

State of Maine Accounting & Financial Reporting Training (Part 2)

September 29, 2026



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Financial Reporting Entity Fundamentals

Background

Codification Sections 2100—Defining the Financial Reporting Entity, 2600—Reporting Entity and Component Unit Presentation and Disclosure, and 1300—Fund Accounting

Statement No. 14, *The Financial Reporting Entity*

Statement No. 39, *Determining Whether Certain Organizations Are Component Units*

Statement No. 61, *The Financial Reporting Entity: Omnibus*

Statement No. 80, *Blending Requirements for Certain Component Units*

Statement No. 84, *Fiduciary Activities*

Statement No. 90, *Majority Equity Interests*

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

Key Terminology

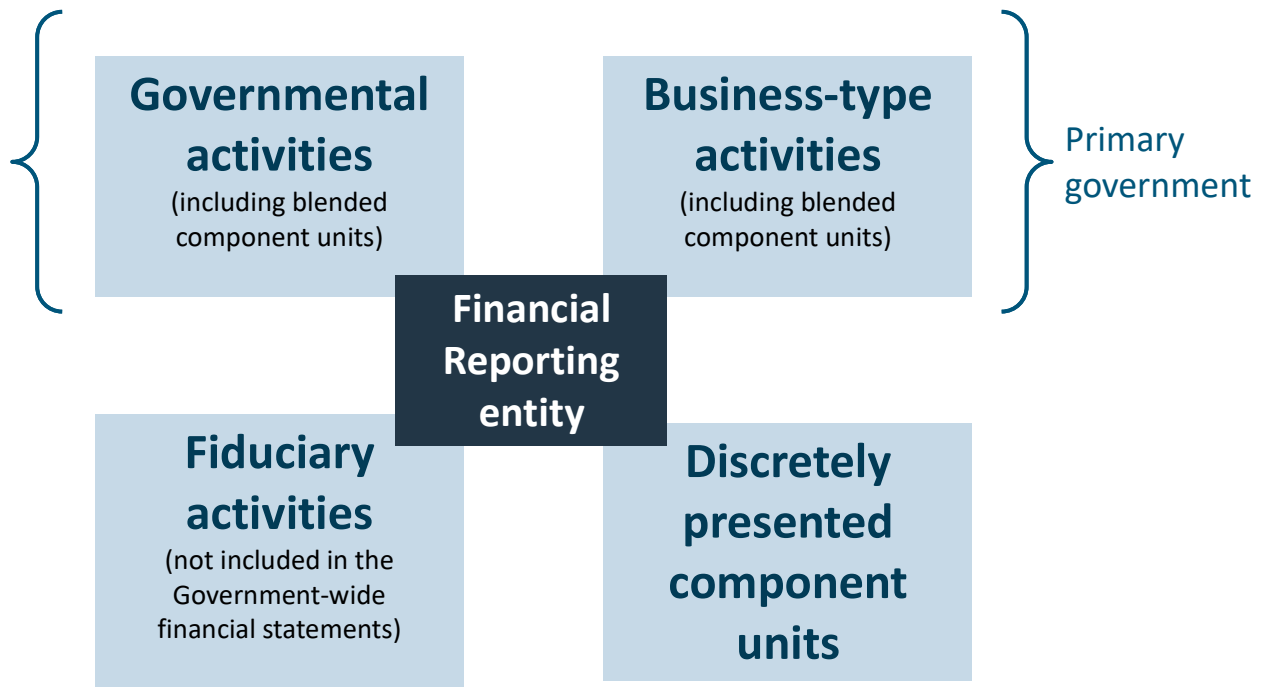
Financial reporting
entity (FRE)

Primary
government (PG)

Component unit
(CU)

Primary Governments and Component Units

The Boundaries of the Financial Statements



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What Is a Primary Government?

- 1** All state governments and general purpose local governments (municipalities and counties)
- 2** A special-purpose government (e.g., a school district or a park district) that meets all of the following criteria:
 - Has a separately elected governing body
 - Is legally separate
 - Is fiscally independent of other state and local governments
- 3** A primary government may include other legally separate organizations—component units

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Legally Separate

An organization has *separate legal standing* if:

It is created as a body corporate or a body corporate and politic, or

It otherwise possesses the corporate powers that would distinguish it as being legally separate from the primary government

Corporate powers give an organization:

The capacity to have a name

The right to sue and be sued in its own name without recourse to a state or local governmental unit

The right to buy, sell, lease, and mortgage property in its own name

Fiscally Independent

Fiscal independence means a government has the authority to do **all of** the following without substantive approval by a primary government:



**Determine
its budget**



**Levy taxes
or set rates
or charges**



**Issue
Bonded
debt**

Component Units

A component unit is a legally separate organization—often another government—that is included in the primary government's financial statements because:

- The primary government is financially accountable for it
- *or*
- It exists for the benefit of the government and/or its constituents
- *or*
- Excluding it would cause the financial statements to be misleading

**Which entities are
component units?**

What Does It Mean to Be Financially Accountable?

A PG is **financially accountable** for a legally separate organization when:

and/or

It appoints a voting majority of the organization's governing body *and* (1) can impose its will on the organization and/or (2) there is a financial benefit/burden relationship with the organization

and/or

The organization is fiscally dependent on the PG *and* there is a financial benefit/burden relationship

It holds a majority equity interest in the organization that does not meet the definition of an investment

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Terminology: Appointing a Voting Majority



A **voting majority** often is a simple majority of the organization's governing board, unless a greater proportion is required for financial decisions



The **PG's appointment authority must be substantive**—i.e., not merely confirming appointments made by others or selecting from a slate of candidates



If the **PG makes initial appointments** but does not have continuing appointment authority, it is financially accountable if it can unilaterally abolish the organization

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No Governing Body

Some governmental entities, such as pension plans, may not have a governing body or board. Does that mean the “appoints a voting majority” criterion cannot apply?

NO

If the pension plan is administered through a qualifying trust and the PG performs the duties that a governing board would typically perform, it is the same as appointment of a voting majority

Terminology: Imposition of Will



Imposing its will means the PG is able to significantly influence the organization’s programs, projects, activities, or level of services



Any of the following abilities **indicates imposition of will**:

- To remove appointed board members at will
- To modify or approve the budget and/or rate or fee changes
- To veto, overrule, or modify board decisions
- To appoint, hire, reassign, or dismiss management



Such abilities must be substantive and not merely ministerial or compliance

Terminology: Financial Benefit or Burden



Financial benefit or burden relationship means there is the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the PG



The benefit or burden may result from legal entitlements or obligations, or may be less formalized and exist because of decisions made by the PG or agreements with the organization



The effect of a financial benefit or burden can be direct (the PG is entitled or obligated) or indirect (one or more of the PG's component units are entitled or obligated)

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Financial Benefit or Burden (continued)

There is a financial benefit or burden relationship when the PG is any of the following:



Legally entitled to or can otherwise access the organization's resources



Legally obligated or has otherwise assumed the obligation to finance deficits of the organization or to provide financial support



Obligated in some manner for the organization's debt



Legally obligated or has otherwise assumed the obligation to contribute to a defined benefit pension or OPEB plan administered through a trust that meets the GASB criteria

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Financial Benefit or Burden (continued)



The ability to access the organization's resources—regardless of whether there was an actual transaction—is the important factor for determining that a PG is legally entitled to an organization's resources



A residual interest in an organization's net assets in the event it dissolves is not equivalent to being entitled to its resources (i.e., it is presumed the organization is a going concern)

Financial Benefit or Burden (continued)



Being obligated in some manner for the debt of an organization means a PG:

- Is legally obligated to assume all or part of the debt in the event of a default, or
- Has taken or indicated it will take action to assume secondary liability for all or part of the debt

The obligation can be express or implied

Conditions indicating a PG is obligated include being:

- Legally obligated to honor deficiencies
- Required to temporarily cover deficiencies with its own resources
- Required to provide funding for reserves
- Authorized to provide funding for reserves and actually establishes a fund
- Identified in a bond agreement or other contract that it may cover deficiencies despite not being legally required to do so
- Probable that it will assume responsibility based on legal decisions with the state or its prior actions in similar circumstances

Financial Benefit or Burden (continued)



Being obligated in some manner for the debt of an organization means a PG:

Is legally obligated to assume all or part of the debt in the event of a default, or
Has taken or indicated it will take action to assume secondary liability for all or part of the debt



The obligation can be express or implied



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Legally obligated to honor deficiencies
Required to temporarily cover deficiencies with its own resources
Required to provide funding for reserves
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Probable that it will assume responsibility based on legal decisions with the state or its prior actions in similar circumstances

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Fiscal Independence and Dependence



Fiscal **independence** means a government has the authority to do all of the following without substantive approval by a primary government:

Determine its budget
Levy taxes or set rates or charges
Issue bonded debt



A government is fiscally **dependent** if a PG has approval power over any of those three



A government may be fiscally dependent on a PG *even if it doesn't receive financial assistance*

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Fiscal Dependency v. Financial Reliance

A transit district receives almost half of its revenue from an operating subsidy from the county. Does that mean the district is fiscally dependent on the county and should be reported as its component unit?



Financial reliance is not the same thing as fiscal dependence or financial benefit/burden. An organization may rely heavily on revenue from a government and not meet the criteria for fiscal dependence. Likewise, an organization may be fiscally dependent on a government but receive no revenue from it.

Majority Equity Interest

A PG is financially accountable if it holds a majority equity interest in an organization that does not meet the definition of an investment



Financial interest in a legally separate organization is evidenced by ownership of shares of stock or having an explicit, measurable right to net resources of the organization



An investment is a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash

Majority Equity Interest (continued)

A county seeks a new revenue source by buying a majority share of a real estate development firm that converts industrial and commercial buildings into residential units and sells them. Is the firm a CU?

NO

The county intends to profit on the sales, not to provide public housing. Its majority share of the firm is an investment.

A county purchases an asphalt business with a group of cities, taking a 60% stake. Is the business a CU?

YES

If the purpose of the purchase is to lower the cost to the governments of acquiring asphalt for road construction and repair projects, rather than to sell the asphalt.

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What Does It Mean to Exist for the Benefit of the Government and/or Its Constituents?

If the PG is *not* financially accountable, a tax-exempt organization is a component unit if all of the following are true:

Its resources are entirely for direct benefit of the PG, or the PG's CUs or constituents

and

The PG or its CUs can access or is entitled to a majority of the organization's resources

and

The resources are significant to the PG

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Misleading to Exclude

If an organization is not required to be treated as a CU based on the preceding criteria, a PG should include it as a CU if it would be *misleading to exclude* the organization



In other words, leaving out the organization would cause the PG's financial statements to be misleading

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Multiple PGs

If an organization meets the criteria for inclusion as a CU for two PGs, should both include it in their financial statements?

NO

Organizations may be included as a CU in only one financial reporting entity. Professional judgment should be used in evaluating which government includes it. Fiscal dependency is usually the determining factor (assuming there is also a financial benefit/burden relationship).

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Related Organizations



Organizations for which a PG is accountable because it appoints a voting majority, but is not financially accountable, are related organizations



The PG should disclose in notes the nature of its accountability for related organizations

Professional Judgment

Applying the FRE standards requires a lot of professional judgment. Can a PG determine that a legally separate entity is not a CU based on professional judgment?

NO

A PG may use its professional judgment to determine that a legally separate entity that does not meet any of the specific criteria *should be included* as a CU (“misleading to exclude”), but it may not use professional judgment to omit an entity that meets the CU criteria.

How are component units reported?

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Discrete Presentation v. Blending

The default option for reporting a CU in the PG's financial statements is *discrete presentation*

Discrete presentation involves displaying the CU in a column or row after the total for the PG

PGs with multiple DCPUs generally will combine them into a single column or row

CUs that meet the criteria for blending are reported *within* the PG

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Blending



CUs that meet the blending criteria are reported in both the government-wide and fund financial statements



A blended CU often is reported as a single fund by the PG



However, if the CU reports funds, then they should be reported among the appropriate funds of the PG

When Is a Component Unit Blended?



Governing bodies are substantively the same

- Financial benefit/ burden relationship and/or
- PG has operational responsibility for CU



CU provides services entirely or almost entirely to the PG



CU exclusively or almost exclusively benefits PG

- But CU does not provide services to PG

When Is a Component Unit Blended? (cont.)



CU's outstanding debt is expected to be repaid entirely or almost entirely by resources of PG



CU is an NFP corporation in which the PG is the sole corporate member

Reporting a CU's Funds

If a blended CU reports multiple funds, including a general fund, should the PG report two general funds?

NO

A PG should report only a single general fund. The general fund of the CU usually will be reported as a special revenue fund. The PG also reports any other funds of the CU.

Major Fund Reporting



If a CU meets the criteria for blending and is included as a special revenue fund, should it always be reported as a major fund?



Only if it meets the quantitative thresholds for major fund reporting. It should be evaluated against that threshold like any other governmental fund.

Identifying Major Component Units

A CU is determined to be “major” based on the nature and significance of its relationship to the PG; for instance:

- The services provided by the CU to the citizenry are such that separate reporting as a major CU is considered essential to financial statement users
- There are significant transactions with the PG, or
- There is a significant financial benefit or burden relationship with the PG

Reporting Major Component Units

Major component units should be reported in basic financial statements, either:

- On the face of the financial statements, if it does not reduce their readability, or
- In combining financial statements, following the fund financial statements

The option to disclose major component units in condensed financial statements in the notes was eliminated by Statement 103

Presentation of Major Component Units in Government-Wide Financial Statements

	Governmental Activities	Business-Type Activities	Total	El Paso Water Utilities February 28, 2025	El Paso Housing Finance Corporation December 31, 2024
ASSETS					
Cash and Cash Equivalents	\$ 13,373,086	\$ 9,396,782	\$ 22,769,868	\$ 71,949,951	\$ 387,303
Cash with Fiscal Agent	5,002,484	—	5,002,484	—	—
Investments	222,520,723	242,273,500	464,794,223	18,046,311	3,232,920
Restricted Cash and Cash Equivalents	6,852,781	—	6,852,781	433,673,836	262,855
Restricted Investments	410,501,441	58,532,405	469,033,846	190,917,742	—
Receivables, Net of Allowances	142,580,930	52,665,914	195,246,844	76,059,120	159,995
Restricted Trade and Other Receivables	—	—	—	9,724,036	—
Intergovernmental Receivable	—	96,866,976	96,866,976	—	—
Leased Property Investment Cost	—	—	—	1,492,744	—
Interest Receivable	5,522,516	2,007,536	7,530,052	3,619,705	—
Other Assets	—	—	—	666,417	7,900
Lease Receivable	24,194,022	164,764,435	188,958,457	63,634,515	—
Due from Component Unit	4,946,854	6,974,437	11,921,291	—	—
Inventory	8,643,011	8,107,688	16,750,699	10,284,788	—
Prepays	843,862	63,825	907,687	2,664,901	—
Capital Assets not being Depreciated / Amortized	648,801,621	137,331,297	786,132,918	1,306,367,661	—
Capital Assets, Net of Accumulated Depreciation/Amortization	1,032,652,747	510,466,274	1,543,119,021	1,819,960,091	3,359,126
Total Assets	2,526,436,078	1,289,451,069	3,815,887,147	4,009,061,818	7,410,099
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	3,447,932	600,775	4,048,707	1,177,690	—
Deferred Chapter 380 Agreement Obligations	29,975,345	—	29,975,345	—	—
Pension Contributions Subsequent to Measurement Date	46,677,997	10,557,007	57,235,004	5,115,311	—
Difference in Expected and Actual Pension Experience	37,764,355	10,064,672	47,829,027	7,350,175	—
Change in Assumptions for Pensions	13,574,156	6,044,978	19,619,134	4,391,161	—
Difference in Projected and Actual Earnings on Pension Investments	96,664,422	4,823,622	101,488,044	3,534,982	—
Changes in Proportionate Share for Pension	—	—	—	1,952,363	—
Change in Assumptions for OPEB	13,902,915	4,371,473	18,274,388	3,461,374	—
Changes in Proportionate Share for OPEB	—	—	—	232,458	—
Difference in Expected and Actual OPEB Experience	4,521,234	1,417,590	5,938,824	—	—
Total Deferred Outflows of Resources	246,528,356	37,880,117	284,408,473	27,215,514	—

Presentation in Government-Wide Financial Statements

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Program Revenues				Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	El Paso Water Utilities February 28, 2025
Primary Government:								El Paso Housing Finance Corporation December 31, 2024
Governmental Activities:								
General Government	\$ 78,907,992	\$ 41,226,544	\$ 345,843	\$ 6,289,251	\$ (31,046,354)	\$ —	\$ (31,046,354)	\$ —
Public Safety	403,574,588	25,138,605	21,101,005	6,863,836	(350,471,142)	—	(350,471,142)	—
Public Works	105,317,521	7,025,859	3,000,555	7,436,492	(87,854,615)	—	(87,854,615)	—
Public Health	42,168,233	6,583,641	15,835,096	637,222	(19,112,274)	—	(19,112,274)	—
Culture and Recreation	124,124,851	23,358,701	3,510,020	25,973	(97,230,157)	—	(97,230,157)	—
Community and Economic Development	54,623,272	12,225,029	17,168,989	281,418	(24,947,836)	—	(24,947,836)	—
Interest on Long-term Debt	57,435,066	—	—	—	(57,435,066)	—	(57,435,066)	—
Total Governmental Activities	906,151,525	115,550,379	60,901,500	21,534,192	(660,097,440)	—	(660,097,440)	—
Business-Type Activities:								
El Paso International Airport	70,546,672	67,422,519	4,673,105	25,251,367	—	26,800,319	26,800,319	—
Environmental Services	61,678,465	76,016,524	—	742,936	—	15,080,995	15,080,995	—
Mass Transit	103,575,152	11,402,712	21,020,397	8,649,647	—	(62,502,396)	(62,502,396)	—
International Bridges	10,453,282	30,609,390	—	—	—	20,156,108	20,156,108	—
Tax Office	2,927,979	2,660,137	—	—	—	(267,842)	(267,842)	—
Total Business-Type Activities	249,161,550	186,111,282	25,693,502	34,643,950	—	(732,810)	(732,810)	—
Total Primary Government	\$ 1,115,333,075	\$ 303,669,661	\$ 86,595,002	\$ 56,178,142	(660,097,440)	(732,810)	(668,830,250)	—
Component Units:								
El Paso Water Utilities	\$ 379,031,560	\$ 446,686,798	\$ 287,100	\$ 24,940,165	—	—	—	92,781,503
El Paso Housing Finance Corporation	547,918	470,266	—	—	—	—	—	(77,652)
Total Component Units	\$ 379,579,478	\$ 447,056,064	\$ 287,100	\$ 24,940,165	—	—	—	(77,652)
General Revenues and Transfers								
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes	—	—	—	—	288,452,263	—	288,452,263	—
Property Taxes, Levied for Debt Service	—	—	—	—	122,020,248	—	122,020,248	—
Franchise Taxes	—	—	—	—	77,515,369	—	77,515,369	—
Sales Taxes	—	—	—	—	141,336,612	67,107,731	208,504,343	—
Hotel Occupancy Taxes	—	—	—	—	18,456,008	—	18,456,008	—
Investment Earnings	—	—	—	—	36,603,591	19,319,182	55,922,773	27,004,079
Gain on Sale of Capital Assets	—	—	—	—	1,934,743	56,511	1,991,254	1,114,529
Transfers	—	—	—	—	26,142,230	(26,142,230)	—	—
Total General Revenues and Transfers	712,461,064	60,401,194	772,862,258	28,118,608	177,892	—	177,892	—
Change in Net Position	44,363,616	59,666,376	104,031,996	120,900,111	100,240	—	100,240	—
Net Position - Beginning of Year, as Previously Presented	202,950,362	714,702,598	917,652,960	1,606,414,186	7,032,335	—	7,032,335	—
Restatement - Change in Accounting Principle	—	—	—	(5,036,408)	—	—	—	—
Net Position - Beginning of Year, as Restated	202,950,362	714,702,598	917,652,960	1,601,377,778	7,032,335	—	7,032,335	—
Net Position - End of Year	\$ 247,313,980	\$ 774,370,976	\$ 1,021,684,950	\$ 1,722,277,889	\$ 7,132,975	—	\$ 7,132,975	—

Combining Statement of Net Position – Major Component Units

Sample City Combining Statement of Net Position Discretely Presented Component Units 9/30/20X5 (amounts expressed in thousands)				
	Energy Authority	Airport	Nonmajor Component Units	Total (See Exhibit 2)
ASSETS				
Cash and cash equivalents	\$ 10,928	\$ 31,958	\$ 17,247	\$ 60,133
Investments	9,487	27,744	14,972	52,203
Receivables, net	2,946	6,486	24,827	34,259
Inventories	-	1,517	765	2,282
Other assets	-	407	992	1,399
Capital assets:				
Nondepreciable capital assets	171	147,234	14,985	162,390
Depreciable capital assets, net	7,857	252,813	45,252	365,932
Total assets	31,389	488,159	119,050	618,598
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	814	2,404	1,397	4,615
OPEB related items	42	-	36	78
Debt refundings	-	9,135	297	9,452
Total deferred outflows of resources	856	11,539	1,700	14,145
LIABILITIES				
Accounts payable and accrued expenses	1,963	6,299	3,463	11,725
Advances	-	528	93	622
Long-term liabilities:				
Short-term portion				
Bonds payable	-	8,441	970	9,411
Other	255	276	114	645
Long-term portion				
Bonds payable	-	162,164	6,195	169,359
Net OPEB liability	57	1,837	167	2,081
Net pension liability	5,050	19,308	12,317	37,281
Other	11	307	37	415
Total liabilities	7,942	199,221	23,376	230,539
DEFERRED INFLOWS OF RESOURCES				
Pension related items	245	670	1,780	2,695
OPEB related items	18	-	17	35
Total deferred inflows of resources	263	670	1,797	2,731
NET POSITION				
Net investment in capital assets	8,016	260,554	54,412	322,982
Restricted for:				
Debt service	-	9,733	3,244	12,977
Capital projects	-	1,812	8,032	9,844
Other purposes	-	-	21,027	21,027
Unrestricted	10,023	7,758	7,062	31,743
Total net position	\$ 24,039	\$ 279,857	\$ 95,577	\$ 399,473

Illustration from
Statement 103

Combining Statement of Activities – Major Component Units

Sample City
Combining Statement of Activities
Discretely Presented Component Units
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Energy Authority	Airport	Nonmajor Component Units	Total
Component units:								
Energy authority	\$ 26,925	\$ 26,723	\$ -	\$ -	\$ (202)			\$ (202)
Airport	51,306	34,520	9,237	10,168		\$ 2,619		2,619
Nonmajor component units	32,787	11,748	7,266	2,734			\$ (11,039)	(11,039)
Total component units	\$ 111,018	\$ 72,991	\$ 16,503	\$ 12,902	(202)	2,619	(11,039)	(8,622)
General revenues:								
Taxes:								
Sales taxes					-	-	6,340	6,340
Property taxes					-	-	3,153	3,153
Investment earnings					554	1,523	957	3,034
Total general revenues					554	1,523	10,450	12,527
Change in net position					352	4,142	(589)	3,905
Net position—beginning of period					23,687	275,715	96,166	395,568
Net position—end of period					\$ 24,039	\$ 279,857	\$ 95,577	\$ 399,473

Illustration from
Statement 103

BTA Reporting

A university reporting single-column financial statements has a component unit that meets the blending criteria. Should the component unit be reported in combining financial statements with the basic financial statements?

