Opening Remarks

MODERATOR
R. Kinney Poynter
Executive Director
NASACT

SPEAKER
David Vaudt
Chairman
GASB

SPEAKER
David Bean
Director of Research and Technical Activities
GASB

SPEAKER
Michelle Czerkawski
Senior Project Manager
GASB

SPEAKER
Lisa Parker
Senior Project Manager
GASB

SPEAKER
Roberta Reese
Senior Project Manager
GASB

SPEAKER
Scott Reeser
Supervising Project Manager
GASB
Overview
Topics to be Covered

- Financial reporting model
- Implementation guide—fiduciary activities
- Implementation guidance update
- Other projects
Financial Reporting Model
Preliminary Views: Financial Reporting Model Improvements

- Project objective and background
- Governmental funds
  - Concerns with current reporting
  - Short-term financial resources measurement focus
    • Alternative views
  - Presentation
- Proprietary fund presentation
- Budgetary comparison reporting
Preliminary Views: Financial Reporting Model Improvements

- Major component unit information
- Schedule of government-wide expenses by natural classification
- Feedback and next steps
Project Objective and Background

- Reexamination of the effectiveness of the financial reporting model—Statements 34, 35, 37, 41, and 46, and Interpretation 6
- Pre-agenda research showed model generally effective, targeted improvements possible
- Preliminary Views, *Financial Reporting Model Improvements*, issued September 2018
Concerns with Governmental Funds Financial Statements

- Lack of effectiveness of governmental fund information
- Lack of conceptual consistency
- Lack of guidance for complex transactions
- Lack of consistency in applying the current financial resources measurement focus and modified accrual basis of accounting
Recognition in Governmental Funds

- Short-term financial resources measurement focus
- Elements from short-term transactions recognized as the underlying transaction occurs
- Elements from long-term transactions recognized when payments are due
- Financial assets: cash, assets that are available to be converted to cash, and assets that are consumable in lieu of cash
Recognition in Governmental Funds

**Short-Term Transactions**
- *Normally* are due to convert to or generate cash or require the use of cash within one year from the inception of the transaction

**Long-Term Transactions**
- *Normally* are due to convert to or require the use of cash beyond one year from the inception of the transaction

An entire class of transactions will either be short-term transactions or long-term transactions. Transactions within classes (for example, investments) are not treated differently.
Recognition in Governmental Funds

**Assets**
- Assets include those from *short-term transactions* that are receivable at period-end, as well as cash and other financial assets that are available to be converted to cash, or expected to be consumed within the subsequent reporting period.
- Assets arising from *long-term transactions* are recognized when payments are due.

**Liabilities**
- Liabilities arising from *short-term transactions* that are payable at year end.
- Liabilities arising from *long-term transactions* are recognized when payments become due.
Recognition in Governmental Funds

**Outflows of Resources**

- As *spending* occurs
- Spending from *short-term transactions* (such as use of goods and services and acquisition of capital assets) as the transactions occur
- Spending from *long-term transactions* as payments are due

**Inflows of Resources**

- Inflows of resources from *short-term transactions* (such as tax levies, grants, and changes in fair value of investments) as the transactions occur
- Inflows of resources arising from *long-term transactions* are recognized when payments become due
Messages Conveyed by Short-Term Financial Resources Measurement Focus

- Consistency in the reporting of balance sheet elements and financial resource flows elements
- Period-end balances from short-term transactions
- Spending of the period
- Inflows of resources from short-term transactions as they occur and long-term transactions when payment are due
- Fund balance that is available for spending
- Results useful in evaluating budgetary information
Recognition in Governmental Funds

**Deferred Outflows of Resources and Deferred Inflows of Resources**

- Governed by concept of *available for spending in a future period*
- Outflows of resources that do not meet the definition of an asset and are inherently related to future spending
- Inflows of resources that do not meet the definition of a liability and can only be used for future spending
- Limited to circumstances identified by the GASB
Recognition Example—Investments in Permanent Fund

Beginning of year balance: $18,400,000  
No maturities or purchase of investments;  
Change in fair value of $100,000;  
End of year balance: $18,500,000

<table>
<thead>
<tr>
<th>Recognition Approach</th>
<th>Balance Sheet</th>
<th>Resource Flows Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial resources</td>
<td>Investments of $18,500,000</td>
<td>Inflows of resources of $100,000</td>
</tr>
<tr>
<td>Short-term financial resources</td>
<td>Investments of $18,500,000</td>
<td>Inflows of resources of $100,000</td>
</tr>
</tbody>
</table>
### Recognition Example—Other Taxes Receivable

