
 - Ex. Nonexchange revenues (GASB 33)
 - Ex. Termination benefits (GASB 47)
 - Ex. Pollution remediation (GASB 49)
- ▶ Foreign currency transactions
 - If significant, disclose gain or loss from currency fluctuations (GASB 62)
- ▶ Nonmonetary transactions
 - Nature of the transaction
 - Basis of accounting for the transferred asset, and
 - Any gain or loss

Revenues and Expenditures/Expenses (GASB 62)

- ▶ Retail land sales, if significant
- ▶ Contracts to perform research and development
 - Terms of the agreement
 - Compensation earned and costs incurred for the period

Service Concession Arrangements

- ▶ General description of the arrangement
- ▶ Status of the project
- ▶ Nature and amounts of related assets, liabilities, and deferred inflows
- ▶ Rights retained and rights granted
- ▶ Guarantees and commitments
- ▶ May be aggregated for similar facilities and risk

Donor–Restricted Endowment (GASB 34)

- ▶ Amount of net appreciation on investments that can be authorized for expenditure
- ▶ How amounts that can be authorized for expenditure are classified within net position
- ▶ State law regarding ability to spend net appreciation on investments, and
- ▶ Policy for authorizing and spending investment income
 - Spending–rate or total–return policy

Interfund Transfers (GASB 38)

- ▶ Summary based on columns reported in statements
- ▶ Describe
 - Principal purposes
 - Purpose and amount of any significant transfer
 - that is not routine
 - Inconsistent with activities of the fund making the transfer
 - Ex. From a capital projects fund to the general fund

Segment information for enterprise funds (GASB 34)

- ▶ A segment is an activity reported as a nonmajor enterprise fund that meets each of the following:
 - Identifiable – Specific revenue stream with related expenses, gains, and losses
 - Has revenue-supported debt outstanding, and
 - Subject to an externally imposed requirement to maintain separate accounts

Segment information for enterprise funds (GASB 34)

- ▶ Describe the types of goods or services provided
- ▶ Provide condensed financial statements
 - Statement of net position
 - Statement of revenues, expenses, and changes in net position
 - Statement of cash flows
- ▶ Must meet definition of segment to disclose
- ▶ Otherwise, disclose as “other activities with revenue-supported debt”

Individual Major Discretely Presented Component Unit Disclosures (GASB 34)

- ▶ If not separate column on statements
- ▶ If no combining statement
- ▶ Include in notes:
 - Condensed statement of net position
 - Condensed statement of activities
 - Condensed statement of cash flows is not required

Related Organizations (GASB 14)

- ▶ Describe the nature of the primary government's accountability, and
- ▶ Provide disclosures for related-party transaction, if applicable

Joint Ventures & Jointly Governed Organizations (GASB 14)

- ▶ Describe the joint venture
 - Ongoing financial interest or responsibility
 - How to obtain the JV's financial statements
- ▶ Provide disclosures for related-party transaction, if applicable

Related-Party Transactions

- ▶ Transactions so close that a reasonable person would conclude that one or both parties might be disinclined to fully pursue their separate interest
- ▶ For transaction outside the ordinary course of operations
- ▶ Describe the nature of the relationship
- ▶ Describe the transaction
- ▶ Amount
- ▶ Receivables / payables

Summary Disclosure of Significant Contingencies

- ▶ Loss contingencies
 - Not probable or not measurable
 - Disclose if:
 - Reasonably possible, but not probable
 - Probable, but cannot be reasonably estimated
 - Incurred but not reported (IBNR)
 - Guarantees, even if remote
 - Ex. Repurchase of receivables
 - If measurable by a dollar range
 - Record liability equal to the low end of range
 - Disclose balance of range as contingent liability

Other Disclosures

- ▶ **Contingent Liability for Debt**
 - Primary government is secondarily liable for debt of another party
- ▶ **Gain Contingencies (GASB 62)**
 - Avoid misleading implications as to the likelihoods of realization
- ▶ **Subsequent Events**
 - Recognized events – additional information about what's in the statements
 - Nonrecognized events –
 - Issuance of debt
 - Creation of a new component unit
 - Major casualty loss (national disaster)

Other Disclosures

▶ Bankruptcies

- Conditions and events that led to the filing
- Expected or known effect of those conditions
- Effect on service levels and operations
- Possibility of termination of the government
- How to obtain a copy of the plan of adjustment

▶ Going-Concern Considerations

- Must disclose if there is substantial doubt about its ability to continue for 12 months beyond the financial statement date

QUESTIONS?

Mindee Johnson, CPA
Senior Manager, Rea & Associates, Inc.
mindee.johnson@reacpa.com
330-308-6831 (direct)