NO

No. A blended component unit of a business-type activity is blended by consolidating it within the single column of the primary government and presenting *condensed combining information* in notes to financial statements

Different Fiscal Years

If a component unit has a different fiscal year from the primary government, which year's component unit financial statements should the primary government incorporate into its financial reporting entity?



Generally, the primary government should incorporate financial statements for the component unit's fiscal year ending during the primary government's fiscal year

Reporting Nonmajor Component Units

If major component units are presented in combining statements, nonmajor component units should be aggregated in a single column

Governments that prepare an ACFR should present combining statements of nonmajor component units as supplementary information (other governments may do so optionally)

Reporting Fiduciary Component Units

Fiduciary component units are reported only in the fiduciary fund financial statements of the primary government

If a fiduciary component unit has fiduciary component units of its own, it should include the combined information of its fiduciary component units, aggregated with the primary government's fiduciary funds based on the classifications of fiduciary funds

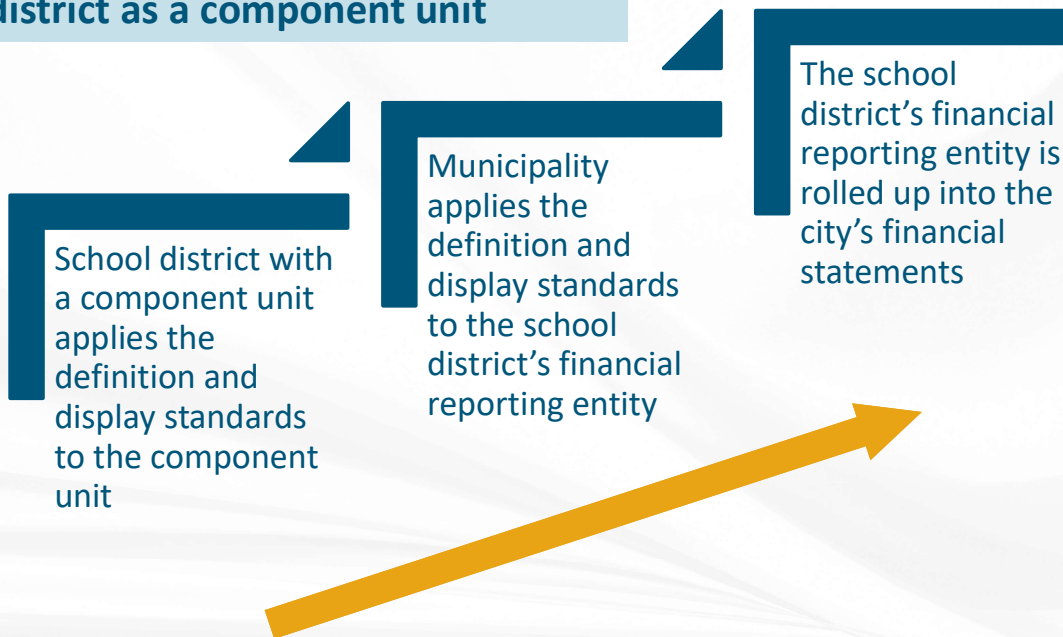
Component Units of Component Units

If a component unit has component units of its own, data from all of its component units should be included when it is incorporated into the financial reporting entity's financial statements

The reporting requirements for component units should be applied in layers "from the bottom up"

Example

A city government reports a school district as a component unit



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Transactions between PG and CU

How should transactions between a primary government and its component units be reported in the financial statements of the financial reporting entity?

Resource flows between the primary government and blended component units should be reported as internal activity

Balances owed between the primary government and discretely presented component units should be reported as "due to/from DPCUs/PG" separately from interfund balances

Transactions between discretely presented component units and the primary government should be reported similarly to external transactions (e.g., revenue and expenses)

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Notes, RSI, and SI

Required Disclosures

1

Brief description of all component units and their relationships to the primary government

2

Rationale (which criteria) for including each component unit

3

Method of reporting for each component unit (blended, discrete, fiduciary)

4

Information on how to obtain separate financial statements for individual component units

5

Nature & amount of significant transactions of major component units with primary government and/or other component units

Component Units in Primary Government Notes & RSI & the Statistical Section

Notes and required supplementary information should distinguish between the primary government (including its blended component units) and its discretely presented component units

Notes essential to fair presentation include:

- Governmental activities, business-type activities, major funds individually, and nonmajor funds in the aggregate (including blended component units)
- Major discretely presented component units, considering the nature and significance of each discretely presented component unit's relationship to the primary government

Component Units in Primary Government Notes & RSI & the Statistical Section (cont'd)

Determining which discretely presented component unit disclosures are essential to fair presentation is a matter of professional judgment and should be done on a case by case basis*

Determining whether to discuss a component unit in MD&A is a matter of professional judgment based on nature and significance of the component unit's relationship to the primary government

- If appropriate, MD&A should refer readers to the component unit's separately issued financial statements

The same criteria for notes and RSI should be applied to the statistical section

Identifying fiduciary activities

Fiduciary Activities

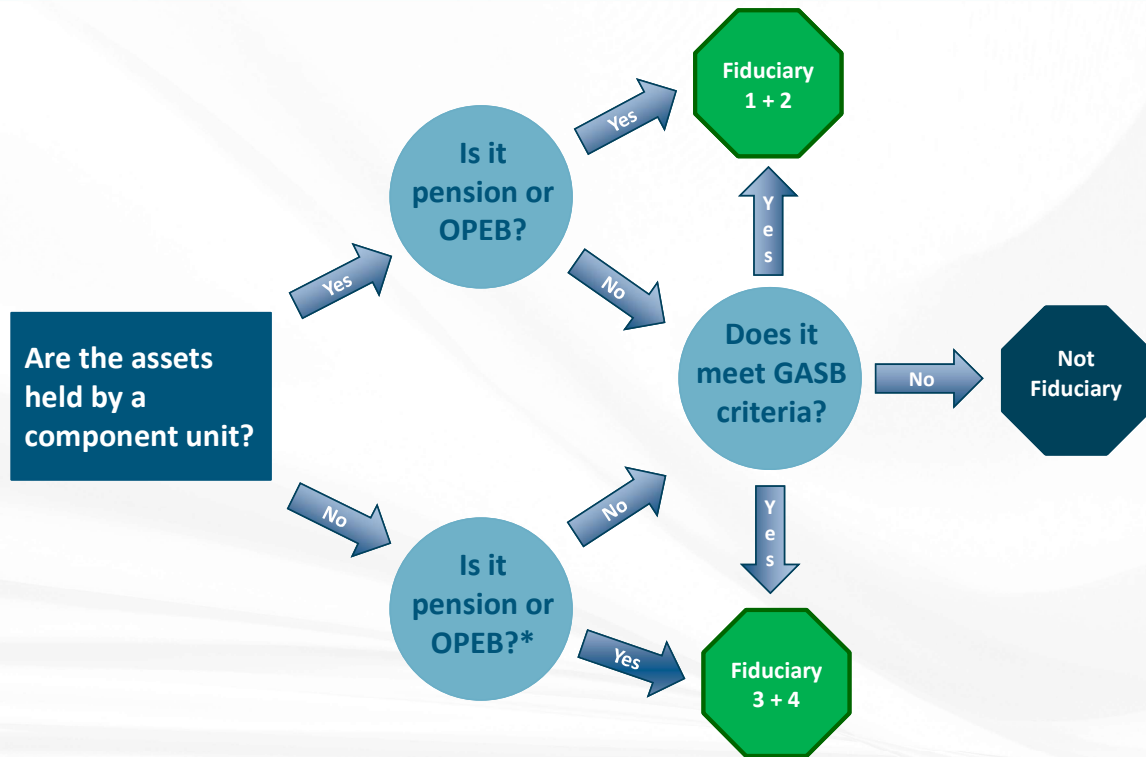


Generally, activities in which a government acts in a trustee or custodial capacity for resources that belong to individuals or other entities



If the activity meets the criteria for fiduciary activities, it should be reported in fiduciary funds financial statements (not in the government-wide financial statements)

Overview: Four Paths to Fiduciary Activity



*And the government controls the assets

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When Are Activities Considered Fiduciary?

Assets are held by a legally separate entity that meets the definition of a component unit

Assets are held for pension or OPEB arrangements

Assets are NOT held for pension or OPEB arrangements, and

The assets are at least one of these:

- Held in a trust or equivalent and the government itself is not a beneficiary
- For the benefit of individuals and the government does not have direct administrative involvement or direct financial involvement
- For the benefit of organizations/ governments that are not part of the financial reporting entity

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When Are Activities Considered Fiduciary? (cont'd)

Assets are NOT held by a legally separate entity that meets the definition of a component unit

Assets are held for pension or OPEB arrangements, and	Assets are NOT held for pension or OPEB arrangements, and
The government controls the assets	The government controls the assets, and Assets are NOT derived solely from the government's own-source revenue, and Assets are NOT derived solely from government-mandated or voluntary nonexchange transactions, except for pass-through grants for which the government does NOT have administrative or direct financial involvement, and
	The assets are at least one of these: • Held in a trust or equivalent and the government itself is not a beneficiary • For the benefit of individuals and the government does not have direct administrative involvement or direct financial involvement • For the benefit of organizations/ governments that are not part of the financial reporting entity

Administrative and Financial Involvement

A government has administrative involvement if, for example:

- It monitors compliance with the requirements of the activity
- It determines eligible expenditures
- It has the ability to exercise discretion over how assets are allocated

A government has direct financial involvement with the assets if, for example, it provides matching resources for the activities

Control of Assets

A government controls the assets if one or both of the following are true:

- It holds the assets
- It has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the recipients

“Use” means expending or consuming an asset for the benefit of others, apart from providing services to them

Appointing a designee to act on the government’s behalf is not relevant to the government’s ability to use, exchange, or employ the assets

Use restrictions on the assets do not mean a government does not have control

Reporting Split-Revenue Activities

How should a government report an activity in which it splits the revenue 50-50 with another entity, whose portion is held in a trust?

The government has two options:

Report two separate funds, with the assets belonging to the external entity in a private-purpose trust fund, OR

In a special revenue fund, with the assets belonging to the external entity reported as a liability

Reporting Fiduciary Activities

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Reporting Fiduciary Activities

NEVER in the government-wide financial statements

ONLY in the fiduciary funds financial statements

Fiduciary funds are aggregated into one of four classifications:

- Pension and other employee benefit trust funds
- Investment trust funds
- Private-purpose trust funds
- Custodial funds

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Fiduciary Fund Classifications

Fiduciary Funds			
Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Custodial*
Resources that are required to be held in trust for the members and beneficiaries of pension and OPEB plans	The external portion of investment pools reported by the sponsoring government	All other trust arrangements under which principal and income benefit individuals, private organizations, or other governments	Resources held by the reporting government in a purely custodial capacity

*Previously “agency funds”

Needs to be administered through a trust that meets the criteria in Codification Section 1300, ¶112–114 or the pensions/OPEB standards

Trust Criteria

For Pensions and OPEB

- Contributions from employers and nonemployer contributing entities to the plan and earnings on those contributions are irrevocable
- Plan assets are dedicated to providing benefits to plan members in accordance with the benefit terms
- Plan assets are legally protected from the creditors of the employers, the nonemployer contributing entities, plan members, and the plan administrator

Other Arrangements

- At least one of these applies to the assets:
 - Held in a qualifying trust and the government itself is not a beneficiary
 - For the benefit of individuals and the government does not have direct administrative involvement or direct financial involvement
 - For the benefit of organizations/governments that are not part of the financial reporting entity

Contractor-Related Items

If a contractor gives a city an assurance deposit or performance bond, or the city retains a percentage of amounts billed, should the assets be reported in a custodial fund?

NO

Although the city is holding the assets, they are the result of an exchange transaction between the contractor and the city. The city is holding the assets for its own benefit.

Short-Run Exception

Are there any circumstances under which a custodial fund activity does not have to be reported in a custodial fund?

YES

BTAs and enterprise funds may report assets with a corresponding liability that otherwise should be reported in a custodial fund *if those assets, upon receipt, are normally expected to be held for three months or less*



If a BTA/fund chooses this option, it should separately report significant additions and deductions as cash inflows and cash outflows, respectively, in the operating activities category of its statement of cash flows

Student Activity Funds

There is no universal answer to the question, “Are student activity funds a fiduciary activity?”

The GASB has published at least 12 Q&As to address various permutations (Section 1300, ¶716-17 to 716-24, 716-27, 716-29, 716-31, and 716-36) based on:

- Whether the student activity funds are legally separate
- Who holds the assets
- Who decides what fees can be charged
- Who decides how resources may be spent
- Whether there are policies covering how resources may be spent

Statement of Fiduciary Net Position

Nontrusted External Investment Pool Custodial Fund

	Pension and Other Employee Benefit Trust Funds	External Investment Trust Funds	Private- Purpose Trust Funds	Nontrusted External Investment Pool Custodial Fund	Other Custodial Funds
ASSETS					
Cash and Cash Equivalents	\$ 5,620,879	\$ 1	\$ 1,067,742		\$ 2,608,980
Receivables:					
Accounts	1,325,530				5,096
Taxes	4,927				
Federal	176,632		2,833		
Leases	24,051				
Gifts and Pledges					47,084
Investment Trades	6,028,794			5,488	100
Interest and Dividends	648,812	99,285	3,862	293	452
Interfund (Note 12)					
From Other Funds (Note 12)	120,222				2
Other Receivables			1,064	34	3,180
Investments:					28,853
U.S. Government	33,479,110	18,828,109			
Corporate Equity	37,541,139		684,859		
Corporate Obligations	2,879,792	10,410,184	11,467		
Repurchase Agreements		16,491,498			
Foreign Securities	35,585,578		6,354		
Externally Managed	138,071,192			7,314	
Other Investments	39,070,594	959,340	4,062,918	364,999	996
Securities Lending Collateral	4,623,358			3,044	
Loans and Contracts			1,539		
Prepaid Items	6,806				
Other Assets	89			2,019	1,019,121
Restricted:					
Cash and Cash Equivalents					48,198
Investments					219,066
Properties, at Cost, Net of Accumulated Depreciation or Amortization	521,753		19		
Total Assets	305,729,260	46,788,417	5,842,657	383,198	3,981,128
LIABILITIES					
Payables:					
Accounts	470,018	180,452	6,552	220	16,160
Payroll	15,938		220		
Investment Trades	4,518,793		26	9,426	254
Interest	95		827		113
Annuities	363,478				
To Other Funds (Note 12)	85,854		345		
From Restricted Assets			1,632		
Obligations:					
Securities Lending	5,423,127			3,044	
Reverse Repurchase Agreements	19,420,349				
Right to Use Leases (Note 5, 8)	4,647				
Right to Use Subscriptions (Note 5, 8)	18,555				
Derivative Instruments:					
Investment				1,078	
Funds Held for Others	181				1
Employees' Compensable Leave	28,802		211		
Other Liabilities	1,731	763,566	2,118	364	124,236
Unearned Revenue	1,175		2,478		(20,685)
Total Liabilities	30,352,743	944,018	14,409	14,132	120,079
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources (Note 27)	23,028				
Total Deferred Inflows of Resources	23,028	0	0	0	0
NET POSITION					
Restricted for:					
Pensions	269,608,202				
OPEB ¹	5,700,169				
Individuals, Organizations and Other					
Governments	45,118		5,828,248	369,066	
Pool Participants		45,844,399			
Other Purposes					3,861,049
Total Net Position	\$275,353,489	\$45,844,399	\$5,828,248	\$369,066	\$3,861,049

Statement of Changes in Fiduciary Net Position

	Pension and Other Employee Benefit Trust Funds	External Investment Trust Fund ²	Private- Purpose Trust Funds	Nontrusted External Investment Pool Custodial Fund	Other Custodial Funds
ADDITIONS					
Contributions:					
Member	\$ 6,385,633	\$	\$	\$ 9,342	\$ 929
State	5,923,010				
Federal	592,054		3,686		632
Other Contributions	4,058,720		455,495		81,520
Total Contributions	16,959,417	0	459,181	9,342	83,081
Investment Income:					
From Investing Activities:					
Net Increase in Fair Value of Investments	15,243,228		274,298	17,828	1,310
Interest, Dividend and Other Investment Income	9,872,896	2,259,287	120,695	5,412	86,682
Total Investing Income	25,116,124	2,259,287	394,993	23,240	87,992
Less Investing Activities Expense	1,329,271	22,830	541	110	28,121
Net Income from Investing Activities	23,786,853	2,236,457	394,452	23,130	59,871
From Securities Lending Activities:					
Securities Lending Income	309,510				
Less Securities Lending Expense:					
Borrower Rebates ¹	289,574				
Management Fees	2,099				
Net Income from Securities Lending	17,837	0	0	0	0
Total Net Investment Income	23,804,690	2,236,457	394,452	23,130	59,871
Capital Share and Individual Account Transactions:					
Net Increase in Participant Investments	0	1,650,404	0	0	0
Other Additions:					
Settlement of Claims	8,358		193,190		4,650
Transfer In (Note 12)	164,214		300,002		
Other Revenue	62,495		7,508		14,700,701
Total Other Additions	235,067	0	500,700	0	14,705,351
Total Additions	40,999,174	3,886,861	1,354,333	32,472	14,848,303
DEDUCTIONS					
Benefits	20,342,602		447,662		257
Refunds of Contributions	958,329			439	290
Intergovernmental Payments			114,615		
Settlement of Claims			59,200		174,931
Gain (Loss) on Sale of Capital Assets	(32,800)		(20)		
Administrative Expenses	163,342		7,720		9,612
Depreciation and Amortization	35,782		26		
Interest Expense	697				11,123
Transfer Out (Note 12)	164,214		280		
Other Deductions	13,268	1	466,661	229,601	14,595,853
Total Deductions	21,645,434	1	1,096,144	230,040	14,792,066
INCREASE (DECREASE) IN NET POSITION	19,353,740	3,886,860	258,189	(197,568)	56,237
Net Position, September 1, 2024	255,999,322	41,957,539	5,570,059	566,634	3,804,812
Restatement - Error Correction (Note 14)	427				
Net Position, September 1, 2024, as Restated	255,999,749	41,957,539	5,570,059	566,634	3,804,812
Net Position, August 31, 2025	\$ 275,353,489	\$ 45,844,399	\$ 5,828,248	\$ 369,066	\$ 3,861,049

Combining Statement of Fiduciary Net Position—Private-Purpose Trust Funds

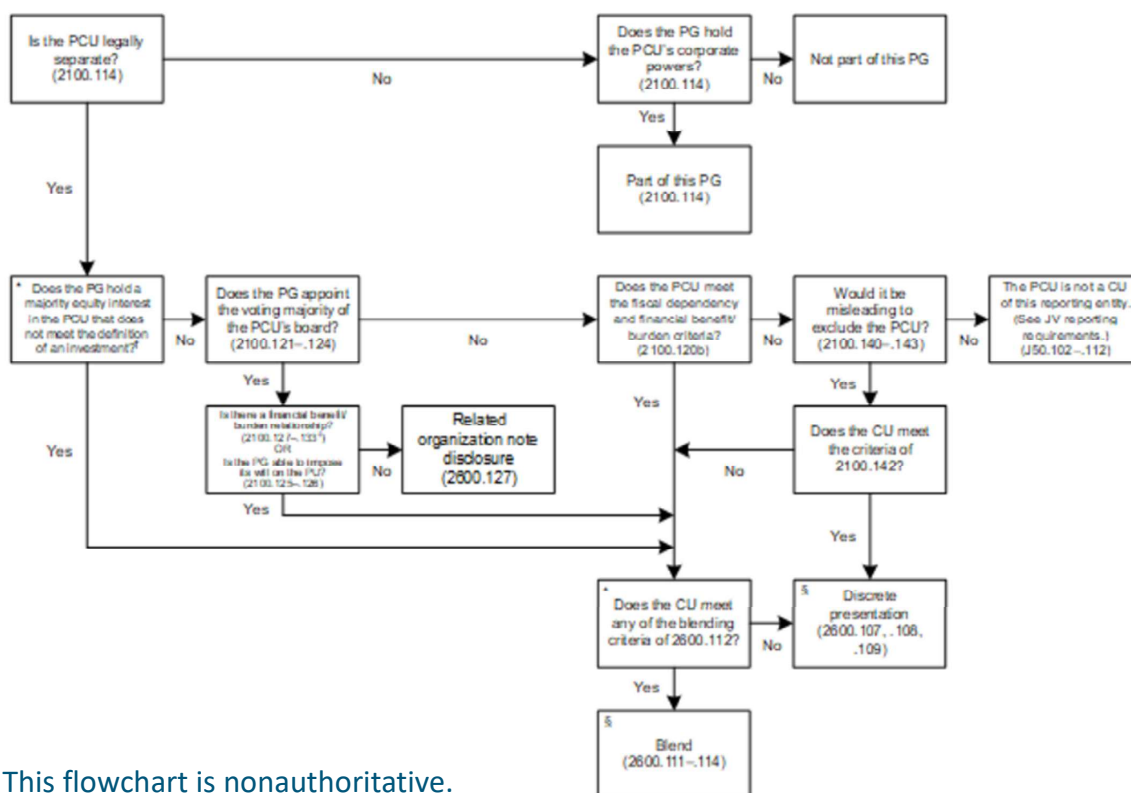
	Tobacco Settlement Permanent Trust (Political Subdivisions)	Opoloid Abatement Trust Fund	Catastrophe Reserve Trust Fund	Texas College Savings Plans	Other Private- Purpose Trust Funds	Totals
ASSETS						
Cash and Cash Equivalents	\$	\$ 557,384	\$ 11,614	\$ 2,296	\$ 496,448	\$ 1,067,742
Receivables:						
Federal					2,833	2,833
Interest and Dividends	1,023		93	1,038	1,708	3,862
Other Receivables				1,060	4	1,064
Investments:						
Corporate Equity	676,378				8,481	684,859
Corporate Obligations					11,467	11,467
Foreign Securities					6,354	6,354
Other Investments	2,829,627			1,233,291		4,062,918
Loans and Contracts				1,539		1,539
Properties, at Cost, Net of Accumulated Depreciation or Amortization					19	19
Total Assets	3,507,028	557,384	11,707	1,239,224	527,314	5,842,657
LIABILITIES						
Payables:						
Accounts	1,562	4,539		412	39	6,552
Payroll					220	220
Investment Trades	26					26
Interest	827					827
To Other Funds					345	345
From Restricted Assets				1,632		1,632
Employees' Compensable Leave					211	211
Other Liabilities				2,118		2,118
Unearned Revenue				1,416	1,062	2,478
Total Liabilities	2,415	4,539	0	5,578	1,877	14,409
NET POSITION						
Individuals, Organizations and Other						
Governments	3,504,613	552,845	11,707	1,233,646	525,437	5,828,248
Total Net Position	\$ 3,504,613	\$ 552,845	\$ 11,707	\$ 1,233,646	\$ 525,437	\$ 5,828,248