**End of year balance:** $13,342,623  
Other taxes are associated with the current year;  
$3,342,623 of other taxes are due 3 months after year-end,  
$10,000,000 are due 6 months after year-end

<table>
<thead>
<tr>
<th>Recognition Approach</th>
<th>Balance Sheet</th>
<th>Resource Flows Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial resources</td>
<td>Taxes receivable of $13,342,623 and deferred inflow</td>
<td>Inflows of resources of $3,342,623</td>
</tr>
<tr>
<td></td>
<td>of resources of $10,000,000</td>
<td></td>
</tr>
<tr>
<td>Short-term financial resources</td>
<td>Taxes receivable of $13,342,623</td>
<td>Inflows of resources of $13,342,623</td>
</tr>
</tbody>
</table>
## Recognition Example—Prepaid Items

**Beginning of year balance:** $5,800  
**Spending on prepaid items during year:** $60,000  
**End of year balance:** $13,800

<table>
<thead>
<tr>
<th>Recognition Approach</th>
<th>Balance Sheet</th>
<th>Resource Flows Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial resources</td>
<td>Prepaid item and nonspendable fund balance of $13,800</td>
<td>Outflows of resources of $52,000</td>
</tr>
<tr>
<td>Short-term financial resources</td>
<td>Prepaid item of $13,800</td>
<td>Outflows of resources of $52,000</td>
</tr>
</tbody>
</table>
Recognition Example—Notes Receivable Related to Lending

<table>
<thead>
<tr>
<th>Recognition Approach</th>
<th>Balance Sheet</th>
<th>Resource Flows Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial resources</td>
<td>Notes receivable and nonspendable fund balance of $3,742,776</td>
<td>No amounts recognized</td>
</tr>
<tr>
<td>Short-term financial resources</td>
<td>No amounts recognized</td>
<td>Inflow of resources of $645,000</td>
</tr>
</tbody>
</table>

Beginning of year balance: $4,387,776
Collections during year: $645,000
End of year balance: $3,742,776
All scheduled to be collected beyond 3 months after period-end
Recognition Example—Accrued Interest on Long-Term Debt

<table>
<thead>
<tr>
<th>Recognition Approach</th>
<th>Balance Sheet</th>
<th>Resource Flows Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial resources</td>
<td>No amounts recognized</td>
<td>Debt service expenditures of $2,448,950</td>
</tr>
<tr>
<td>Short-term financial resources</td>
<td>Accrued interest payable of $845,334</td>
<td>Outflows of resources of $2,394,534</td>
</tr>
</tbody>
</table>

Beginning of year balance: $899,750
Accrued during in the current year: $2,394,534
Paid during the current year: $2,448,950
End of year balance: $845,334
### Recognition Example—Tax Anticipation Notes Payable

<table>
<thead>
<tr>
<th>Recognition Approach</th>
<th>Balance Sheet</th>
<th>Resource Flows Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial resources</td>
<td>Tax anticipation note payable of $4,400,000</td>
<td>No amounts recognized.</td>
</tr>
<tr>
<td>Short-term financial resources</td>
<td>Tax anticipation note payable of $4,400,000</td>
<td>No amounts recognized.</td>
</tr>
</tbody>
</table>

*Borrowings and repayments are disclosed.*
Recognition Example—Postemployment Benefits

Pension plan is funded. Net pension liability is $826,333 at period-end. OPEB plan is pay-as-you-go. Net OPEB liability is $42,785,037 at period-end.

<table>
<thead>
<tr>
<th>Recognition Approach</th>
<th>Pension</th>
<th>OPEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial resources</td>
<td>No liability. No amount normally expected to be liquidated with available expendable resources.</td>
<td>No liability. No amount normally expected to be liquidated with available expendable resources.</td>
</tr>
<tr>
<td>Short-term financial resources</td>
<td>No liability. No amounts due.</td>
<td>No liability. No amounts due.</td>
</tr>
</tbody>
</table>
# Recognition Example—Bonds Payable

Beginning of year balance: $33,414,493, all capital-related  
Principal paid during the current year: $8,331,457  
End of year balance: $25,083,036