Combining Statement of Changes in Fiduciary Net Position— Private-Purpose Trust Funds

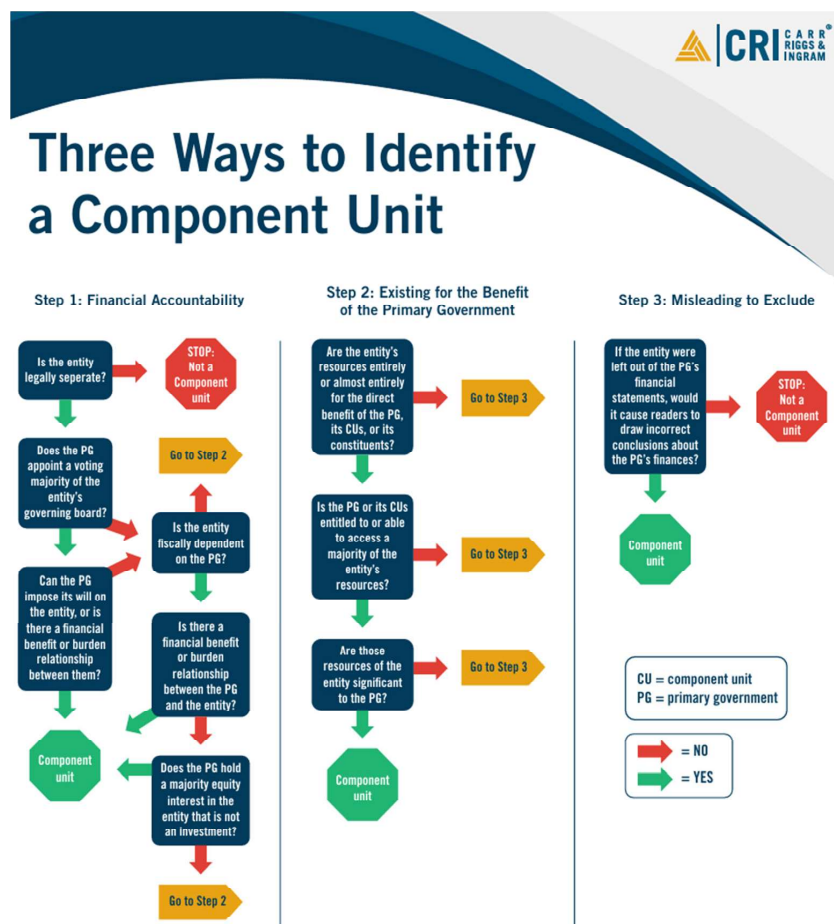
	Tobacco Settlement Permanent Trust (Political Subdivisions)	Opioid Abatement Trust Fund	Catastrophe Reserve Trust Fund	Texas College Savings Plans	Other Private- Purpose Trust Funds	Totals
ADDITIONS						
Contributions:						
Federal	\$	\$	\$	\$	\$	\$
Other Contributions				436,734	3,686	455,495
Total Contributions	0	0	0	436,734	22,447	459,181
Investment Income:						
From Investing Activities:						
Net Increase in Fair Value of Investments Interest, Dividend and Other Investment	188,524			84,038	1,736	274,298
Income	46,666	21,919	11,458	29,840	10,812	120,695
Total Investing Income	235,190	21,919	11,458	113,878	12,548	394,993
Less Investing Activities Expense				502	39	541
Net Income from Investing Activities	235,190	21,919	11,458	113,376	12,509	394,452
Total Net Investment Income	235,190	21,919	11,458	113,376	12,509	394,452
Other Additions:						
Settlement of Claims		193,190				193,190
Transfer In		2			300,000	300,002
Other Revenue			6,224	464	820	7,508
Total Other Additions	0	193,192	6,224	464	300,820	500,700
Total Additions	235,190	215,111	17,682	550,574	335,776	1,354,333
DEDUCTIONS						
Benefits				437,220	10,442	447,662
Intergovernmental Payments	109,001				5,614	114,615
Settlement of Claims		59,200				59,200
Gain (Loss) on Sale of Capital Assets					(20)	(20)
Administrative Expenses	4,206			469	3,045	7,720
Depreciation and Amortization					26	26
Transfer Out					280	280
Other Deductions			462,785	51	3,825	466,661
Total Deductions	113,207	59,200	462,785	437,740	23,212	1,096,144
INCREASE (DECREASE) IN NET POSITION	121,983	155,911	(445,103)	112,834	312,564	258,189
Net Position, September 1, 2024	3,382,630	396,934	456,810	1,120,812	212,873	5,570,059
Net Position, September 1, 2024, as Restated	3,382,630	396,934	456,810	1,120,812	212,873	5,570,059
Net Position, August 31, 2025	<u>\$ 3,504,613</u>	<u>\$ 552,845</u>	<u>\$ 11,707</u>	<u>\$1,233,646</u>	<u>\$ 525,437</u>	<u>\$ 5,828,248</u>

Resources

Codification Section 2100, paragraph 901



Note: This flowchart is nonauthoritative.



SCAN ME

GASB Statements 103, 104, and 105



June 30 to November 30 FYEs

Statement and FY Effective		Potential Level of Effort*					
		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GASB 101 – Compensated Absences	2025	MEDIUM					
GASB 102 – Certain Risk Disclosures	2025		Small				
GASB 103 – Financial Reporting Model Improvements	2026			MEDIUM			
GASB 104 – Disclosure of Certain Capital Assets	2026			Small			
IG 2025-1 – Implementation Guidance Update 2025	2026				Small		
GASB 105 – Subsequent Events	2027					Small	
IG 2026-1 – Financial Reporting Model Improvements—Subsidies	2027						Small

*Based on June–November fiscal years

Derived from a slide originally created by the GASB

December 31 FYEs

Statement and FY Effective		Potential Level of Effort*					
		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GASB 101 – Compensated Absences	2024						
GASB 102 – Certain Risk Disclosures	2025						
GASB 103 – Financial Reporting Model Improvements	2026						
GASB 104 – Disclosure of Certain Capital Assets	2026						
IG 2025-1 – Implementation Guidance Update 2025	2026						
GASB 105 – Subsequent Events	2027						
IG 2026-1 – Financial Reporting Model Improvements—Subsidies	2027						

*Based on December 31 fiscal years

Derived from a slide originally created by the GASB

January 31 to May 31 FYEs

Statement and FY Effective		Potential Level of Effort*					
		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
IG 2023-1 – Implementation Guidance Update 2023	2024						
GASB 101 – Compensated Absences	2025						
GASB 102 – Certain Risk Disclosures	2026						
GASB 103 – Financial Reporting Model Improvements	2027						
GASB 104 – Disclosure of Certain Capital Assets	2027						
IG 2025-1 – Implementation Guidance Update 2025	2027						
GASB 105 – Subsequent Events	2027						
IG 2026-1 – Financial Reporting Model Improvements—Subsidies	2027						

*Based on January–May fiscal years

Derived from a slide originally created by the GASB

Statement No. 103, *Financial Reporting Model Improvements*



What's in Statement 103?



Management's discussion and analysis



Unusual or infrequent items



Proprietary funds statement of revenues, expenses, and changes in fund net position



Major component units



Budgetary comparisons

- Presentation
- Operating v. nonoperating
- Statistical section

Overall Aims of the MD&A Revisions

Increase the number of people who can read and understand it by:

- Reducing repetition where possible
- Focusing on explaining *why* changes occurred
- Eliminating boilerplate language

Clarify for governments what information should be included

MD&A's Intended Reader Has Changed

Reader of MD&A

- May not know governmental accounting and financial reporting or the geographic area

Reader of the rest of the report

- Presumed to have (or a willingness to obtain) a reasonable understanding of government and public finance activities and the fundamentals of financial reporting

Target Reader

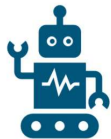
Finding the right level for the target reader



Search for “accounting-ese” in your most recent MD&A and either replace it or explain it plainly



Ask non-finance staff to read MD&A and highlight parts that are challenging to understand

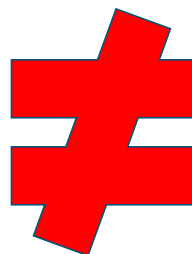


Use AI (cautiously)

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Target Reader (continued)

Person who
does not
know
governmental
accounting
and financial
reporting



Person who is
unintelligent
and/or
uninterested

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Required Components of MD&A

Overview of the Financial Statements

Financial Summary

Detailed Analyses

Significant Capital Asset Activity

Significant Long-Term Financing Activity

Currently Known Facts, Conditions, or Decisions

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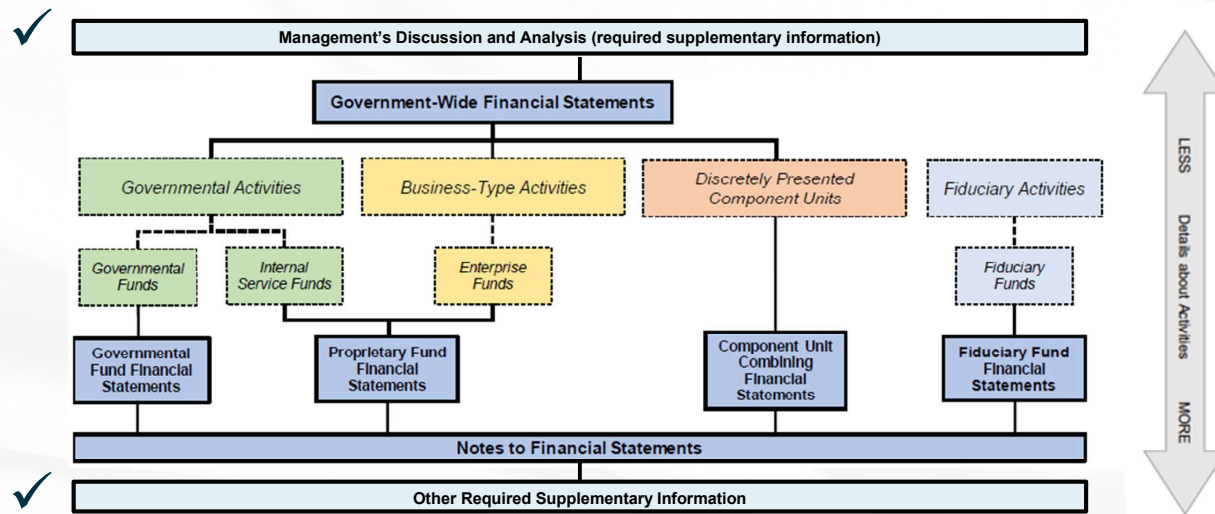
Required Components of MD&A

Overview of the Financial Statements

- Explains the relationships of the statements to each other and the significant differences in the types of information the financial statements provide (if the agency reports fund financial statements)

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Illustration Based on Statement 103



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Illustration from Statement 103

	Financial Statements				Governmental Fund
	Government-Wide	Proprietary Fund	Fiduciary Fund	Component Unit	
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term				Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenues/additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received				Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/expenditures	All types of expenses/deductions that flow out of the government during the year that relate to that year, regardless of when cash is paid				Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year				Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

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Financial Highlights?

Opening MD&A with a “Financial Highlights” section is okay but not a required component

However, we should make sure they really are “highlights” for the year

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What Can Be Included?

“Are we allowed to include this?”



The audit standards say RSI can include only things that the GASB specifically requires



The standards for the required components, however, are written at a relatively high level



So, which information is fair game to include, and which is off limits?

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What Can Be Included? (continued)

GASB standards preface the required parts of MD&A with “The information presented should be confined to the topics discussed in the five sections outlined below”

However, a footnote to that sentence says “Governments can provide additional details about the required topics”

Rule of thumb: If the information is clearly relevant to the required topics, you can include it

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Required Components of MD&A (cont’d)

Financial Summary and Detailed Analyses

- Condensed financial statements derived from government-wide financial statements that compare the current year to the prior year for both governmental activities and business-type activities (if applicable)

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Condensed Statements: Required Content

- b. *Financial Summary.* Condensed financial information derived from the government-wide financial statements comparing the current year to the prior year for both governmental activities and business-type activities. Governments should present the information needed to support their analysis of financial position and results of operations required in subparagraph (c), including the following elements, if applicable:
- (1) Total assets, distinguishing between capital assets and other assets
 - (2) Total deferred outflows of resources
 - (3) Total liabilities, distinguishing between long-term liabilities and other liabilities
 - (4) Total deferred inflows of resources
 - (5) Total net position, distinguishing between the net investment in capital assets, restricted net position, and unrestricted net position
 - (6) Program revenues, by major source, distinguishing between charges for services, operating grants and contributions, and capital grants and contributions
 - (7) General revenues, by major source
 - (8) Total revenues
 - (9) Program expenses, at a minimum by function or identifiable activity, as appropriate
 - (10) Total expenses
 - (11) Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, transfers, and unusual or infrequent items
 - (12) Contributions to term and permanent endowments or permanent fund principal
 - (13) Transfers
 - (14) Unusual or infrequent items
 - (15) Beginning net position
 - (16) Change in net position
 - (17) Ending net position.

Source: Statement 103, paragraph 8b

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Condensed Statements Examples

Table A-1
Sample City's Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 20X5-20X4
	20X5	20X4	20X5	20X4	20X5	20X4	
Current and other assets	\$ 849,249	\$ 760,540	\$ 96,025	\$ 100,640	\$ 945,274	\$ 861,180	9.8%
Capital assets, net	1,845,379	1,781,939	576,876	566,000	2,422,255	2,347,939	3.2%
Total assets	2,694,628	2,542,479	672,901	666,640	3,367,529	3,209,119	4.9%
Deferred outflows of resources	89,902	70,018	3,994	3,130	93,896	73,148	28.4%
Long-term liabilities	975,103	922,831	103,694	104,502	1,078,797	1,027,333	5.0%
Other liabilities	40,321	46,197	23,601	24,965	63,922	71,162	-10.2%
Total liabilities	1,015,424	969,028	127,295	129,467	1,142,719	1,098,495	4.0%
Deferred inflows of resources	35,295	27,322	1,204	1,226	36,499	28,548	27.9%
Net position							
Net investment in capital assets	1,216,106	1,209,700	489,610	474,914	1,705,716	1,684,614	1.3%
Restricted	705,464	711,690	17,514	14,985	722,978	726,675	-0.5%
Unrestricted	(187,759)	(305,243)	41,272	49,178	(146,487)	(256,065)	42.8%
Total net position	\$ 1,733,811	\$ 1,616,147	\$ 548,396	\$ 539,077	\$ 2,282,207	\$ 2,155,224	5.9%

Source: Statement 103

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Condensed Statements Examples (continued)

Table A-2
Changes in Sample City's Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 20X5-20X4
	20X5	20X4	20X5	20X4	20X5	20X4	
Revenues							
Program revenues:							
Charges for services	\$ 45,301	\$ 41,393	\$ 62,200	\$ 59,998	\$ 107,501	\$ 101,391	6.0%
Operating grants and contributions	38,163	31,057	-	-	38,163	31,057	22.9%
Capital grants and contributions	30,885	14,846	2,938	2,199	33,823	17,045	98.4%
General revenues:							
Sales taxes	279,667	278,136	-	-	279,667	278,136	0.5%
Property taxes	78,930	77,074	-	-	78,930	77,074	2.4%
Other taxes	74,940	61,861	-	-	74,940	61,861	21.1%
Payments in lieu of taxes	16,869	15,872	-	-	16,869	15,872	6.3%
Investment earnings	20,667	7,629	1,674	951	22,341	8,580	160.4%
Other	12,519	11,765	420	56	12,939	11,821	9.5%
Total revenues	597,841	539,633	67,232	63,204	665,073	602,837	10.3%
Expenses							
General government	46,059	42,388	-	-	46,059	42,388	8.7%
Public safety	205,416	218,558	-	-	205,416	218,558	-6.0%
Public works	71,308	67,872	-	-	71,308	67,872	5.1%
Culture and recreation	25,631	21,347	-	-	25,631	21,347	20.1%
Social and economic development	79,701	26,014	-	-	79,701	26,014	206.4%
Interest on long-term debt	25,566	21,284	-	-	25,566	21,284	20.1%
Public utility	-	-	42,687	40,526	42,687	40,526	5.3%
Transit authority	-	-	25,826	25,755	25,826	25,755	0.3%
Golf courses	-	-	8,396	7,250	8,396	7,250	15.8%
Total expenses	453,681	397,463	76,909	73,531	530,590	470,994	12.7%
Excess (deficiency) before unusual/inrequent items and transfers	144,160	142,170	(9,677)	(10,327)	134,483	131,843	2.0%
Transfers	(18,996)	(4,639)	18,996	4,639	-	-	-
Unusual or infrequent item—flood damage:							
Grant revenue	2,500	-	-	-	2,500	-	100%
Cleanup	(10,000)	-	-	-	(10,000)	-	100%
Change in net position	117,664	137,531	9,319	(5,688)	126,983	131,843	-3.7%
Net position—beginning of period	1,616,147	1,478,616	539,077	544,765	2,155,224	2,023,381	6.5%
Net position—end of period	\$ 1,733,811	\$ 1,616,147	\$ 548,396	\$ 539,077	\$ 2,282,207	\$ 2,155,224	5.9%

Source: Statement 103

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Condensed Fund Statements (not required)

Table A-3
Revenues, Expenditures, and Changes in Fund Balances
(amounts expressed in thousands)

	General Fund		Debt Service Fund		Infrastructure Capital Projects Fund	
	20X5	20X4	20X5	20X4	20X5	20X4
Total Revenues	\$ 213,376	\$ 193,431	\$ 78,976	\$ 77,013	\$ 141,327	\$ 128,968
Total Expenditures	196,136	194,744	76,435	74,871	177,395	130,437
Excess (deficiency) of revenues over expenditures	17,240	(1,313)	2,541	2,142	(36,068)	(1,469)
Other Financing Sources (Uses)						
Other debt activity (net)	-	-	19	-	125,930	-
Proceeds from the sale of capital assets	275	646	-	-	-	-
Transfers in	2,630	365	-	-	192	-
Transfers out	(662)	-	-	-	(18,294)	(2,580)
Total other financing sources (uses)	2,243	1,011	19	-	107,828	(2,580)
Unusual or Infrequent Item—Flood Damage						
Grant revenue	2,500	-	-	-	-	-
Cleanup	(10,000)	-	-	-	-	-
Total unusual or infrequent item	(7,500)	-	-	-	-	-
Net change in fund balances	11,983	(302)	2,560	2,142	71,760	(4,049)
Fund balances—beginning of period	55,009	55,311	65,729	63,587	548,550	552,599
Fund balances—end of period	\$ 66,992	\$ 55,009	\$ 68,289	\$ 65,729	\$ 620,310	\$ 548,550

Source: Statement 103

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Condensed Fund Statements (not required)

Table A-4
Revenues and Expenses
(amounts expressed in thousands)

	Public Utility		Transit Authority		Golf Courses	
	20X5	20X4	20X5	20X4	20X5	20X4
Total operating revenues	\$ 41,286	\$ 37,033	\$ 18,669	\$ 18,406	\$ 2,665	\$ 2,838
Total operating expenses	40,777	39,959	25,378	25,255	7,433	5,676
Operating income (loss)	509	(2,926)	(6,709)	(6,849)	(4,768)	(2,838)
Noncapital Subsidies						
Transfers in	-	-	2,090	3,502	110	2,203
Transfers out	(1,980)	-	-	-	-	-
Total noncapital subsidies	(1,980)	-	2,090	3,502	110	2,203
Operating income (loss) and noncapital subsidies	(1,471)	(2,926)	(4,619)	(3,347)	(4,658)	(635)
Other Nonoperating Revenues (Expenses)						
Earnings on investments	1,496	844	75	69	103	-
Interest expense	(1,910)	(2,141)	(448)	(500)	(963)	-
Capital contributions	2,938	2,199	-	-	-	-
Transfers in restricted for capital assets	1,032	497	15,360	-	2,384	252
Total other nonoperating revenues (expenses)	3,556	1,399	14,987	(431)	1,524	252
Increase (decrease) in fund net position	2,085	(1,527)	10,368	(3,778)	(3,134)	(383)
Total fund net position—beginning of period	331,657	333,184	177,997	181,775	29,423	29,806
Total fund net position—end of period	\$ 333,742	\$ 331,657	\$ 188,365	\$ 177,997	\$ 26,289	\$ 29,423

Source: Statement 103

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Detailed Analyses

Government-Wide

- Analyze the overall financial position and results of operations, summarizing all significant changes to both governmental activities and business-type activities as reported in the government-wide financial statements

Funds

- Analyze the balances of each major fund, summarizing all significant financial changes in each major fund and addressing restrictions, commitments, and assignments that significantly affect the availability of resources for future spending

What Is “Significant”?

Using professional judgment to determine what is “significant”



Percentage changes that are larger in magnitude than others, both positive and negative



AND, are also substantial dollar amounts



Qualitatively significant items

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“Significant”

In the context of MD&A, **significant** refers to information that would be meaningful to the reader and influence the conclusions they make based on the financial statements

Stated differently, **significant** refers to information that, if *not* discussed in MD&A, could result in the reader making incorrect conclusions

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Graphs and Charts

GASB encourages the “use of charts, graphs, and tables...to enhance the understandability of the information”

Professional judgment is necessary to determine when including visuals adds value

Is there a rule of thumb?

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Graphs and Charts (continued)

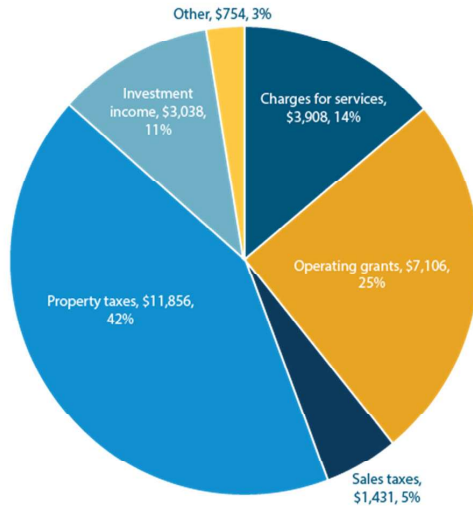
We shouldn't include graphics just for the sake of having them

Meaningful graphics:

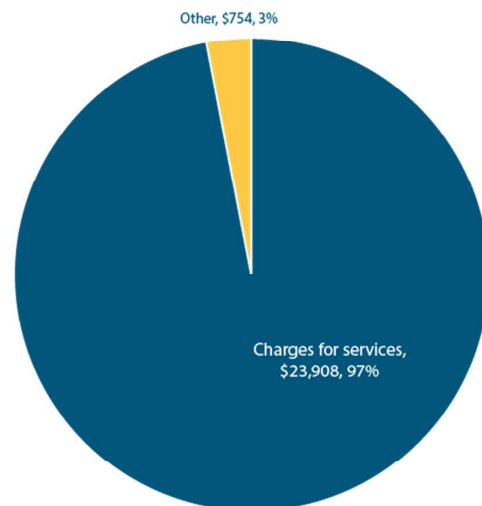
- Explain, clarify, or build on the narrative
- Make salient points more succinctly and understandably than narrative

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Graphs and Charts (continued)



This could be a valuable addition to the narrative



This one...not so much

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Explaining WHY

“Property taxes increased and fees for service decreased” is not analysis

- This so-called “ladder analysis” is not useful

The analyses should focus on *explaining why* significant changes occurred and indicate the magnitude of those changes, in addition to reporting the amounts or percentages of significant changes

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Explaining WHY (continued)

“Surface-level” explanations may not be sufficient for the reader to understand why a change occurred

A meaningful discussion may require drilling down multiple levels to reach the key factor that explains the change

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Drilling Down to the Best Answer

Property tax revenue increased 4.5% this year

Why?

Assessed value of property rose 8.2% from last year

Why?

A multiyear examination of commercial and industrial valuations concluded this year and resulted in overall increases in assessed value for those property classes

Is there anything else we should know?

The effect on property tax revenue of the increase in assessed values was partially offset when the City Council reduced the millage rate by 0.25 mills

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Drilling Down to the Best Answer

Expenses for regulatory activities decreased 10% this year

Why?

Turnover among buildings inspectors and permit processing staff was greater than expected, which resulted in lower-than-expected salary and benefit costs

Why?

The City Council offered an early retirement incentive as part of a plan to close a mid-year budget deficit

Is there anything else we should know?

The shortage of inspectors and permit processors also affected fees and penalties revenue, which declined 15%

What Should Be Discussed in the Fund Analysis?

Did the change happen in a major fund and is it significant?

If yes to both, explain why the change occurred

If the change was discussed previously in the government-wide analysis, or will be discussed in the capital asset or long-term financing sections, consider referencing that discussion rather than repeating it

“Clean Slate” Implementation

Implementation effort may be relatively greater for governments that were not fully compliant with the prior standards

For example, prior to implementing Statement 103, some governments:

- Addressed only some funds, excluding funds that are major
- Addressed governmental funds but not enterprise funds
- Did not include a fund-level analysis at all

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Required Components of MD&A (cont'd)

Significant Capital Asset Activity

- Describes significant capital asset activity during the year, encompassing both tangible and intangible capital assets

Significant Long-Term Financing Activity

- Describes significant long-term financing activity during the year, encompassing debt, leases, and SBITAs

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Significant Capital Asset Activity

Describe significant capital asset activity during the year, encompassing both tangible and intangible capital assets (e.g., right-to-use lease and subscription assets)—including, as applicable:

- Significant additions and disposals of capital assets
- Changes to commitments made to acquire capital assets
- Significant policy changes and economic factors relevant to the capital asset activity during the year

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Significant Long-Term Financing Activity

Describe significant long-term financing activity during the year, encompassing debt, leases, and SBITAs and discussing, as applicable:

- Agreements entered into
- Changes in credit ratings
- Changes to debt limitations that may affect the financing of planned facilities or services
- Significant policy changes and economic factors relevant to the long-term financing activity that occurred during the year

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Capital Assets and Long-Term Financings

Discussion of the types of capital assets and long-term financings a government has may be relevant, but the required discussion should focus on significant activity *during the year* rather than amounts as of the end of the year

The liability discussion is limited to long-term *financings* and should not include other types of long-term liabilities

- However, significant changes in other long-term liabilities (e.g., pensions and OPEB, compensated absences) may be relevant to other parts of MD&A, such as the government-wide detailed analysis

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Required Components of MD&A (cont'd)

**Currently
Known
Facts,
Conditions,
or
Decisions**

- Discusses things that are expected to have a significant effect on financial position or that are expected to produce significant differences from current-period results of operations

Currently Known Facts, Conditions, or Decisions

Discuss currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or that are expected to produce significant differences from current-period results of operations

“Currently known” refers to information management is aware of as of the date of the financial statements are issued

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Currently Known FCD: Examples

Trends in relevant economic and demographic data

Relevant factors used to develop the next year’s budget, indicating how results of operations are expected to change next year, such as:

- Changes in the total amount available for appropriation
- Changes in planned spending

Expected changes in budgetary net position or fund balance

Actions government has taken related to pensions/OPEB; capital asset plans; liabilities for leases, PPPs, and SBITAs; and other long-term financings that will affect the subsequent period

Actions other parties have taken that will affect the government, such as new legislation or regulations imposed on the government

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Which FCDs Should Be Included?

Not all of the examples in Statement 103 of currently known FCD may be relevant to your government

- Don't automatically discuss economic trends and the next year's budget, for example

A key yardstick for deciding what to discuss is whether a topic indicates next year's financial position or results of operation will significantly change from this year

And, of course, it should be a FCD occurring in or relevant to the period after the FY covered in the preceding sections of MD&A

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Gone, But Not Forgotten

Statement 103 removes the following two sections from MD&A:

- Significant budgetary variances – a more detailed discussion should be presented in notes to the budgetary comparison schedules in RSI (more on that later)
- Modified approach – for governments that use it, explanatory information should accompany the RSI schedules

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Operating and Nonoperating Revenues and Expenses, including Subsidies Received and Provided

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Definitions for Revenue and Expenses

Operating

- Revenues and expenses other than non-operating

Nonoperating

- Subsidies received and provided
- Contributions to permanent and term endowments
- Revenues and expenses related to financing
- Resources from the disposal of capital assets and inventory, and
- Investment income and expenses

These almost always should have been non-operating previously

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Exception for Principal Ongoing Operations

Revenues or expenses that otherwise would be classified as nonoperating should be classified as operating revenues or expenses if the transactions constitute the entity or proprietary fund's *principal ongoing operations*

- For example, interest revenues should be reported as operating revenues by a proprietary fund or entity established to provide loans to first-time homeowners
- However, borrowing-related costs should be reported as *nonoperating expenses*

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GASB Guidance on the Exception

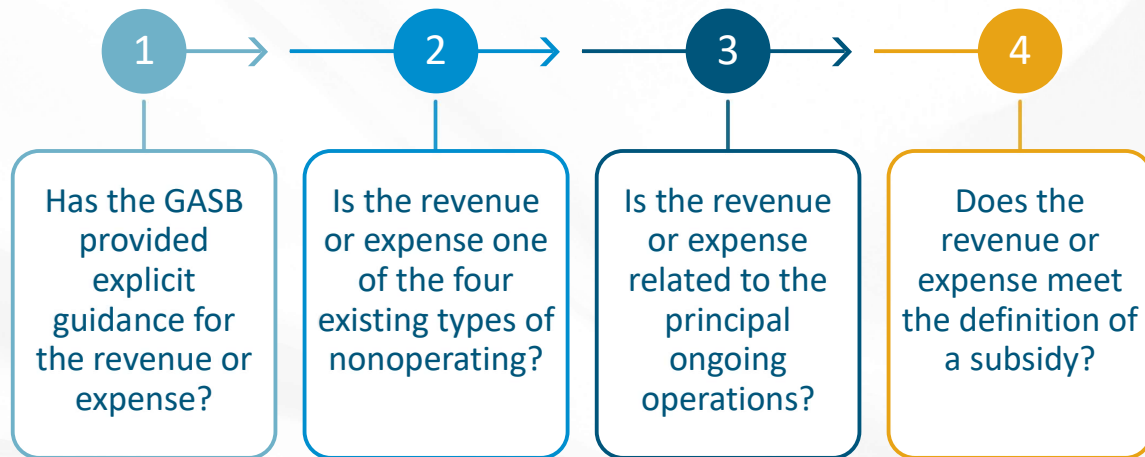


Statement 103 provides an exception for revenues and expenses that otherwise would be classified as nonoperating. If related to its principal ongoing operations, they should be reported as operating. An example is a fund that provides loans to first-time homeowners reporting its interest revenue as operating. Should it also report interest *expenses* as operating?



No. Interest expenses related to financing are always reported as nonoperating expenses. The interest revenues are related to the operations of the program, whereas the interest expenses are related how the fund obtained resources (financing) to operate its lending program.

Classifying Operating and Nonoperating



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Is Implementation a Clean Slate?

Implementation may have unexpected results if a government was not correctly applying the prior standards

For example, prior to implementing Statement 103, some governments:

- Reported operating revenues and expenses that should have been nonoperating, or vice versa
- Reported transfers that actually are payments for services

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Take Nothing for Granted

Review all proprietary fund inflows and outflows because prior conclusions may have been incorrect

Make sure to read the GASB Q&As – there is no need to evaluate revenues and expenses the GASB has classified for us

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Subsidies

Resources received from another party or fund:

- For which the proprietary fund does not provide goods and services to the other party or fund, and
- That directly or indirectly keep current or future fees and charges of the proprietary fund lower than they would be otherwise

Resources provided to another party or fund:

- For which the other party or fund does not provide goods and services to the proprietary fund, and
- That are recoverable through the proprietary fund's current or future pricing policies

All other transfers

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Subsidy Examples

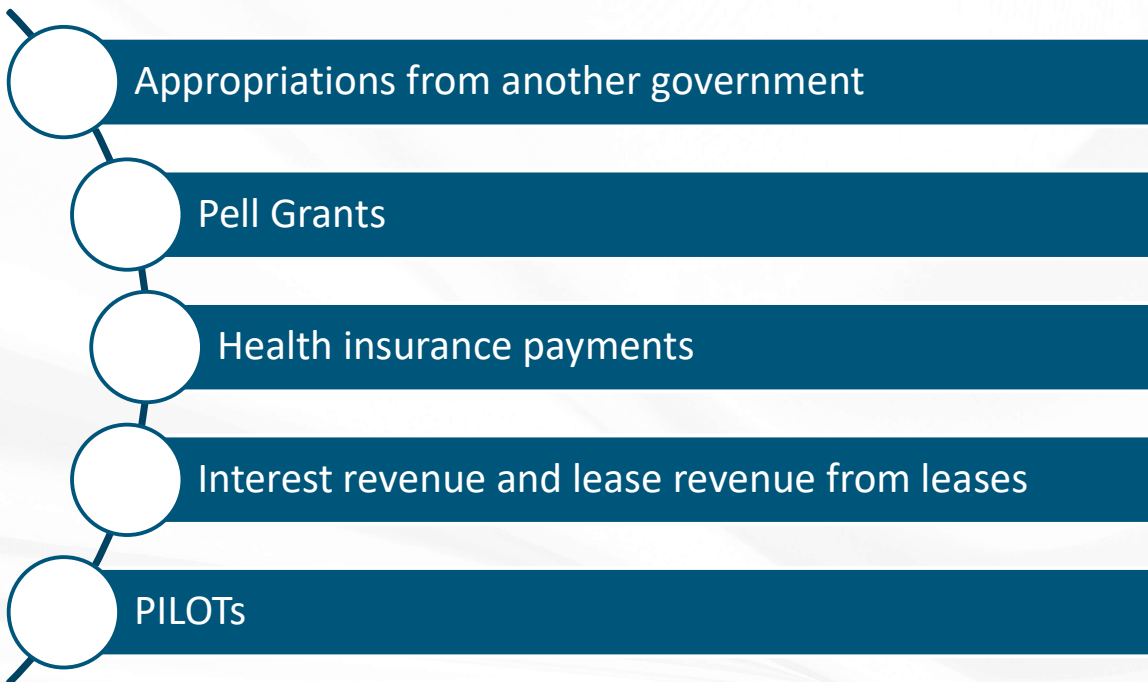
A transit district receives a quarter percentage point of the sales tax collected from the counties it serves; it can charge a much lower fare than what it actually costs to provide a ride

A water and sewer fund annually transfers \$5 million to the city's general fund, but it's not a reimbursement and it gets nothing in return; the water and sewer fund charges enough to cover its costs *and* make the annual transfer

Hospitals received federal grants under the Provider Relief Fund without providing anything in return, allowing the hospitals not to raise patient fees to replace their lost revenue

A municipal golf course receives annual funding from the city, allowing it to keep greens fees below what they otherwise would need to be to cover costs; the city gets nothing in return

Prior GASB Guidance



Appropriation Aid



A BTA that is a component unit of a state or local government receives annual operating subsidies from their primary government. How should those payments be classified?



Appropriations meet the definition of a subsidy

- Appropriations not required to be used for capital asset-related purposes should be reported as **noncapital subsidies**
- Appropriations required to be used for capital asset-related purposes should be reported as **other nonoperating revenues and expenses**

Pell Grants



Can public colleges and universities report Pell Grants as fiduciary transactions?



No—public institutions should record Pell Grant receipts as revenues in their financial statements, and any amounts applied to student receivable accounts should be recorded as scholarship discounts or allowances

- Furthermore, recipient governments that report their activities in a proprietary fund should report Pell Grants as **operating revenues**

Insurer Payments



A patient in a public hospital has third-party insurance. The insurer pays the hospital for the services provided to the patient. Since the insurer does not receive goods or services from the hospital, are those payments subsidies?



No. The insurance payments do not meet the second criterion for a subsidy—that they reduce what the hospital otherwise would charge for the services.

Interest Revenue from Leases



If the principal ongoing operation is leasing property to other entities, should interest revenue related to leases be reported as operating revenue?



No. Interest revenue is a revenue related to *financing*, which is a non-operating revenue unless financing transactions constitute the principal ongoing operations. If the principal ongoing operation is leasing property to other entities, the principal ongoing operation is conveying control of the right to use an underlying asset.

Lease Revenue



A government lessor recognizes a deferred inflow of resources and amortizes it over the term of the lease as revenue. Is it operating revenue?



Yes, because it is not one of the five categories for non-operating revenue.

Payments in Lieu of Taxes (PILOTs)

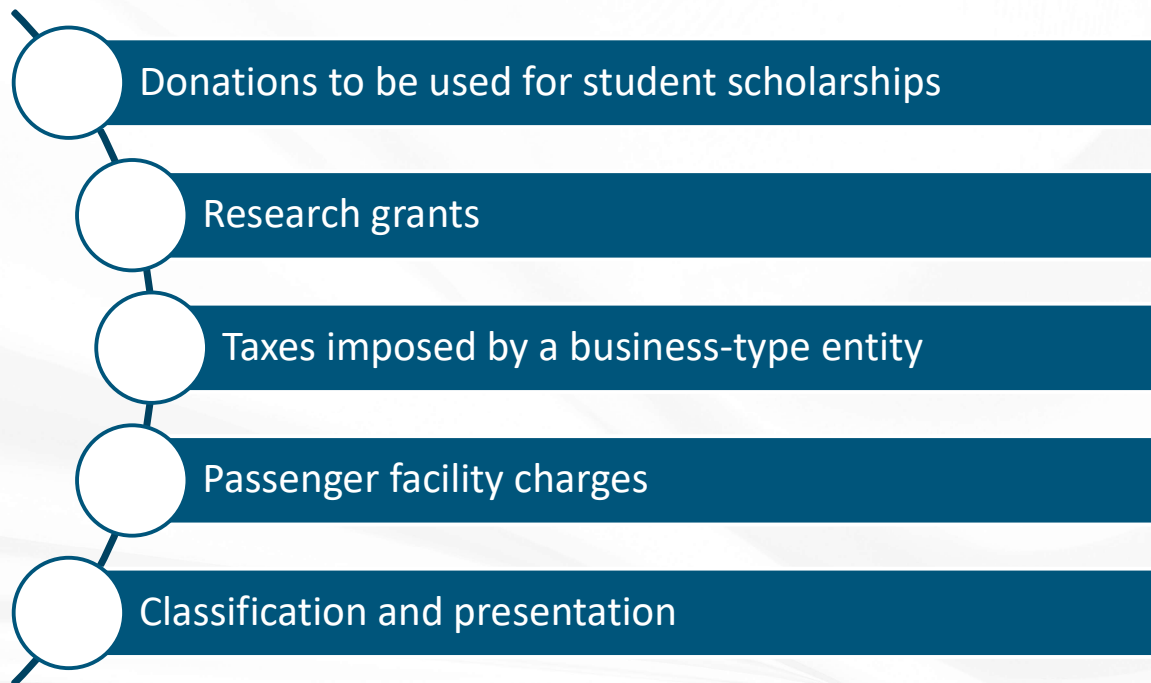


Do PILOTs made by a BTA or a proprietary fund meet the definition of subsidies?



A PILOT is not automatically a subsidy or not a subsidy; it depends on the substance of the transaction. The name of the arrangement is not relevant to the determination of whether it is a subsidy.

New GASB Guidance



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Donations for Scholarships, Part 1



A college receives donations that it will use to award scholarships to its students. Do those donations meet the definition of subsidies?



Yes, because they (a) are received from parties who have not received goods or services in return and (b) directly lower the resources received from students for tuition, which keep the college's current or future tuition or other charges lower than they would be otherwise.

Donations for Scholarships, Part 2



Would the answer to the previous question change if published tuition rates do not change based on the donations for scholarships received?



No. Regardless of whether published tuition rates change, donations that a college will use to award scholarships will directly lower the resources it receives from students for tuition, keeping current or future tuition or other charges lower than they would be otherwise.

Research Grants



Do research grants received by a college or university meet the definition of subsidies?



In many cases, research grants are not subsidies because the grantor is receiving a good or service from the college or university. However, if goods or services are not provided to the grantor as a result of the research grant, the grants may be subsidies if they would directly or indirectly keep the tuition or other charges lower than they would be otherwise.

Taxes Imposed by a BTA



Do taxes imposed by a BTA (either imposed nonexchange revenues or derived tax revenues) meet the definition of subsidies?



Yes, because they (a) are received from parties who do not directly receive goods or services from the BTA as a result of the tax and (b) directly or indirectly keep the BTA's current or future fees and charges lower than they would be.

Passenger Facility Charges



Do passenger facility charges (PFCs) received by an airport meet the definition of subsidies?



Yes. PFCs are similar to the taxes discussed in the preceding question. PFCs meet the definition of subsidies because they (a) are received from passengers who do not directly receive goods or services from the airport as a result of the fee and (b) directly or indirectly keep current or future airport fees and charges lower than they would be otherwise.

Implementation Pain Point

Governments that previously qualified for the exception may need to reclassify multiple items in the SRECFNP

Key to the next slide:

- **Purple text** = likely incorrect classification before 103
- **Red text** = likely reclassification due to 103
- **Orange text** = possible reclassification due to 103

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Implementation Pain Point



Pre-Statement 103 Classification	Potential Post-Statement 103 Classification
Operating Revenue	
Interest on loans	Operating revenue
Administrative fee revenue	Operating revenue
Interest on investments	Other nonoperating revenue
Unrealized gain	Other nonoperating revenue
Operating Expenses	
Bond interest expense	Other nonoperating expense
Amortization of bond premium/discount	Other nonoperating expense
Personnel expense	Operating expense
Loan financing pass-through	Other nonoperating expense
Contractual services expense	Operating expense
Operating expense	Operating expense
Interest expense	Other nonoperating expense
Bond issuance costs	Other nonoperating expense
Limited partnership loss	Other non-operating expense
Depreciation and amortization expense	Operating expense
Provision (reversal) for loan losses	Other nonoperating expense
non-operating Revenue (Expense)	
Appropriation revenue	Noncapital subsidy or other non-operating revenue
Transfers from the State	Noncapital subsidy or other non-operating revenue
Federal grant revenue	Requires additional information
Grant expense	Requires additional information
Transfers to the State and reversions	Other non-operating expense or noncapital subsidy

Lessons Learned

Again, we cannot take any prior classifications for granted

Some prior operating/nonoperating classifications may have been incorrect even under Statement 34

Other reclassifications are necessary because of the changes in Statement 103

Operating and Nonoperating Revenue Evaluation

1

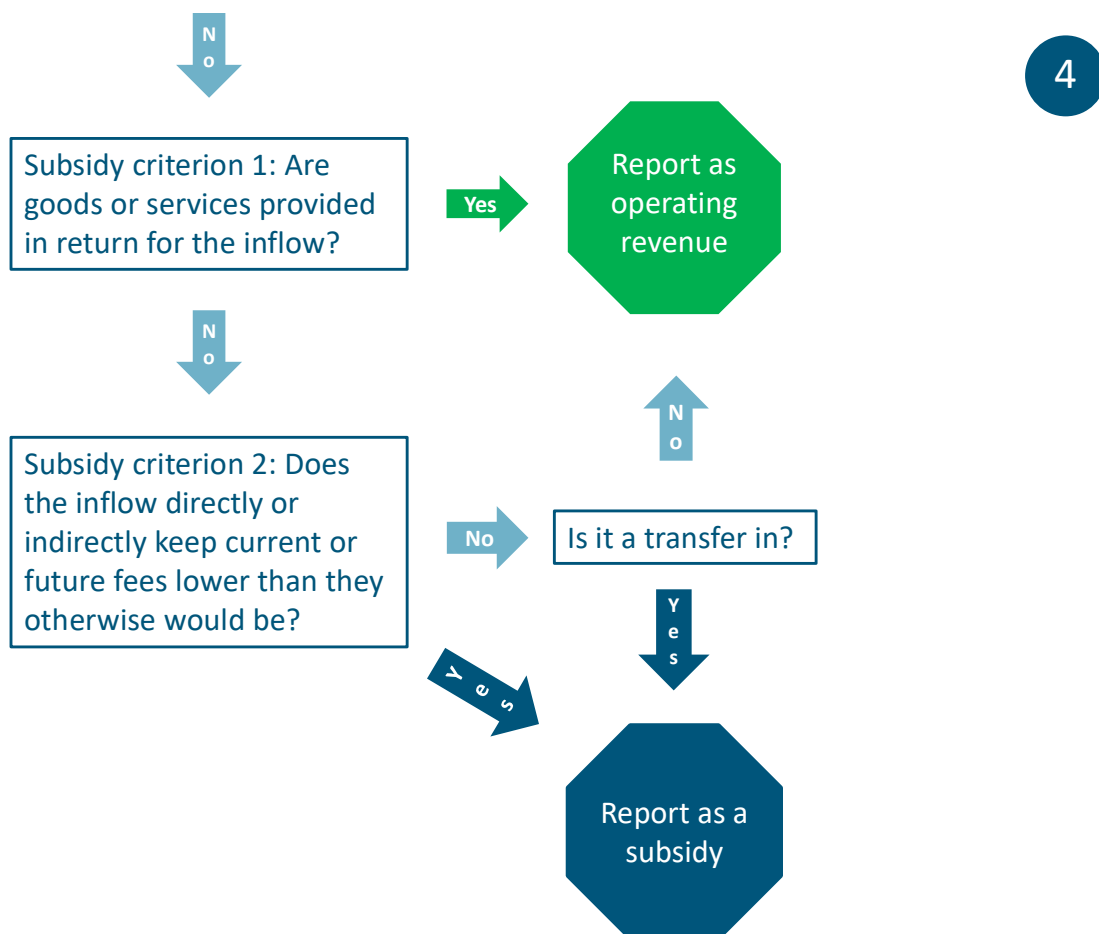
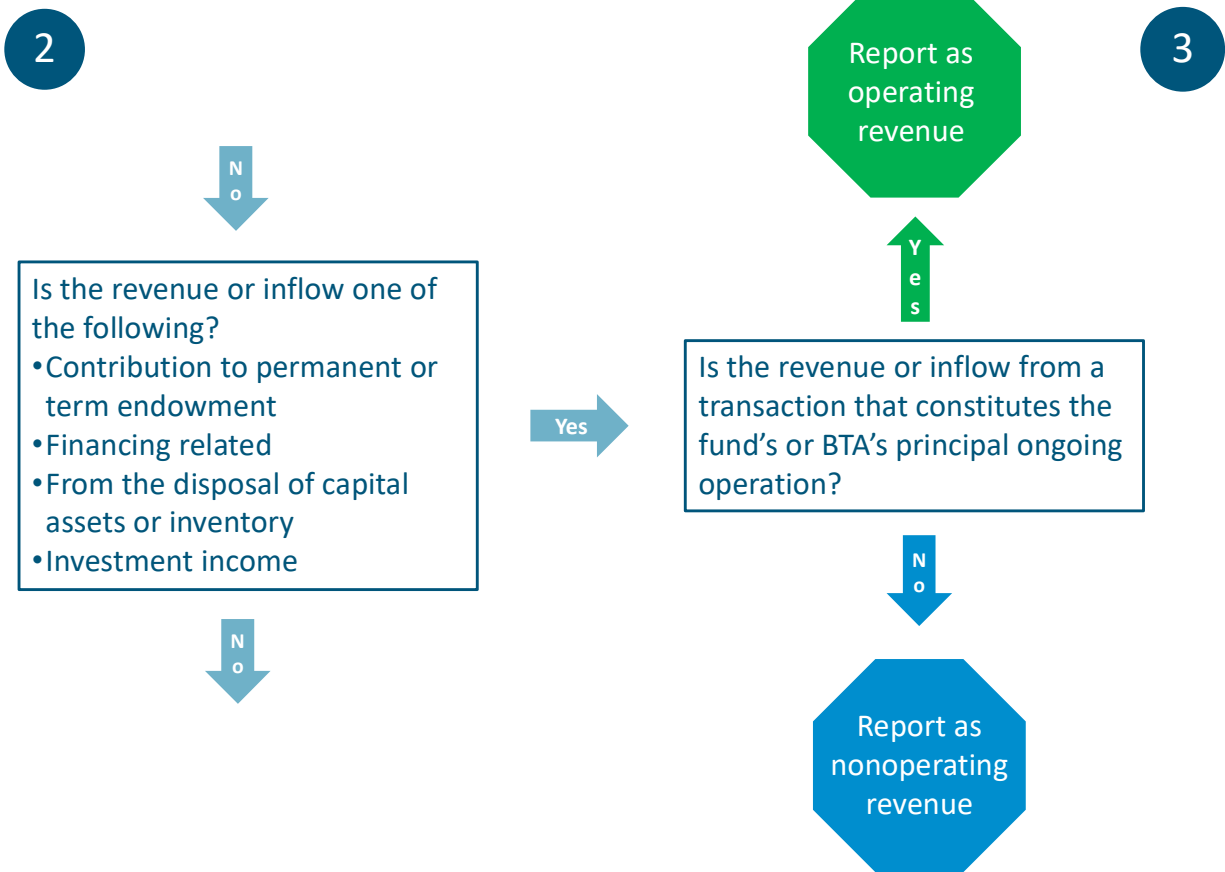
Is the revenue or inflow specifically identified in a question in a GASB Implementation Guide?

- Appropriations from another government
- Pell Grants
- Health insurance payments
- Interest revenue and lease revenue from leases
- PILOTs
- Research grants
- Donations to be used for student scholarships
- Taxes imposed by a business-type entity
- Passenger facility charges

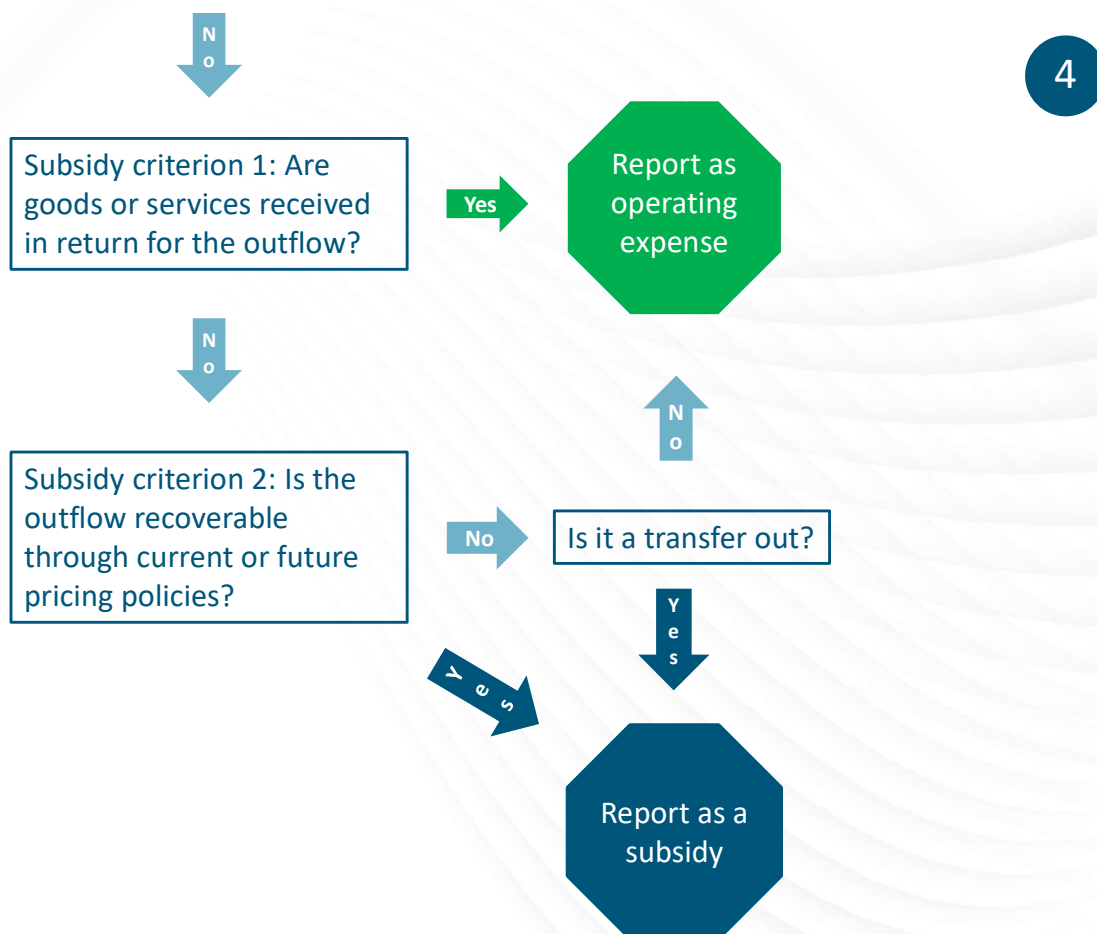
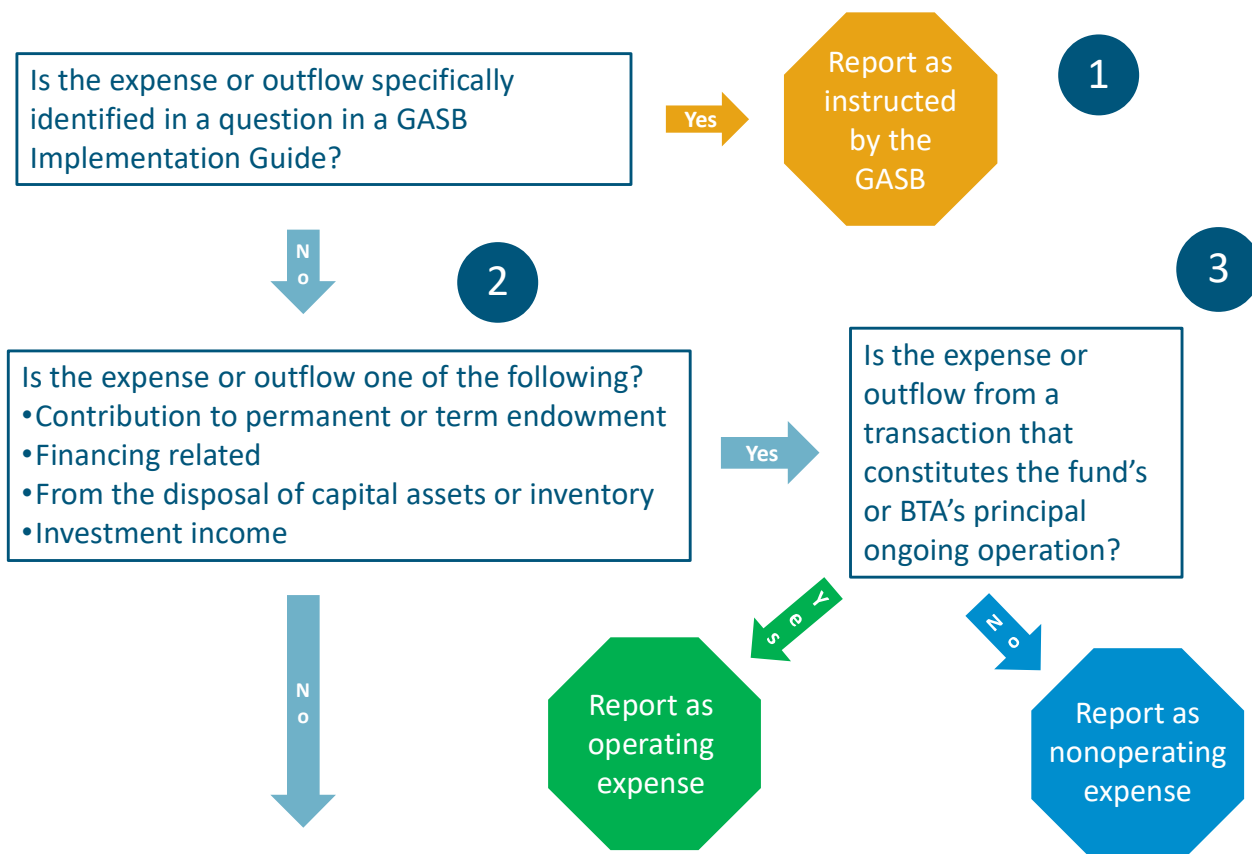
Yes

Report as instructed by the GASB

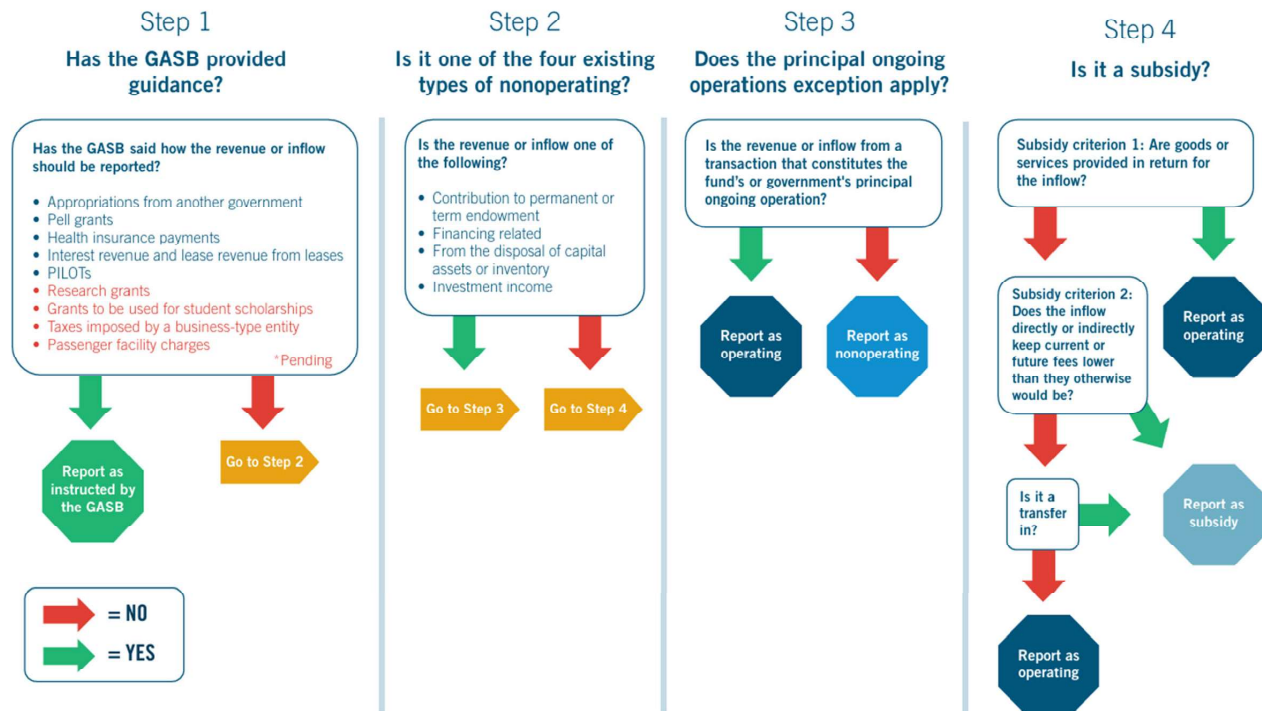
NO



Operating and Nonoperating Expense Evaluation

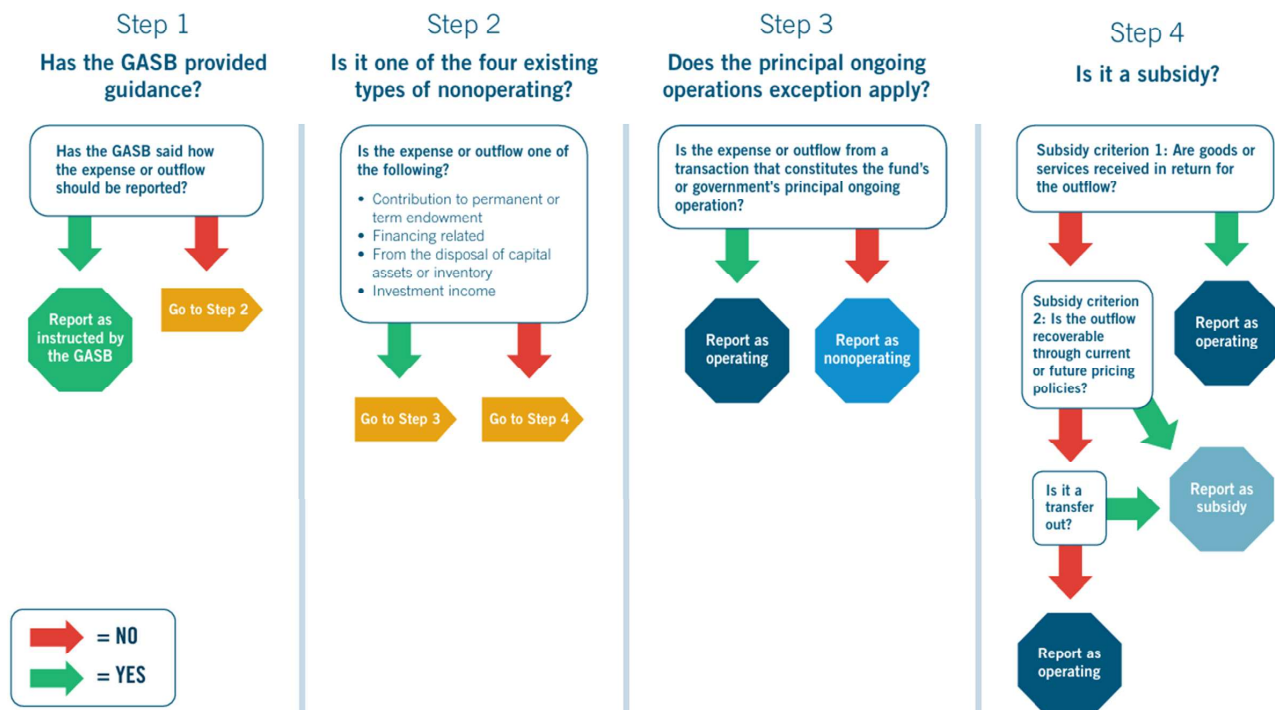


Evaluating Operating and Nonoperating Revenues and Other Inflows



<https://bit.ly/4hahxU6>

Evaluating Operating and Nonoperating Expenses and Other Outflows



<https://bit.ly/4hahxU6>

Statement of Revenues, Expenses, and Changes in (Fund) Net Position

Statement 34

Operating revenues (detailed)
Total operating revenue

Operating expenses (detailed)
Total operating expenses

Operating income (loss)

Nonoperating revenues and expenses (detailed)

Income before other revenues, expenses, gains, losses, and transfers

Capital contributions (grant, developer, and other), additions to permanent and term endowments, special and extraordinary items (detailed), and transfers

Increase (decrease) in net position

Net position—beginning of period

Net position—end of period

Statement 103

Operating revenues (detailed)
Total operating revenue

Operating expenses (detailed)
Total operating expenses

Operating income (loss)

Noncapital subsidies (detailed)

Total noncapital subsidies

Operating income (loss) and noncapital subsidies

Other nonoperating revenues and expenses (detailed)

Total other nonoperating revenues and expenses

Income (loss) before unusual or infrequent items

Unusual or infrequent items (detailed)

Increase (decrease) in fund net position

Fund net position—beginning of period

Fund net position—end of period

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Sample City
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

	Enterprise Funds				Internal Service Funds
	Public Utility	Transit Authority	Golf Courses	Total	
OPERATING REVENUES					
Charges for services	\$ 41,003	\$ 18,636	\$ 2,561	\$ 62,200	\$ 42,523
Miscellaneous	283	33	104	420	78
Total operating revenues	41,286	18,669	2,665	62,620	42,601
OPERATING EXPENSES					
Personnel services	13,991	-	-	13,991	5,786
Contractual services	13,952	16,406	4,893	35,251	4,117
Insurance claims and expenses	-	-	-	-	26,388
Depreciation	11,767	8,972	2,375	23,114	415
Other	1,067	-	165	1,232	7,834
Total operating expenses	40,777	25,378	7,433	73,588	44,540
Operating income (loss)	509	(6,709)	(4,768)	(10,968)	(1,939)
NONCAPITAL SUBSIDIES					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,200	300
Transfers out	(1,980)	-	-	(1,980)	-
Total noncapital subsidies	(1,980)	2,090	110	220	1,181
Operating income (loss) and noncapital subsidies	(1,471)	(4,619)	(4,658)	(10,748)	(758)
OTHER NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,496	75	103	1,674	446
Gain from the sale of capital assets	-	-	-	-	3
Interest expense	(1,910)	(448)	(963)	(3,321)	-
Capital contributions	2,938	-	-	2,938	-
Transfers in—restricted for capital assets	1,032	15,360	2,384	18,776	1,215
Total other nonoperating revenue (expenses)	3,556	14,987	1,524	20,067	1,664
Increase (decrease) in fund net position	2,085	10,368	(3,134)	9,319	906
Fund net position—beginning of period	331,657	177,997	29,423	539,077	12,387
Fund net position—end of period	\$ 333,742	\$ 188,365	\$ 26,289	\$ 548,396	\$ 13,293

Source:
Statement 103

Noncapital Subsidies



How should subsidies be classified if the resources are used for the acquisition of capital assets but the use of the resources is not limited by the provider to the acquisition of capital assets?



Unless there are other external limitations that the resources be used for capital purposes, the subsidies should be classified as noncapital because the use of the resources is not limited. How the recipient uses the subsidy is not relevant.

IG 2026-1, Q5.1

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Capital Subsidies



How should a proprietary fund or BTA classify subsidies it receives if the provider of the resources limits the use to debt service for capital-related debt?



In this circumstance, subsidies should be classified by the recipient as capital subsidies because the use of the resources is limited by the provider to debt service for capital-related debt.

IG 2026-1, Q4.7

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Presenting Subsidies



How should subsidies other than noncapital subsidies be presented?



Subsidies other than noncapital subsidies are capital subsidies and should be presented as other nonoperating revenues and expenses.

Implications of the Changes to the Statement

As a result of Statement 103, *all* inflows and outflows in the SRECFNP are classified as revenues and expenses, respectively

Capital contributions, endowment contributions, and transfers are now considered nonoperating revenues or expenses

As a result, major fund calculations will include inflows and outflows that previously were excluded, which may affect which funds are major

Effects on Major Fund Determinations

Major Fund Indicator (parts affected by Statement 103 in bold)	Potential Impacts
<i>Governmental funds*</i>	
Total fund revenue ÷ total governmental funds revenue ≥ 10% AND Total fund revenue ÷ total governmental and enterprise funds revenue ≥ 5%	A governmental fund previously determined to be major based solely on revenue could be nonmajor*
Total fund expenditures ÷ total governmental funds expenditures ≥ 10% AND Total fund expenditures ÷ total governmental expenditures and enterprise funds expenses ≥ 5%	A governmental fund previously determined to be major based solely on expenditures could be nonmajor*
<i>Enterprise funds</i>	
Total fund revenue ÷ total enterprise funds revenue ≥ 10% AND Total fund revenue ÷ total governmental and enterprise funds revenue ≥ 5%	An enterprise fund previously determined to be major based solely on revenue could be nonmajor, or vice versa*
Total fund expenses ÷ total enterprise funds expenses ≥ 10% AND Total fund expenses ÷ total governmental expenditures and enterprise funds expenses ≥ 5%	An enterprise fund previously determined to be major based solely on expenses could be nonmajor, or vice versa*

* Except for the general fund, which is always major.

* A fund may still qualify as major based on other financial statement elements.

Effect on Cash Flows Statements

Reclassifications of revenues and expenses between operating and nonoperating will affect the statement of cash flows as well

- Corresponding reclassifications of cash flow categories may be necessary
- The reconciliation of operating income (loss) to net operating cash flows will need to be adjusted

Statistical Section

For BTAs that prepare an ACFR, the schedule of changes in net position in the statistical section should be adjusted to reflect the changes to the SRECNP

According to Statement 100, years prior to those in the financial statements should not be restated for a change in accounting principle

Other Provisions of Statement 103

Budgetary Comparison Schedule

Budgetary comparisons should be presented as RSI for the general fund and for each major special revenue fund that has a legally adopted annual budget

Option to report as basic financial statement is eliminated

Separate columns for the variances between (a) original and final budget amounts and (b) final budget amounts and actual budget results are **required**

Explain significant variations between (a) original and final budget amounts and (b) final budget amounts and actual budget results in *notes to RSI*

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RSI Budgetary Comparison Schedule – General Fund

Required Supplementary Information Sample City Budgetary Comparison Schedule General Fund for the Year Ended June 30, 20X5 (amounts expressed in thousands)					
	Budgeted Amounts		Variance with Original Budget— over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget— over (under) Actual Amounts
	Original	Final			
BUDGETARY REVENUES					
Taxes	\$ 157,715	\$ 157,715	\$ -	\$ 161,885	\$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intergovernmental	1,560	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,262	8,262	-	7,853	(409)
Investment earnings	5,100	5,100	-	6,762	1,662
Miscellaneous	3,313	3,313	-	2,075	(1,238)
Total budgetary revenues	208,179	208,764	585	213,376	4,612
BUDGETARY EXPENDITURES					
Current:					
General government	29,786	29,138	(648)	29,097	(41)
Public safety	132,479	129,853	(2,626)	129,770	(183)
Public works	3,297	3,263	(34)	1,882	(1,381)
Culture and recreation	22,088	22,076	(11)	21,364	(721)
Social and economic development	12,095	12,038	(57)	11,814	(424)
Debt Service:					
Principal	1,275	1,275	-	1,282	(13)
Interest and other charges	41	41	-	54	13
Capital outlay	1,105	1,105	-	1,103	(2)
Total budgetary expenditures	202,164	198,888	(3,276)	196,136	(2,752)
Budgetary excess of revenues over expenditures	6,015	9,876	3,861	17,240	7,364
BUDGETARY OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	275	275
Transfers in	2,630	2,630	-	2,630	-
Transfers out	(1,871)	(2,713)	(842)	(682)	2,051
Total budgetary other financing sources (uses)	759	(83)	(842)	2,243	2,326
UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE					
Grant revenues	-	2,500	2,500	2,500	-
Cleanup	-	(10,000)	(10,000)	(10,000)	-
Total	-	(7,500)	(7,500)	(7,500)	-
Net change in fund balances	6,774	2,293	(4,481)	11,983	9,690
Budgetary fund balance—beginning of period	55,009	55,009	-	55,009	-
Budgetary fund balance—end of period	\$ 61,783	\$ 57,302	\$ (4,481)	\$ 66,992	\$ 9,690
RECONCILIATION TO GAAP BASIS					
Total fund balance GAAP basis				\$ 66,992	

Illustration from
Statement 103

RSI Budgetary Comparison Schedule – Special Revenue Fund

Required Supplementary Information
Sample City
Budgetary Comparison Schedule
Public Safety and Transportation Special Revenue Fund
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

	Budgeted Amounts		Variance with Original Budget— over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget— over (under) Actual Amounts
	Original	Final			
BUDGETARY REVENUES					
Taxes	\$ 49,825	\$ 49,825	\$ -	\$ 51,442	\$ 1,617
Intergovernmental	29,750	29,750	-	30,337	587
Charges for services	6,720	6,720	-	6,848	128
Investment earnings	1,900	1,900	-	2,295	395
Total budgetary revenues	88,195	88,195	-	90,922	2,727
BUDGETARY EXPENDITURES					
Current:					
General government	13,665	15,305	1,640	15,083	(222)
Public safety	58,000	58,250	250	58,452	202
Public works	16,265	16,945	680	16,934	(11)
Total budgetary expenditures	87,930	90,500	2,570	90,469	(31)
Net change in fund balances	265	(2,305)	2,570	453	2,758
Budgetary fund balance—beginning of period	4,024	4,024	-	4,024	-
Budgetary fund balance—end of period	\$ 4,289	\$ 1,719	\$ 2,570	4,477	\$ 2,758
RECONCILIATION TO GAAP BASIS					
Total fund balance GAAP basis				\$ 4,477	

Illustration from
Statement 103

RSI Budgetary Comparison Schedule – Notes to RSI

Required Supplementary Information
Note to Budgetary Comparison Schedules
(amounts expressed in thousands)

Note A—Actual Budget Results

	General Fund over (under)	Public Safety and Transportation Fund over (under)
BUDGETARY REVENUES		
Differences—final budget to actual:		
The City experienced an increase in revenue for taxes from budgeted amounts primarily due to the opening of the new shopping center 3 months earlier than expected.	\$ 4,170	\$ 1,617
Actual amounts of interest revenue exceeded budgeted amounts as the City saw higher interest rates than expected.	1,692	395
BUDGETARY EXPENDITURES		
Differences—original budget to final budget:		
The original budget was amended for public safety as the new police station #453 was completed 7 months behind schedule. The original budget included salaries and benefits for new officers and administrative staff, in addition to noncapital building expenditures. Station #453 will be opening in the next fiscal year, and these expenditures have been included in the next year's budget.	\$ (2,526)	\$ -
UNUSUAL OR INFREQUENT ITEM		
Differences—original budget to final budget:		
The City experienced flood damage during the current fiscal year. During the year, the City increased the original budget to account for the State grants received to address the flood damage.	\$ 2,500	\$ -
During the year, the City increased the original budget to account for the spending required to address the flood damage.	(10,000)	-

Illustration from
Statement 103

Note to RSI

The note to RSI requires a broader discussion than the prior section of MD&A

- Discussion should cover significant variances in *both* original to final budget and final budget to actual

Need to apply professional judgment to determine which variances are significant

Remember the reconciliation to GAAP (if budgetary basis is not GAAP) and the other required budgetary disclosures:

- Description of budgetary basis of accounting
- Excesses of expenditures over appropriations in individual funds presented in the schedules

Professional Judgment

The requirement to apply professional judgment is a benefit, not a burden

In this context, significant variances are those that, if *not* explained in the note, could result in the reader making incorrect conclusions

Not all variances need to be explained

Significant Variances

GASB Budgetary Comparison Illustration	Revenue & Expense Items	Variances Explained
General fund	20	5
Special revenue fund	7	2

Major Component Units

Major component units should be reported in basic financial statements, either:

- Individually on the face of the financial statements, if it does not reduce their readability, or
- Aggregated in a single column on the face of the financial statements, and individually in combining financial statements, following the fund financial statements

The option to disclose major component units in condensed financial statements in the notes is eliminated

Individual Presentation of Major Component Units in Government-Wide Financial Statements

	Governmental Activities	Business-Type Activities	Total	El Paso Water Utilities February 28, 2025	El Paso Housing Finance Corporation December 31, 2024
ASSETS					
Cash and Cash Equivalents	\$ 13,373,086	\$ 9,396,782	\$ 22,769,868	\$ 71,949,951	\$ 387,303
Cash with Fiscal Agent	5,002,484	—	5,002,484	—	—
Investments	222,520,723	242,273,500	464,794,223	18,046,311	3,232,920
Restricted Cash and Cash Equivalents	6,852,781	—	6,852,781	433,673,836	262,855
Restricted Investments	410,501,441	58,532,405	469,033,846	190,917,742	—
Receivables, Net of Allowances	142,580,930	52,665,914	195,246,844	76,059,120	159,995
Restricted Trade and Other Receivables	—	—	—	9,724,036	—
Intergovernmental Receivable	—	96,866,976	96,866,976	—	—
Leased Property Investment Cost	—	—	—	1,492,744	—
Interest Receivable	5,522,516	2,007,536	7,530,052	3,619,705	—
Other Assets	—	—	—	666,417	7,900
Lease Receivable	24,194,022	164,764,435	188,958,457	63,634,515	—
Due from Component Unit	4,946,854	6,974,437	11,921,291	—	—
Inventory	8,643,011	8,107,688	16,750,699	10,284,788	—
Prepays	843,862	63,825	907,687	2,664,901	—
Capital Assets not being Depreciated / Amortized	648,801,621	137,331,297	786,132,918	1,306,367,661	—
Capital Assets, Net of Accumulated Depreciation/Amortization	1,032,652,747	510,466,274	1,543,119,021	1,819,960,091	3,359,126
Total Assets	2,526,436,078	1,289,451,069	3,815,887,147	4,009,061,818	7,410,099
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	3,447,932	600,775	4,048,707	1,177,690	—
Deferred Chapter 380 Agreement Obligations	29,975,345	—	29,975,345	—	—
Pension Contributions Subsequent to Measurement Date	46,677,997	10,557,007	57,235,004	5,115,311	—
Difference in Expected and Actual Pension Experience	37,764,355	10,064,672	47,829,027	7,350,175	—
Change in Assumptions for Pensions	13,574,156	6,044,978	19,619,134	4,391,161	—
Difference in Projected and Actual Earnings on Pension Investments	96,664,422	4,823,622	101,488,044	3,534,982	—
Changes in Proportionate Share for Pension	—	—	—	1,952,363	—
Change in Assumptions for OPEB	13,902,915	4,371,473	18,274,388	3,461,374	—
Changes in Proportionate Share for OPEB	—	—	—	232,458	—
Difference in Expected and Actual OPEB Experience	4,521,234	1,417,590	5,938,824	—	—
Total Deferred Outflows of Resources	246,528,356	37,880,117	284,408,473	27,215,514	—

Individual Presentation in Government-Wide Financial Statements

Net (Expense) Revenue and Changes in Net Position									
Functions/Programs	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	El Paso Water Utilities February 28, 2025	El Paso Housing Finance Corporation December 31, 2024
Primary Government:									
Governmental Activities:									
General Government	\$ 78,907,992	\$ 41,226,544	\$ 345,843	\$ 6,289,251	\$ (31,046,354)	\$ —	\$ (31,046,354)	\$ —	\$ —
Public Safety	403,574,588	25,138,605	21,101,005	6,863,836	(350,471,142)	—	(350,471,142)	—	—
Public Works	105,317,521	7,025,859	3,000,555	7,436,492	(87,854,615)	—	(87,854,615)	—	—
Public Health	42,168,233	6,583,641	15,835,096	637,222	(19,112,274)	—	(19,112,274)	—	—
Culture and Recreation	124,124,851	23,358,701	3,510,020	25,973	(97,230,157)	—	(97,230,157)	—	—
Community and Economic Development	54,623,272	12,225,029	17,168,989	281,418	(24,947,836)	—	(24,947,836)	—	—
Interest on Long-term Debt	57,435,068	—	—	—	(57,435,068)	—	(57,435,068)	—	—
Total Governmental Activities	866,151,525	115,558,379	60,961,508	21,534,192	(668,097,446)	—	(668,097,446)	—	—
Business-Type Activities:									
El Paso International Airport	70,546,672	67,422,510	4,673,105	25,251,367	—	26,800,310	26,800,310	—	—
Environmental Services	61,678,465	76,016,524	—	742,936	—	15,080,995	15,080,995	—	—
Mass Transit	103,575,152	11,402,712	21,020,397	8,649,647	—	(62,502,396)	(62,502,396)	—	—
International Bridges	10,453,282	30,609,390	—	—	—	20,156,108	20,156,108	—	—
Tax Office	2,927,979	2,660,137	—	—	—	(267,842)	(267,842)	—	—
Total Business-Type Activities	249,161,550	186,111,262	25,693,502	34,643,950	—	(732,810)	(732,810)	—	—
Total Primary Government	\$ 1,115,333,075	\$ 303,669,641	\$ 86,655,010	\$ 56,178,142	(668,097,446)	(732,810)	(668,830,262)	—	—
Component Units:									
El Paso Water Utilities	\$ 379,031,560	\$ 446,585,798	\$ 287,100	\$ 24,940,165	—	—	—	92,781,503	—
El Paso Housing Finance Corporation	547,918	470,266	—	—	—	—	—	—	(77,652)
Total Component Units	\$ 379,579,478	\$ 447,056,064	\$ 287,100	\$ 24,940,165	—	—	—	92,781,503	(77,652)
General Revenues and Transfers									
General Revenues:									
Taxes:									
Property Taxes, Levied for General Purposes	—	—	—	288,452,263	—	—	288,452,263	—	—
Property Taxes, Levied for Debt Service	—	—	—	122,020,248	—	—	122,020,248	—	—
Franchise Taxes	—	—	—	77,515,369	—	—	77,515,369	—	—
Sales Taxes	—	—	—	141,336,612	67,167,731	—	208,504,343	—	—
Hotel Occupancy Taxes	—	—	—	18,456,008	—	—	18,456,008	—	—
Investment Earnings	—	—	—	36,603,591	19,319,182	55,922,773	104,841,545	27,004,079	177,892
Gain on Sale of Capital Assets	—	—	—	1,934,743	56,511	1,991,254	2,047,765	1,114,529	—
Transfers	—	—	—	26,142,230	(26,142,230)	—	—	—	—
Total General Revenues and Transfers	—	—	—	712,461,064	60,401,194	772,862,258	28,118,608	177,892	—
Change in Net Position	44,363,618	59,668,378	104,031,996	120,900,111	—	—	120,900,111	100,240	—
Net Position - Beginning of Year, as Previously Presented	202,950,362	714,702,598	917,652,960	1,606,414,186	—	—	1,606,414,186	7,032,335	—
Restatement - Change in Accounting Principle	—	—	—	—	—	—	(5,036,408)	—	—
Net Position - Beginning of Year, as Restated	202,950,362	714,702,598	917,652,960	1,601,377,778	—	—	1,601,377,778	7,032,335	—
Net Position - End of Year	\$ 247,313,980	\$ 774,370,976	\$ 1,021,684,956	\$ 1,722,277,889	\$ —	\$ —	\$ 1,722,277,889	\$ 7,132,575	\$ —

Aggregated Presentation of Major Component Units

Sample City
Statement of Net Position
June 30, 20X5
(amounts expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 253,130	\$ 78,702	\$ 331,832	\$ 60,133
Investments	528,563	-	528,563	52,203
Receivables, net	65,267	12,688	77,955	34,259
Internal balances	200	(200)	-	-
Inventories	-	465	465	2,282
Prepaid expenses	-	868	868	-
Notes receivable	-	3,558	3,558	-
Other assets	2,033	-	2,033	1,399
Capital assets:				
Nondepreciable capital assets	717,614	125,752	843,366	162,390
Depreciable capital assets, net	1,127,765	451,124	1,578,889	305,932
Total assets	2,694,628	672,901	3,367,529	618,598
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related items	88,021	2,817	90,838	4,615
OPEB-related items	508	96	601	78
Debt refundings	1,375	1,082	2,457	9,452
Total deferred outflows of resources	89,902	3,994	93,896	14,145
LIABILITIES				
Accounts payable and accrued expenses	20,729	9,709	49,821	11,726
Advances	593	14,808	15,401	622
Long-term liabilities:				
Amount due within one year				
Bonds payable	91,749	3,730	95,479	9,411
Other	26,251	593	26,844	645
Amount due in more than one year				
Bonds payable	538,899	94,069	622,968	169,359
Net pension liability	280,369	14,505	294,874	37,291
Net OPEB liability	2,901	483	3,384	2,081
Other	34,934	314	35,248	415
Total liabilities	1,015,424	127,295	1,142,719	230,539
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	35,049	614	35,663	2,696
OPEB-related items	248	41	287	35
Debt refundings	-	549	549	-
Total deferred inflows of resources	35,295	1,204	36,499	2,731
NET POSITION				
Net investment in capital assets	1,216,106	489,610	1,705,716	322,982
Restricted for:				
Debt service	75,800	1,345	77,145	12,977
Capital projects	617,138	14,834	631,972	9,844
Public safety	2,149	-	2,149	-
Public works	5,713	-	5,713	-
Culture and recreation	2,286	-	2,286	-
Social and economic development	2,378	-	2,378	-
Other purposes	-	1,335	1,335	21,927
Unrestricted	(187,759)	41,272	(146,487)	31,743
Total net position	\$ 1,733,811	\$ 548,396	\$ 2,282,207	\$ 399,473

Illustration from
Statement 103

Combining Statement of Net Position – Major Component Units

Sample City
Combining Statement of Net Position
Discretely Presented Component Units
6/30/20X5
(amounts expressed in thousands)

	Energy Authority	Airport	Nonmajor Component Units	Total (See Exhibit 2)
ASSETS				
Cash and cash equivalents	\$ 10,928	\$ 31,956	\$ 17,247	\$ 60,133
Investments	9,487	27,744	14,972	52,203
Receivables, net	2,946	6,486	24,827	34,259
Inventories	-	1,517	765	2,282
Other assets	-	407	992	1,399
Capital assets:				
Nondepreciable capital assets	171	147,234	14,985	162,390
Depreciable capital assets, net	7,857	252,813	45,262	305,932
Total assets	31,389	498,159	119,050	618,598
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	814	2,404	1,397	4,615
OPEB related items	42	-	36	78
Debt refundings	-	9,185	257	9,452
Total deferred outflows of resources	856	11,589	1,700	14,145
LIABILITIES				
Accounts payable and accrued expenses	1,963	6,299	3,463	11,725
Advances	-	529	93	622
Long-term liabilities:				
Short-term portion:				
Bonds payable	-	8,441	970	9,411
Other	255	276	114	645
Long-term portion:				
Bonds payable	-	162,164	6,106	169,360
Net OPEB liability	57	1,637	187	2,081
Net pension liability	5,656	19,308	12,317	37,281
Other	11	307	37	415
Total liabilities	7,942	199,221	23,376	230,539
DEFERRED INFLOWS OF RESOURCES				
Pension related items	245	670	1,780	2,696
OPEB related items	19	-	17	35
Total deferred inflows of resources	264	670	1,797	2,731
NET POSITION				
Net investment in capital assets	8,016	260,554	54,412	322,982
Restricted for:				
Debt service	-	9,733	3,244	12,977
Capital projects	-	1,812	8,032	9,844
Other purposes	-	-	21,927	21,927
Unrestricted	10,023	7,758	7,902	31,743
Total net position	\$ 24,039	\$ 279,857	\$ 95,577	\$ 399,473

Illustration from
Statement 103

Effective Date & Transition

Effective for fiscal years ending 6-30-26 and all reporting periods thereafter

- Component units need to implement in the same year as the primary government

Transition provisions— Change in Accounting Principle

- Applied retroactively to all periods presented in the financial statements, if practicable
- Disclose that the Statement was implemented and any financial statement line items that were affected (excluding totals and subtotals)
- If retroactive application is not practicable, disclose the reason

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Implementation Timing for Component Units



If a primary government is implementing Statement 103 for its fiscal year ended June 30, 2026, and it will include a component unit with a fiscal year-end of December 31, 2025, when should the component unit implement Statement 103?



The component unit should implement Statement 103 in its December 31, 2025 financial statements.

Changes in Accounting Principle

Reclassifications in the SRECFNP need to be disclosed as changes in accounting principle (or possibly error corrections) under Statement 100

But, which ones?

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Types of Accounting Change/Error Correction

A change from operating to nonoperating (or vice versa) because of the provisions of Statement 103 is a change in accounting principle – e.g., Pell Grants

Changes in the location of a revenue or expense in the SRECFNP also need to be disclosed as changes in accounting principle

- For example, appropriation aid that is not limited to capital purposes will move from the old “non-operating revenues (expenses)” section to the new “noncapital subsidies section”

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Accounting Change/Error Correction (cont.)

Similarly, the items previously reported below the nonoperating revenues and expenses (e.g., transfers) are now considered revenues and expenses – that is a reclassification due to a change in accounting principle as well

Reclassifications resulting from a revenue or expense having been incorrectly classified before Statement 103 should be disclosed as error corrections

Unusual or Infrequent Items

Inflows and outflows from transactions and events that are *unusual in nature, infrequent in occurrence*, or both

Should be presented last prior to the change in net position (or fund balance, or fund net position)

Inflows and outflows related to an unusual or infrequent item should be *presented separately and not netted*

For each item, disclose in notes the program, function, or identifiable activity to which the item is related, if applicable, and whether that item is within the control of management

Unusual or Infrequent Items

Transfers	(18,996)	18,996	-	-
Unusual or infrequent items — flood damage				
Grant revenues	2,500	-	2,500	-
Flood damage cleanup	(10,000)	-	(10,000)	-
Total general revenues, transfers, and unusual or infrequent item	456,996	21,090	478,086	12,527
Change in net position	117,664	9,319	126,983	3,905
Net position—beginning of period	1,616,147	539,077	2,155,224	395,568
Net position—end of period	\$ 1,733,811	\$ 548,396	\$ 2,282,207	\$ 399,473

The flood cleanup expenses are shown separately from the related state grant

Note 3—Unusual or Infrequent Items

Sample City experienced a flood during March 20X5 that was a catastrophic event outside the control of management. The City incurred damages in the amount of \$10 million attributable to the functions of Public Works and Public Safety in the amounts of \$8.35 million and \$1.65 million, respectively. Sample City also received \$2.5 million in grants from the State to assist with the cleanup effort.

Source: Statement 103

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Is the Problem Solved?

The pathway to being reported separately from other revenues and expenses/expenditures is wider, so we may see more unusual or infrequent items than extraordinary items and special items

However, the underlying definitions of “unusual nature” and “infrequency of occurrence” have not changed, and they’re the reason this requirement is so difficult to apply

The Underlying Definitions

Unusual or infrequent items are events and transactions that are distinguished by their unusual nature, the infrequency of their occurrence, or both. The following criteria identify when an event or transaction is either unusual in nature or infrequent in occurrence:

- a. *Unusual nature*—the underlying event or transaction should possess a high degree of abnormality and **be of a type** clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the government, taking into account the environment in which the government operates. (See paragraph .150.)
- b. *Infrequency of occurrence*—the underlying event or transaction should **be of a type** that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the government operates. (See paragraph .151.) [GASBS 62, ¶46, as amended by GASBS 103, ¶19]

Source: Codification Section 1800, paragraph 150

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The Underlying Definitions (continued)

Unusual Nature. The specific characteristics of the government, such as type and scope of operations and operating policies, should be considered in determining ordinary and typical activities of the government. The environment in which a government operates is a primary consideration in determining whether an underlying event or transaction is abnormal and significantly different from the ordinary and typical activities of the government. The environment of a government includes such factors as the characteristics of its business-type activities, the geographical location of its operations, and the nature and extent of governmental regulation. Thus, an event or transaction may be unusual in nature for one government but not for another because of differences in their respective environments. Unusual nature is not established by the fact that an event or transaction is beyond the control of management. [GASBS 62, ¶47]

Source: Codification Section 1800, paragraph 150

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The Underlying Definitions (continued)

Infrequency of Occurrence. For purposes of applying paragraphs .148–.152, an event or transaction of a type not reasonably expected to recur in the foreseeable future is considered to occur infrequently. Determining the probability of recurrence of a particular event or transaction in the foreseeable future should take into account the environment in which a government operates. Accordingly, a specific transaction of one government might meet that criterion, and a similar transaction of another government might not because of different probabilities of recurrence. The past occurrence of an event or transaction for a particular government provides evidence to assess the probability of recurrence of that type of event or transaction in the foreseeable future. [GASBS 62, ¶48]

Source: Codification Section 1800, paragraph 151

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How to Evaluate Unusual or Infrequent Items

Although each year we are evaluating individual transactions and events against the criteria, we should be thinking of them as part of a class of transactions and events

- For example, instead of asking, “Were the costs of clean up and rebuilding after *this* hurricane unusual in nature and/or infrequent in occurrence from the perspective of our government?”
- Ask, “Are the costs of clean up and rebuilding after hurricanes unusual in nature and/or infrequent in occurrence from the perspective of our government?”

GASB Statement No. 104, *Certain Capital Asset Disclosures*

Why Did the GASB Issue This Statement?

GASB standards are inconsistent with respect to distinguishing financial assets from nonfinancial assets

Statements 87, 94 & 96 require governments to recognize intangible right-to-use assets, which are distinct from the underlying assets, and to disclose them separately from other capital assets

Statement 34 identifies intangibles as a type of capital asset

GASB research found that nonfinancial assets other than tangible capital assets are pervasive among governments and that not all types are equally important to financial statement users

Detail in the Capital Asset Roll-Forward

Capital Asset	Pre-104	Post-104
Intangible right-to-use lease assets	By major class of underlying asset	By major class of underlying asset
Intangible right-to-use assets recognized by an operator in a public-public partnership (PPP)	Not specified	By major class of underlying PPP asset
Intangible right-to-use subscription assets	In the aggregate	In the aggregate
Other intangible assets	Not specified	By major class of asset

Additionally, intangible right-to-use assets should not be disclosed in the same major class as owned assets of that type

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Held for Sale

Capital assets should be classified as held for sale if:

- The government has decided to pursue the sale of the asset
- It is probable (i.e., likely to occur) that the sale will be finalized within one year of the financial statement date

Factors to consider when evaluating *probable* include:

- Whether the asset is available for immediate sale in its present condition
- Whether an active program to locate a buyer has been initiated, including putting the asset out for bid
- Market conditions for selling that type of asset
- Regulatory approvals needed to sell the asset

Classification as held for sale should be evaluated for each reporting period

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Held for Sale (continued)

Continue to report capital assets held for sale within the appropriate major class, such as in the roll-forward note

Disclose additional information about capital assets held for sale:

- Historical cost and accumulated depreciation/amortization separately
- Separately for governmental and business-type activities
- By major class of asset
- Carrying amount of debt for which capital assets held for sale are pledged as collateral, for each major class of asset

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Effective Date & Transition

Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter

- FYEs 6-30-26, 9-30-26, 12-31-26
- Earlier application is encouraged

Transition provisions

- Applied retroactively to all periods presented in the financial statements, if practicable
- Disclose that the Statement was implemented and any financial statement line items that were affected (excluding totals and subtotals)
- If retroactive application is not practicable, disclose the reason

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Capital Asset Roll-Forward Note

Capital asset activity for the year ended June 30, 20X2, was as follows (in thousands):

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 29,484	\$ 2,020	\$ (4,358)	\$ 27,146
Construction in progress	2,915	13,220	(14,846)	1,289
Total capital assets not being depreciated	32,399	15,240	(19,204)	28,435
Capital assets being depreciated:				
Buildings and improvements	40,861	334	-	41,195
Equipment	32,110	1,544	(1,514)	32,140
Road network	72,885	10,219	-	83,104
Bridge network	18,775	4,627	-	23,402
Software	2,100	548	(650)	1,998
Lease assets:				
Buildings	25,821	209	-	26,030
Equipment	20,389	2,312	(2,456)	20,245
Subscription assets	5,490	687	(743)	5,434
Total capital assets being depreciated	218,431	20,480	(5,363)	233,548
Less accumulated depreciation for:				
Buildings and improvements	(10,358)	(691)	-	(11,049)
Equipment	(9,247)	(2,676)	1,040	(10,883)
Road network	(12,405)	(823)	-	(13,228)
Bridge network	(2,896)	(197)	-	(3,093)
Software	(543)	(110)	25	(628)
Lease assets:				
Buildings	(7,456)	(596)	-	(8,052)
Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)
Total accumulated depreciation	(49,778)	(7,325)	2,097	(55,006)
Governmental activities capital assets, net	\$ 201,052	\$ 28,395	\$ (22,470)	\$ 206,977

Illustration from Statement 103

Capital Asset Roll-Forward Note

Capital asset activity for the year ended June 30, 20X2, was as follows (in thousands):

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 29,484	\$ 2,020	\$ (4,358)	\$ 27,146
Construction in progress	2,915	13,220	(14,846)	1,289
Total capital assets not being depreciated	32,399	15,240	(19,204)	28,435
Capital assets being depreciated:				
Buildings and improvements				195
Equipment				140
Road network				104
Bridge network				402
Software				998
Lease assets:				
Buildings				030
Equipment				245
Subscription assets				434
Total capital assets being depreciated				548
Less accumulated depreciation for:				
Buildings and improvements				049
Equipment				883
Road network				228
Bridge network				093
Software				628
Lease assets:				
Buildings	(7,456)	(596)	-	(8,052)
Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)
Total accumulated depreciation	(49,778)	(7,325)	2,097	(55,006)
Governmental activities capital assets, net	\$ 201,052	\$ 28,395	\$ (22,470)	\$ 206,977

Lease assets shown by major class of underlying asset

A government operator with multiple PPPs would include something like this:

Public-public partnership assets:
Toll roads
Convention center

Subscription assets are shown on a single line

Illustration from Statement 103

Capital Asset Roll-Forward Note

Capital asset activity for the year ended June 30, 20X2, was as follows (in thousands):

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements				46
Construction in progress				89
Total capital assets not being depreciated				35
Capital assets being depreciated:				
Buildings and improvements	40,861	334	-	41,195
Equipment	32,110	1,544	(1,514)	32,140
Road network	72,885	10,219	-	83,104
Bridge network	18,775	4,627	-	23,402
Software	2,100	548	(650)	1,998
Lease assets:				
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Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)
Total accumulated depreciation	(49,778)	(7,325)	2,097	(55,006)
Governmental activities capital assets, net	\$ 201,052	\$ 28,395	\$ (22,470)	\$ 206,977

Owned assets and lease/subscription assets of the same type are separate

Capital assets held for sale are not shown separately

Illustration from Statement 103

Capital Asset Held for Sale Note

Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported in governmental activities. They have a total historical cost of \$8.0 million and an accumulated depreciation of \$5.0 million, and they are pledged as collateral for debt with a balance of \$1.5 million.

Illustration from Statement 103

Implementing Statement 104

The level of detail provisions should be relatively simple and, for many governments, won't require any effort at all (presuming they already are correctly applying the prior standards)

Some effort will be required to evaluate held for sale and establish procedures for annually collecting and evaluating information from departments and agencies

- Do capital asset already reported as held for sale, if any, meet the definition?
- More significantly, which capital assets, if any, meet the definition of held for sale?

GASB Statement No. 105, *Subsequent Events*

Why Did the GASB Issue This Statement?

The underlying standards are over 50 years old and were brought into GASB standards through Statement 56 in 2009, but without reexamination

GASB research and outreach found:

- Significant diversity in practice, including governments (1) recognizing or disclosing as subsequent events items that did not meet the definition and/or (2) failing to recognize or disclose events that occurred that meet the definition
- Descriptions of recognized and nonrecognized events could be difficult to understand
- Governments are inconsistent in what information they disclose about subsequent events

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Definition of Subsequent Events

Subsequent events are transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued

- That is the “subsequent events time frame”

The date the financial statements are available to be issued is the date at which:

- The financial statements are complete in a form and format that complies with GAAP and
- All approvals necessary for issuance have been obtained

Subsequent events are either recognized events or nonrecognized events

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Definition: Recognized Events

A subsequent event that provides evidence of conditions that existed *as of the financial statement date* that inform accounting estimates as of the financial statement date

Accounting estimates reported as of the financial statement date should reflect the effects of conditions that existed at that date, including conditions substantiated by recognized events

Identifying recognized events requires professional judgment and knowledge of the facts and circumstances

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Examples

Example 1: The bankruptcy of a major customer of a water utility during the subsequent events time frame may be indicative of the customer's deteriorating financial health at the financial statement date

- If so, the utility should incorporate the event in its measurement of uncollectible accounts receivable in the financial statements – *this is a recognized event*

Example 2: A major customer of a water utility experiences severe property damage due to a storm during the subsequent events time frame

- If so, *this is NOT a recognized event*
- Should be evaluated as a potential nonrecognized event

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Definition: Nonrecognized Events

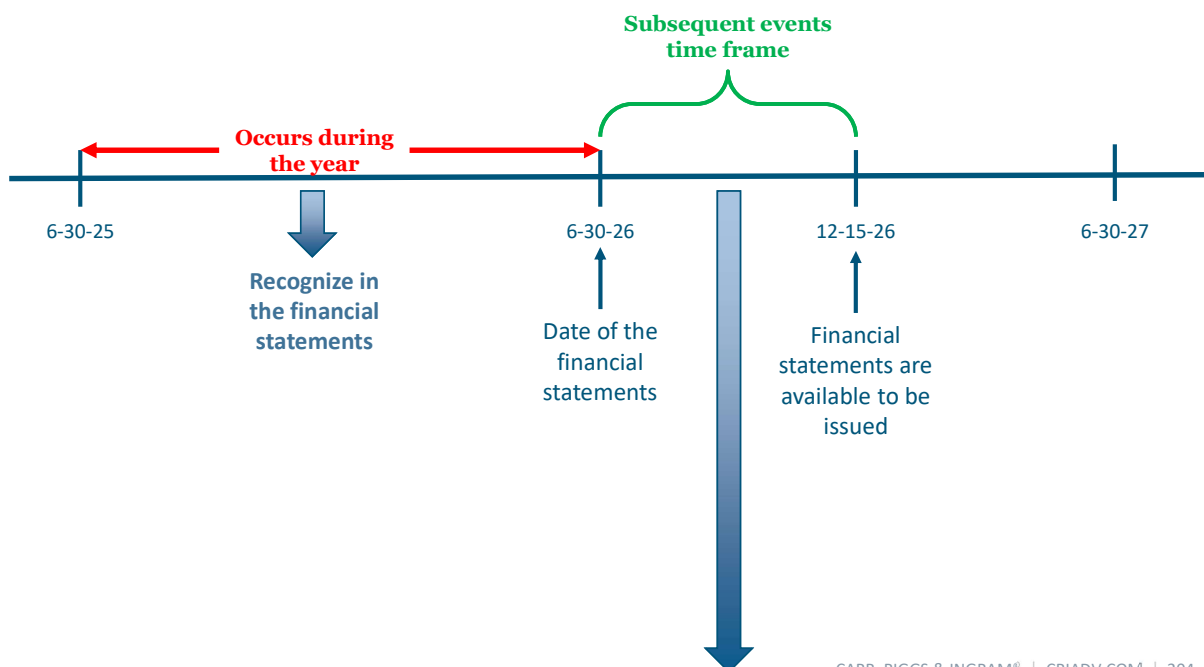
A subsequent event that results in a significant effect (favorable or unfavorable) that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs (i.e., the following FY) and is one of the following:

- A debt-related transaction (but not leases, SBITAs, or PPPs)
- A government combination or a disposal of government operations
- A change to the legally separate entities that comprise the financial reporting entity
- A transaction or other event that is of such a nature that the required disclosures are essential to financial statement users

Nonrecognized events do not inform conditions that existed at the financial statement date – they should be disclosed rather than incorporated into amounts in the financial statements

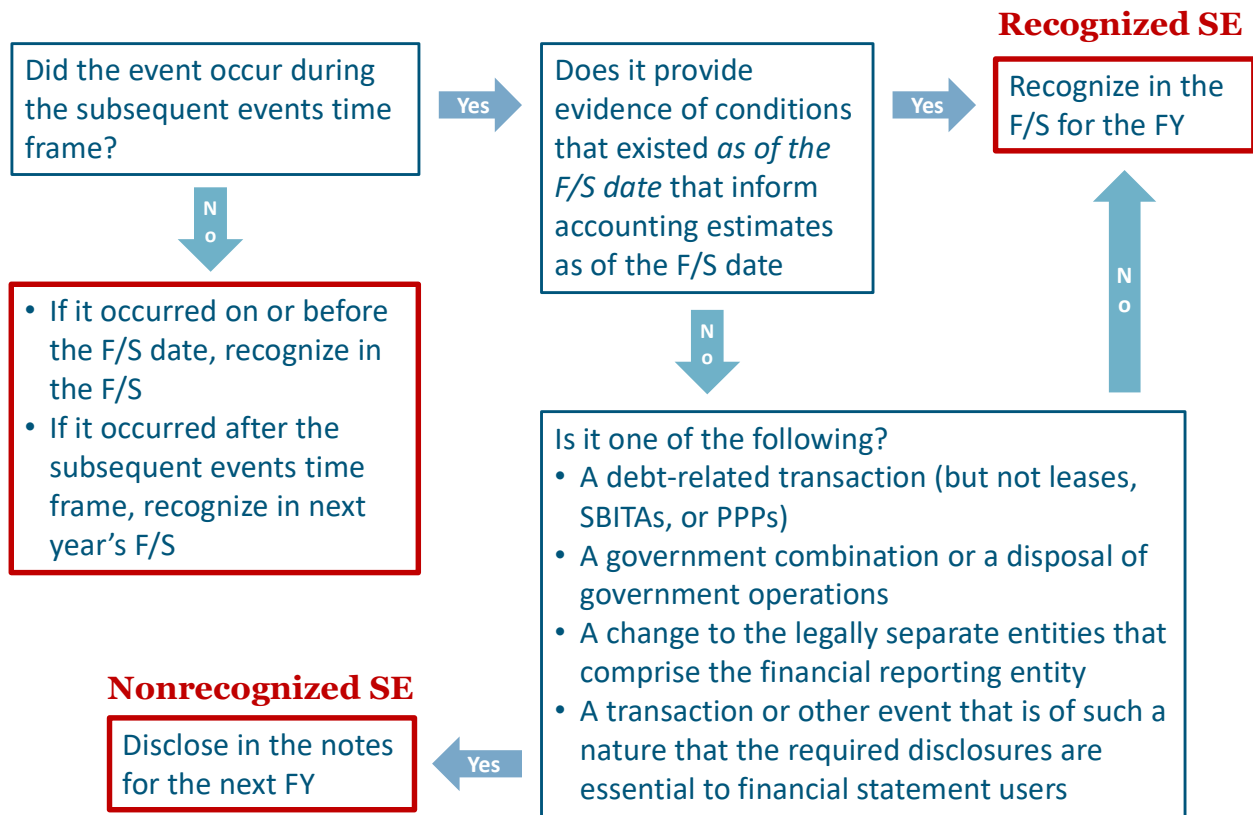
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Subsequent Event Evaluation



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Subsequent Event Evaluation (continued)



Effective Date & Transition

Effective for subsequent events associated with fiscal years beginning after June 15, 2026, and all reporting periods thereafter

- FYEs 6-30-27, 9-30-27, 12-31-27, 3-31-28
- Earlier application is encouraged

Should be applied prospectively

Disclosures

The date through which subsequent events have been evaluated, even if there were none

For each nonrecognized event, disclose:

- A description of the nonrecognized event and its effect
- An estimate of the amount of its effect, or the reason why an estimate of the amount cannot be made

Disclosures should correspond to the reporting units in the financial statements

Information that is the same for multiple reporting units should be combined in a manner that avoids unnecessary duplication

Potential Implementation Issues

The new standards are better organized and written, which should help to lessen false negatives (subsequent events not being reported) and false positives (reporting events that are not subsequent events)

Nevertheless, it will still be challenging to evaluate whether a subsequent event indicates conditions that existed as of the financial statement date

Some effort may be necessary for governments whose subsequent event disclosures did not already contain the information required by Statement 105

Common ACFR Deficiencies

With thanks to GFOA for many of these slides

Distribution of Comments by ACFR Section

Category of Error	Instances of Errors	Percent of Total
Statistical Section	2,563	18.29%
Note Disclosures	2,220	15.85%
Formatting and Terminology	2,051	14.64%
MD&A	1,307	9.33%
Basic Financial Statements	1,259	8.99%
Required Supplementary Information	979	6.99%
Summary of Significant Accounting Policies	723	5.16%
Net Investment in Capital Assets Calculation	719	5.13%
Letter of Transmittal	605	4.32%
Governmental Fund Statements	541	3.86%
Statement of Activities	262	1.87%
Other Considerations	235	1.68%
Proprietary Funds	210	1.50%
Combining and Individual Fund Statements and Schedules Budgetary Reporting	150	1.07%
Fiduciary Funds	96	0.69%
Restricted and Unrestricted Net Position	90	0.64%
Grand Total	14,010	100.00%

FORMATTING AND TERMINOLOGY

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Formatting and Terminology

Types of errors

- Omissions
- Mislabeling

The title of the report is “annual comprehensive financial report”

The term “leases” should be used through the ACFR

Use “fair value” throughout, not “market value”

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Formatting and Terminology (continued)

Use total pension/OPEB liability for a defined benefit plan not administered through a trust (or without assets), rather than net

Use net position in the government-wide financial statements, not net assets

Use fund balance in the governmental funds, not fund equity

Use fund net position in the proprietary funds, not fund equity or fund net equity

Title page of the report should include the individual or department responsible for preparing the ACFR

INTRODUCTORY SECTION

Letter of Transmittal

Primary errors:

- Who?
- When?

Should address the citizens as well as others, such as the governing board

Date should be no earlier than the date of the auditor's report

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Letter of Transmittal (continued)

Letter of transmittal missing one or more of the following program requirements:

- Management's responsibility for ACFR
 - Relying on system of internal control and inherent limitations thereof
- Budget
 - Identifying funds with legally-adopted budgets
 - Identifying legal level of budgetary control
 - Summary of budget process
- Expected long-term benefits of tax abatements

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Formal Transmittal

"Management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon a comprehensive framework of internal control that it has established to ensure the Authority's financial statements are free from material misstatement, whether due to fraud or error."

"The Authority is required to have an annual audit in accordance with the Governmental Audit Act (50 Illinois Compiled Statutes 310/2) and to file a complete audit, including annual financial statements, to the Illinois Office of the Comptroller."



111 E. Wacker Drive
Suite 1500
Chicago, IL 60601
312.530.5200

December 15, 2022

The Honorable J.B. Pritzker
Office of the Governor
207 S. Spring St.
Springfield, Illinois 62704

Dear Governor Pritzker, Members of the IHDA Board, and Citizens of Illinois:

It is our pleasure to present the Annual Comprehensive Financial Report for the Illinois Housing Development Authority (IHDA, the Authority) for the fiscal year ended June 30, 2022, which provides an in-depth, detailed analysis of our financial transactions and standing for the fiscal year. Management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon the design, implementation, and maintenance of a framework of internal control that it has established to ensure the Authority's financial statements are free from material misstatement, whether due to fraud or error. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide a reasonable, rather than absolute, assurance that the financial statements are free of any misstatements.

The Authority is required to have an annual audit in accordance with the Governmental Account Audit Act (50 Illinois Compiled Statutes 310/2) and to file a complete audit, including annual financial statements, to the Illinois Office of the Comptroller.

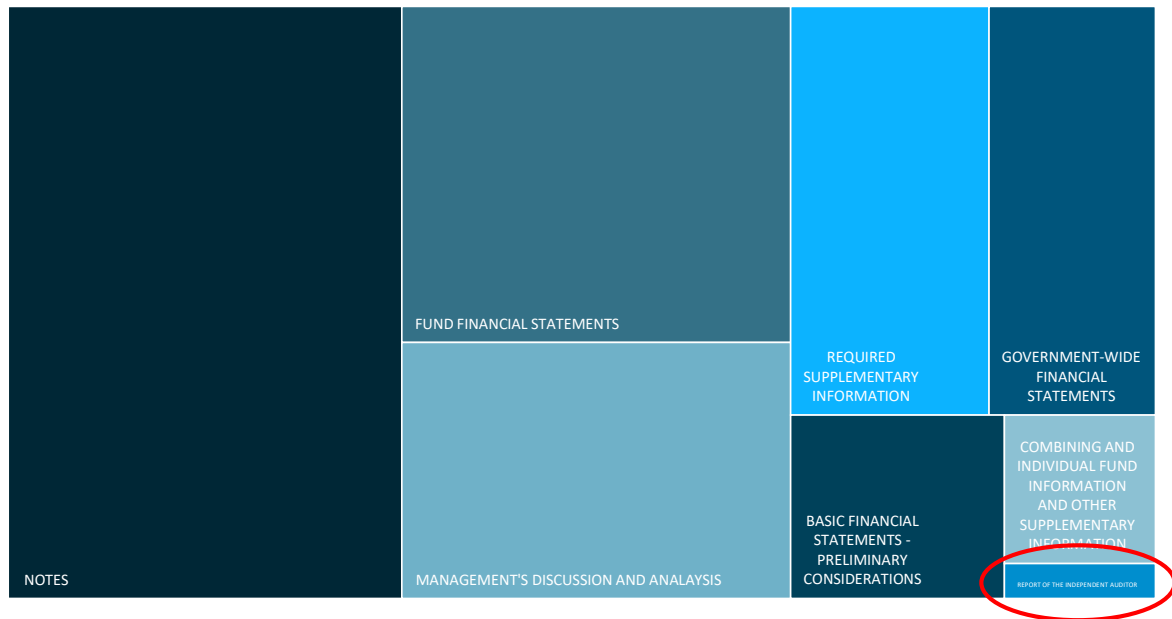
This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and in conformance with the financial reporting principles and standards established by the Governmental Accounting Standards Board (GASB). Additionally, this report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and will be submitted for its review and evaluation.

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FINANCIAL SECTION

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Financial Section Errors by Area



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MD&A

Primary errors:

- Explanations
- Consistency
- Completeness

Amounts reported in MD&A should be consistent with amounts reported elsewhere in the ACFR

Condensed comparative financial statements

- Government-wide financial statements
- Two years (three if accompanying comparative financial statements)
- Required content

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MD&A (continued)

Should include analysis of:

- Overall financial position and results of operations
- Balances and transactions of individual major funds

Analysis is the explanation of underlying reasons

- Not just stating the size or percent of a change
- Not just breaking down the change into its components

Direct readers to notes for details

- Capital assets, long-term financings, special/extraordinary, restatements, etc.

MD&A (continued)

Answers questions beginning with “why” rather than “what”

Usually requires repeated “why” questions to get beyond simply elaborating on “what”

Will often require explanations of multiple reasons for changes, including those with opposite effects

Can begin even before governmental activities (government-wide financial statements) amounts are final

Government-Wide Financial Statements

Display of long-term liabilities (current/due within one year separate)

- Lease and subscription liabilities have both current and noncurrent portions
- Pension/OPEB liabilities are part of long-term liabilities
 - Net liabilities for defined benefit plans do not have a current portion unless benefits due within a year > plan net position
- Separately report net pension assets and net pension liabilities as well as net OPEB assets and net OPEB liabilities (do not net them)

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Display of Long-Term Liabilities

LIABILITIES	
Accounts payable and other liabilities	
Contingent liabilities and promise to CSHF	
Deposits payable	
Funds held for others	
Accrued interest payable	
Due to component unit	
Due to other governments	
Internal balances	
Unearned revenue:	
Grants	
Other	
Noncurrent liabilities:	
Due within one year	
Due in more than one year	
Total liabilities	

LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	
Due to component unit	
Due to primary government	
Compensated employee absences payable	
Estimated liability for claims and contingencies	
Bonds payable	
Financed purchase obligation	
Lease liability	
Subscription liability	
Loans payable	
Accrued interest payable	
Unearned revenue	
Due to other governmental units	
Obligation to fund Coliseum Authority deficit	
Total current liabilities	
Noncurrent liabilities:	
Net pension liabilities	
Net OPEB liabilities	
Compensated employee absences payable	
Estimated liability for claims and contingencies	
Bonds payable	
Lease liability	
Subscription liability	
Loans payable	
Obligation to fund Coliseum Authority deficit	
Total noncurrent liabilities	
Total liabilities	

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Lease Assets vs. Leased Assets

Lease Assets

Lessee's intangible right-to-use a leased asset

Reported as capital asset of the lessee

Leased Assets

Nonfinancial assets that belong to one party (lessor) but which another party (lessee) has acquired control of the right to use ...

Referred to as underlying capital assets

Reported as capital assets of the lessor

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Leases & SBITAs on Statement of Net Position

	Governmental Activities
ASSETS	
Cash and Investments	\$ 194,894,355
Restricted Cash	20,813,382
Imprest Cash	10,760
Cash with Fiscal Agent	686,685
Accounts Receivable	5,030,816
Due from Other Governments	5,853,283
Taxes Receivable	10,975,212
Interest Receivable	207,960
Inventories	249,702
Loans Receivable	5,926,081
Leases Receivable	882,882
Right-To-Use Assets, Net	3,582,691
Capital Assets:	
Nondepreciable	41,360,480
Depreciable, Net	119,264,877
Total Assets	409,488,886

WRONG – lease & subscription assets are capital assets, should be indented below “Capital Assets” heading

Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	694,841	6,800,090	7,494,931	-	-
Other capital assets, net of depreciation	1,713,343	5,299,067	7,012,410	30,648	-
Total capital assets	2,408,184	12,099,157	14,507,341	30,648	-
Rights of use assets, net of amortization	-	-	-	71,008	-
Security deposits	-	-	-	5,886	-
Total non-current assets	2,408,184	12,099,157	14,507,341	35,648	-

WRONG – Any total for “capital assets” needs to include the right-to-use lease & subscription asset values

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Leases & SBITAs on SoNP (cont.)

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments with County Treasurer	\$ 3,825,337
Cash and investments with fiscal agents	586,646
Deposits with others	16,046
Receivables, net of allowance for uncollectible accounts	550,322
Due from component unit	1,009
Due from primary government	-
Inventory of supplies	283
Prepaid items	1,181
Total current assets	4,980,824
Noncurrent assets:	
Restricted assets - cash and investments with County Treasurer	-
Restricted assets - cash and investments with fiscal agents	114,320
Properties held for resale	53,276
Due from component unit, net of allowance	14,488
Endowment	-
Loans receivable	454,019
Capital assets:	
Land and other assets not being depreciated	245,958
Structures and improvements, machinery and equipment, software, infrastructure, net of depreciation	1,626,423
Lease assets, net of amortization	241,382
Subscription assets, net of amortization	9,397
Total capital assets, net	2,123,160
Total noncurrent assets	2,709,269
Total assets	7,740,087

Correctly indented
beneath capital
assets heading

Noncurrent assets:	
Cash and investments with fiscal agents	1,112,191
Investments held in trust	60,552,790
Lease receivable - noncurrent	193,317
Notes and loans receivable	1,677,310
Capital assets:	
Non-depreciable	14,368,338
Depreciable and amortizable, net	48,844,090
Capital assets, net	63,212,428
Total noncurrent assets	126,748,045
Total assets	170,525,706

Correctly included
in a total line for
“depreciable and
amortizable” capital
assets

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Government-Wide Financial Statements

Must display major categories of restricted net position on statement

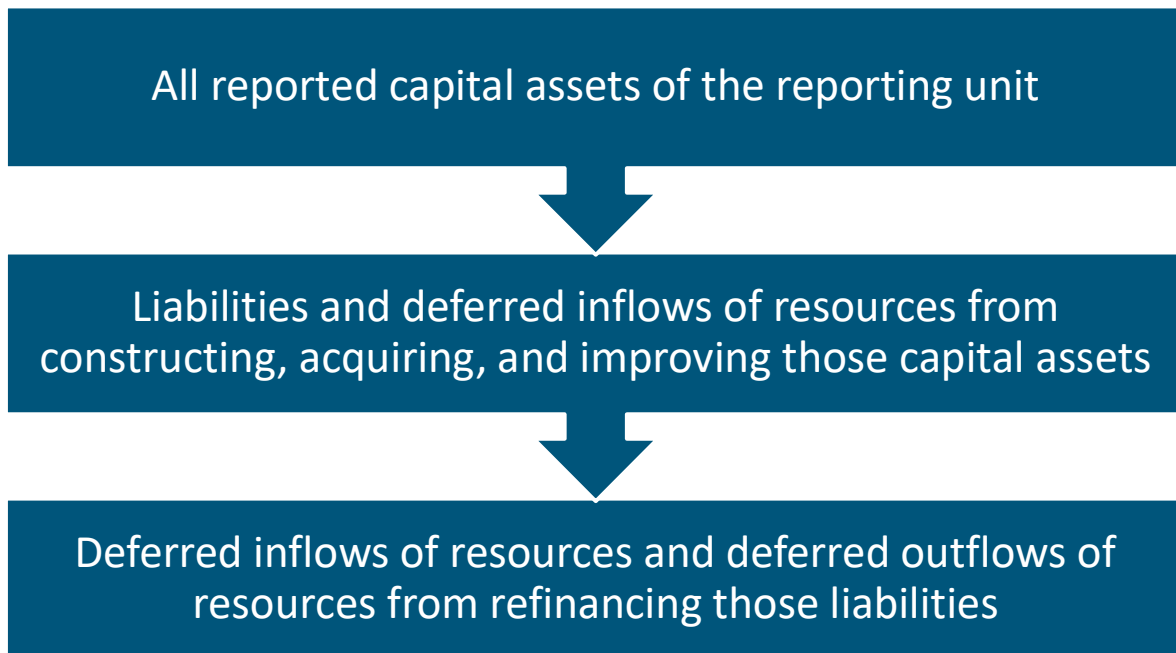
Liability related to the unspent portion of debt should be in the same component of net position as the asset related to unspent proceeds (e.g., restricted for capital projects)

Miscalculation of net investment in capital assets

- Capital assets and liabilities need to be in same reporting unit
- Unspent bond proceeds are not capital assets

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Net Investment in Capital Assets



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Capital-Related Deferrals

Arising from capital debt refunding – deferred inflows and deferred outflows of resources:

- Unamortized deferred inflows of resources (“gains”)
- Unamortized deferred outflows of resources (“losses”)

Arising from the acquisition of capital assets through certain arrangements – deferred inflows of resources:

- Issuers in certain conduit debt arrangements
- Transferors in certain SCA and other PPP arrangements

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GFOA Template for Calculating NICA

Historical cost of all capital assets of the reporting unit (tangible and intangible), net of accumulated depreciation and amortization on those capital assets

- Outstanding principal of capital debt and other capital borrowings *related to those capital assets*, excluding unspent proceeds (“capital-related debt”)
- Outstanding principal of debt and other borrowings used to refund that capital-related debt, including refundings of refundings (“capital refunding debt”)
- Outstanding principal balance of any other capital-related liabilities, such as accounts payable and retainage payable
- Unamortized balance of original issue premiums on capital-related debt, including on capital refunding debt
- Unamortized balance of capital-related deferred inflows of resources
- + Unamortized balance of original issue discounts on capital-related debt, including on capital refunding debt
- + Unamortized balance of capital-related deferred outflows of resources
- = **Net investment in capital assets**

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Statement of Activities

Expenses

- Should be shown by function or program (governmental activities) or identifiable activity (BTAs), not by object
- Except for interest expense, which should be a separate line item
- Depreciation almost always should be allocated among the programs, functions, and identifiable activities

Functions/Programs
PRIMARY GOVERNMENT
Governmental activities:
General government
Police and municipal court
Fire and ambulance
Emergency management
Streets
Solid waste
Health
Parks and recreation
Libraries
Museums
Community enrichment
Housing and community development
Convention and visitors activities
Interest and fiscal charges
Total governmental activities
Business-type activities:
Utilities:
Gas
Water
Wastewater
Stormwater
Airport
Golf centers
Marina
Total business-type activities
TOTAL PRIMARY GOVERNMENT

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Statement of Activities (continued)

Program revenues

- Incremental
- Source other than the tax base (excludes taxes)
 - Charges for services
 - Program-specific grants and contributions
 - Earnings on investments that must be spent on a specific program

Operating vs. capital grants

- Report consistently with fund reporting (e.g., capital contributions)

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Statement of Activities (continued)

General revenues

- All revenues that do not qualify as program revenues
 - Taxes
 - Grants and contributions that are not assignable to specific functions/programs
 - Investment income that does not need to be spent on a specific program
- Items that are not general revenues – such as contributions, unusual or infrequent items, and transfers – should not be indented under general revenues

General revenues
Property taxes
Sales taxes
Specific ownership taxes
Occupational liquor taxes
Admissions tax
Bicycle excise tax
Public improvement fees
Miscellaneous
Investment earnings
Gain on sale of capital assets
Special item (Note III.G)
Contributions to endowments
Transfers
Total general revenues and transfers
Change in net position

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Basic Financial Statements

Amounts reported should agree with related amounts shown elsewhere in the ACFR

- Other financial statements, letter of transmittal, MD&A, reconciliation, notes, statistical section, etc.

Transfers

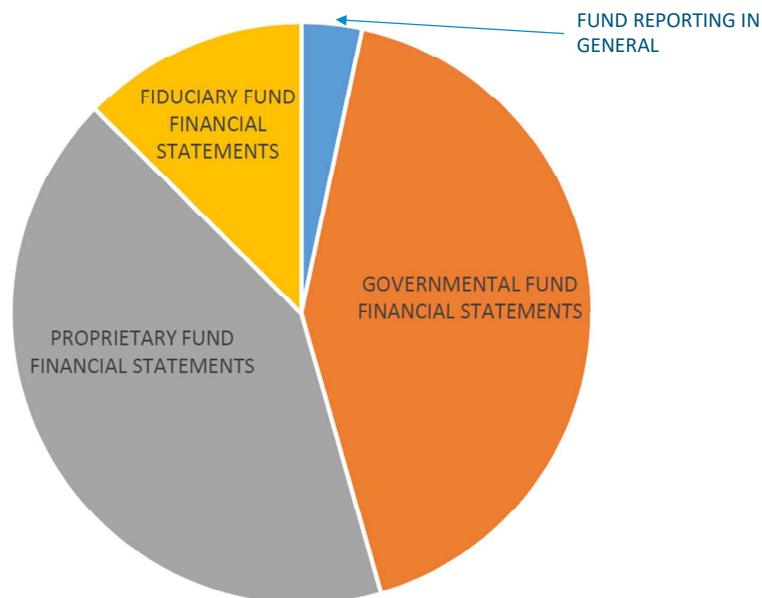
- Net = \$0
- Blending of component units (CUs) should eliminate transfers with PG

Taxes are own-source revenue

- Shared revenue is intergovernmental aid

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Fund Financial Statements Errors



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Major Fund Determination

Recalculate every year

Recalculate after any changes to amounts are made

No option to omit funds that meet quantitative threshold (10% and 5% tests)

- Can't be immaterial/insignificant if threshold met

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Fund Balance Classifications

Nonspendable (+)

- Temporarily nonspendable items (long-term internal and external receivables) are only included if spendable resources will not be restricted, committed, or assigned when received)

Restricted (+)

Committed (+)

Assigned (+)

- Cannot be negative, and
- Cannot be positive if results in a negative unassigned fund balance

Unassigned (-/+)

- No positive balances except in general fund

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Other Financing Sources (OFSs) and Uses (OFUs)

Only GASB-specified items

Debt issuance related:

- Issuance of debt (not proceeds from debt)—OFS
- Premiums and discounts separately—OFSs and OFUs (respectively)
- Issuance of refunding debt—separate OFS
- Defeasance escrow deposit—OFU
- Amount of OFS for issuance of long-term debt should agree with addition to long-term debt disclosed in debt note

Capital asset related:

- Proceeds from sales of capital assets
- Proceeds from insurance settlements on impaired assets

Transfers

Amount of OFS reported in the governmental funds statements for issuance of long-term debt should agree with the amount of related additions to long-term debt in the note disclosure containing the long-term liabilities roll forward

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Budgetary Comparisons

Must include and may only include general fund and major special revenue funds with legally adopted budgets

Budgetary comparisons for nonmajor special revenue funds and other governmental funds should be presented as supplementary information

At minimum, expenditures should be at program or functional level of detail (same as statement of revenues, expenditures, and changes in fund balances)

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Proprietary Fund Financial Statements

Miscalculation of net investment in capital assets

- Capital assets and liabilities need to be in same reporting unit
- Unspent bond proceeds are not capital assets

Cash flows

- If not investing, capital financing, or noncapital financing, must be operating
- Generally, must report flows gross rather than net
- Noncash investing or financing activities must be reported

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Fiduciary Fund Financial Statements

Investments

- Expenses should:
 - First be shown separately on their own line in the additions section
 - Then be netted from investment income
- Income should be reported in additions, even if that amount is negative

Fiduciary activity identification issues

- Component unit or assets controlled by government
- Activities/PEB plans operated through trusts or non-trust
- For non-trust activities, no activities with assets
 - Held as a result of government's own exchange transactions
 - Held as a result of grant revenue of the government (except pure cash conduits)

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Custodial Funds

No longer called agency funds

Should not be used if there is a trust that meets the GASB criteria

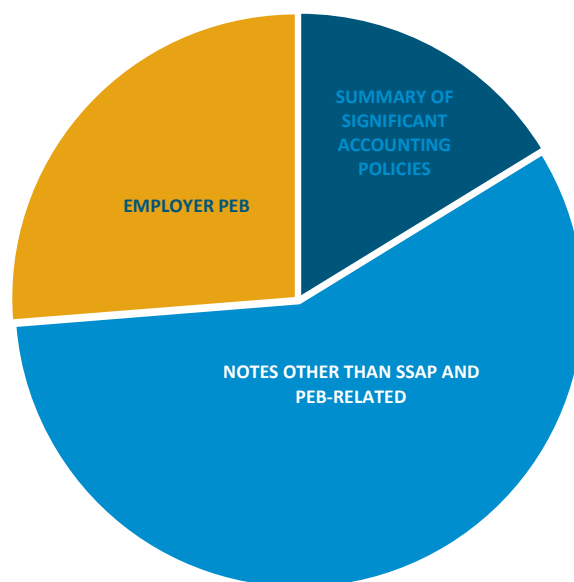
Report net position held to benefit beneficiaries until compelled to disburse

May report fiduciary net position

Report property tax receivables for taxes levied by, and being collected on behalf of, other governments

- May need to report deferred inflow if for future period

Note Disclosures Errors



Define deferrals properly

- Deferred outflows of resources represent a consumption of net assets that applies to future periods
- Deferred inflows of resources represent an acquisition of net assets that applies to future periods
- NOT net position

Disclose that custodial funds use the economic resources measurement focus and accrual basis of accounting – it is incorrect to say they do not have a measurement focus

Disclose method of accounting for prepaid assets – i.e., that expenses and expenditures are recorded when prepaid assets are consumed, not when purchased

General and Capital Assets

Amounts reported in the notes should be consistent with amounts reported on the face of the financial statements

Capital asset disclosures

- Accumulated depreciation should not exceed cost basis for same major classification
- Decreases in accumulated depreciation should not (normally) exceed decreases in cost basis for same major classification
- If cost basis = accumulated depreciation for one or more major classifications, reassess estimated useful lives going forward

Fair Value and Investments

Fair value or acquisition value should be used instead of market value

- Fair value is an exit price – what would government receive if it had sold the asset on the financial statement date?
- Acquisition value is an entry price – what would the government have had to pay to acquire the asset on the financial statement date?

Investment disclosures include

- Ratings (not needed for direct US Treasury obligations)
- Level in fair value hierarchy (unrelated to investment risk)
- Valuation technique and any changes thereto

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Long-Term Liabilities

Right-to-use lease assets should be disclosed separately from other types of capital assets and by major class of underlying asset (e.g., buildings, equipment)

Right-to-use subscription assets should be disclosed separately from other types of capital assets, but do not need to be further disaggregated

Disclose which governmental funds have typically been used to liquidate liabilities

Disclosures required in debt defeasance and redemption include

- Aggregate difference in debt service between refunding and refunded debt
- Economic gain or loss

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Postemployment Benefits (PEB) Notes

Disclose aggregate amounts of all pension and OPEB expenditures and expense for all plans

- Generally, would not be identifiable on financial statements

Individual plan disclosures requirements vary for

- Trust and non-trust plans
- Defined benefit and defined contribution plans
- Single employer, agent, (governmental) cost-sharing, and non-governmental (ERISA) plans
- Employer and non-employer contributor governments
- Plans that do and do not issue separate financial statements

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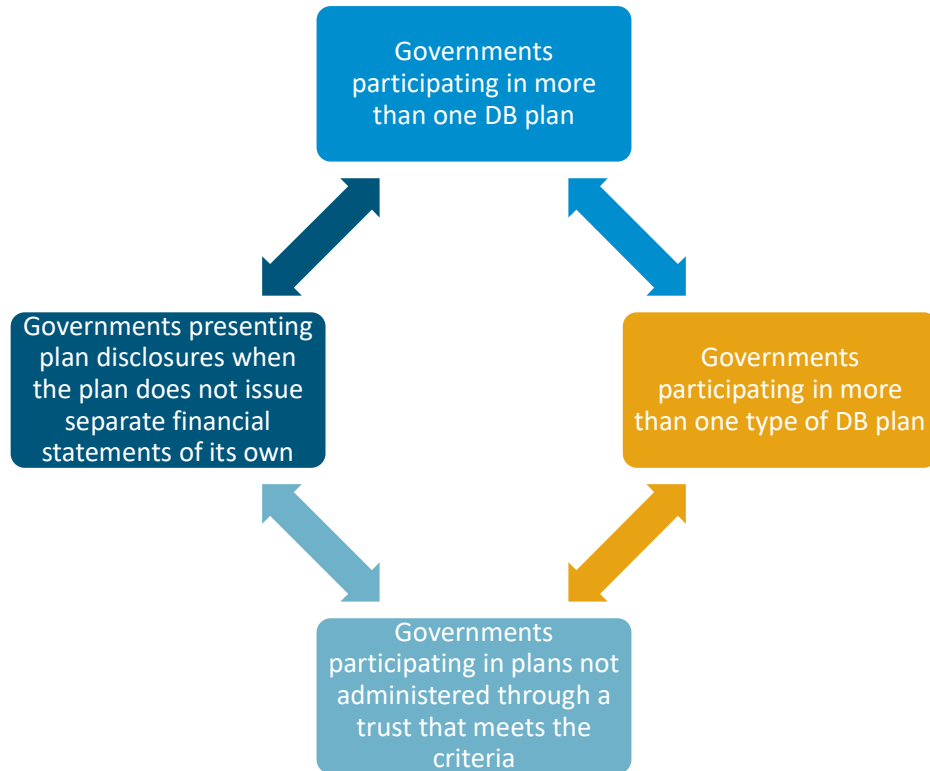
Aggregate of All Defined Benefit Plans

As of Fiscal Year Ended June 30, 2024

	Total Pension Liability	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
GERF (proportionate share)	N/A	\$ 25,921,746	\$ 3,010,046	\$ 179,559	\$ 1,072,548
Police Pension Plan	N/A	12,249,189	2,961,739	1,214,343	2,314,750
Firefighters Pension Plan	\$ 11,502,634	N/A	2,295,312	360,926	3,234,749
Total Pension Plans	<u>\$ 11,502,634</u>	<u>\$ 38,170,935</u>	<u>\$ 8,267,097</u>	<u>\$ 1,754,828</u>	<u>\$ 6,622,047</u>

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Different Disclosures for Different Purposes



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Pension & OPEB Deferrals Disclosures

Difference between expected and actual earnings on plan investments is either a deferred inflow or deferred outflow, not both

All other pension/OPEB deferrals can have both a deferred inflow and deferred outflow balance

Contributions made after the measurement date should be included in the deferred outflow balances but not in the expense breakdown – disclosure should say it directly reduces the next period's liability

For plans not administered through a trust that meets the criteria, disclose that no assets are accumulated

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PEB Deferrals Disclosures

For the year ended June 30, 2023, ACFD recognized pension expense of \$28.11 million. At June 30, 2023, ACFD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 22,084	\$ -
Changes of assumptions	18,147	236
Differences between expected and actual experience	3,464	3,242
ACFD contributions subsequent to the measurement date	21,590	-
Total	\$ 65,285	\$ 3,478

ACFD contributions of \$21.59 million are reported as deferred outflows of resources to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2024	\$ 7,803
2025	7,813
2026	5,432
2027	16,825
2028	2,344

Non-Trust Plans

For plans not administered through a trust that meets the criteria, disclose that no assets are accumulated

General Information about the OPEB Plan

Plan description. The County's defined benefit OPEB plan, Sample County Retiree Benefits Plan (SCRBP), provides OPEB for all permanent full-time general and public safety employees of the County. SCRBP is a single-employer defined benefit OPEB plan administered by the County. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the County Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Funds

Specific purposes for restricted, committed, and assigned fund balances must be disclosed if not displayed on financial statements

- Stabilization arrangements disclosed even if not reported as restricted or committed

Interfund balances and transfers

- Disclose specific purposes (not generic)
- Fund reimbursements are not transfers

RSI Other than MD&A

For non-trust pension and OPEB plans, notes to RSI should indicate that no assets have been accumulated in a trust that meets GASB criteria

RSI Other than MD&A (continued)

What measure of pay should be used?

- Covered payroll – Total \$ of payroll on which contributions to the plan are based
- Covered-employee payroll – Total \$ of payroll of employees that are provided with benefits through the plan

Plan Type	Trust	Non-Trust
Pension	Covered payroll	Covered-employee payroll
OPEB – Contributions not based on pay (most common)	Covered employee payroll	Covered-employee payroll
OPEB – Contributions based on pay (uncommon)	Covered payroll	Covered-employee payroll

For what period?

Schedule	Report Measure of Pay for
Schedule of Changes in the NPL/NOL and Related Ratios	Period ended on the measurement date of the PEB liability
Schedule of Employer Contributions	The employer's fiscal year

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Statistical Section

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Statistical Section

Amounts in the statistical section should agree with the related amounts elsewhere in the ACFR

Specifically regarding debt information:

- The amounts presented in the debt capacity schedules should be the same amounts reported in the basic financial statements (i.e., net of related premiums, discounts)
- The total direct debt should include all long-term debt instruments of the governmental activities, including bonds, notes, certificates of participation, loans, SBITAs, P3s, and leases

Debt Service Ratio

Debt service to noncapital expenditures ratio

- Displayed on schedule of changes in fund balances, governmental funds
- Do not use “capital outlay” from that schedule to calculate noncapital expenditures
- Use capitalized expenditures amount from reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balances

Debt Service Ratio (continued)

Capital Outlay	131,230	
Debt Services:		
Principal Retirement	81,323	
Interest	22,810	
Bond Issuance Cost	38	
Total Expenditures	965,515	
Debt services as a Percentage of Noncapital Expenditures	11.82%	

$$104,171 \div (965,515 - 131,230) = 12.5\%$$

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capitalizable outlay (\$81,575) exceeded depreciation/amortization (\$73,701) in the current period.

From the reconciliation in the governmental funds statement of revenues, expenditures, and changes in fund balances

$$104,171 \div (965,515 - 81,575) = 11.8\%$$

Questions?

CRI Firm Facts



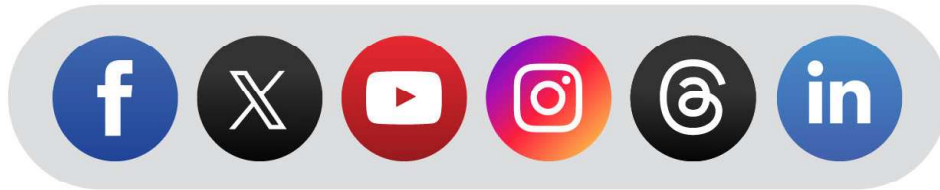
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CRI Firm Values



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- Your Instructor -

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