<table>
<thead>
<tr>
<th>Recognition Approach</th>
<th>Balance Sheet</th>
<th>Resource Flows Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial resources</td>
<td>No amounts recognized</td>
<td>Expenditures of $8,331,457</td>
</tr>
<tr>
<td>Short-term financial resources</td>
<td>No amounts recognized</td>
<td>Outflows of resources of $8,331,457</td>
</tr>
</tbody>
</table>
Alternative Views

- Modify short-term financial resources
  - Recognize portion of long-term receivables due in the next reporting period (both as asset and inflows of resources)
  - Recognize portion of long-term liabilities due in the next reporting period (both as liability and outflows of resources) with exceptions:
    • Pensions and other postemployment benefits
    • Asset retirement obligations

- Replace concept of normally with contractual maturities (or amounts otherwise expected to be paid in cash or other fund financial resources)
Alternative Views (Continued)

- **Examples**
  - General obligation bond that will be called shortly after period-end using existing resources
  - Long-term debt payment due 1 month after period-end
  - Long-term debt payment due 11 months after period-end

- **Government-wide statement of cash flows**
Governmental Funds-Presentation

- **Current and noncurrent format of resource flows statement**
- **Current includes all flows other than those that are noncurrent**
- **Noncurrent resource flows**: those related to purchase and disposal of capital assets and issuance and repayment of long-term debt
Governmental Funds-Specific Terminology

**Titles**

- Short-Term Financial Resources Balance Sheet
- Short-Term Financial Resource Flows

**Elements**

- Short-term assets
- Short-term liabilities
- Deferred outflows of short-term financial resources
- Deferred inflows of short-term financial resources
- Short-term financial resources fund balances
- Inflows of short-term financial resources for current activities
- Outflows of short-term financial resources for current activities
- Net flows of short-term financial resources for noncurrent activity
Governmental Funds—Specific Terminology

“This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.”
### ABC Government
Statement of Short-Term Financial Resource Flows
Governmental Funds
Year Ended June 30, 20XX

This financial statement presents a short-term view of the governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

#### INFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Special Tax Fund</th>
<th>Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property tax</td>
<td>$ 20,322,167</td>
<td>$ 5,311,156</td>
<td>$ 2,015,047</td>
<td>$ 27,648,370</td>
</tr>
<tr>
<td>Sales tax</td>
<td>45,034,789</td>
<td></td>
<td>4,430,774</td>
<td>49,465,563</td>
</tr>
<tr>
<td>Use tax</td>
<td>3,586,753</td>
<td></td>
<td>3,586,753</td>
<td>3,586,753</td>
</tr>
<tr>
<td>Motor fuel tax</td>
<td></td>
<td></td>
<td>2,889,647</td>
<td>2,889,647</td>
</tr>
<tr>
<td>Other taxes</td>
<td>3,975,895</td>
<td></td>
<td>2,698,909</td>
<td>6,674,804</td>
</tr>
<tr>
<td>Payments in lieu of taxes</td>
<td>2,721,420</td>
<td></td>
<td>2,721,420</td>
<td></td>
</tr>
<tr>
<td>Special assessments</td>
<td></td>
<td></td>
<td>41,500</td>
<td>41,500</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>1,303,889</td>
<td></td>
<td>1,303,889</td>
<td></td>
</tr>
<tr>
<td>Fees for services</td>
<td>7,052,692</td>
<td></td>
<td>202,273</td>
<td>7,254,965</td>
</tr>
<tr>
<td>Franchise fees</td>
<td>1,968,522</td>
<td></td>
<td>1,968,522</td>
<td></td>
</tr>
<tr>
<td>Fines and citations</td>
<td>1,476,364</td>
<td></td>
<td>1,476,364</td>
<td></td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>14,595,019</td>
<td></td>
<td>6,192,493</td>
<td>20,787,512</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>5,829</td>
<td>11,384</td>
<td>119,043</td>
<td>136,256</td>
</tr>
<tr>
<td>Transfers in</td>
<td>500,000</td>
<td></td>
<td>155,304</td>
<td>655,304</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,216,940</td>
<td>654,482</td>
<td>771,287</td>
<td>5,642,709</td>
</tr>
<tr>
<td><strong>Total inflows of short-term financial resources for current activities</strong></td>
<td><strong>106,760,279</strong></td>
<td><strong>5,977,022</strong></td>
<td><strong>19,516,177</strong></td>
<td><strong>132,253,478</strong></td>
</tr>
</tbody>
</table>

#### OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Special Tax Fund</th>
<th>Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>14,053,444</td>
<td>6,961,201</td>
<td>2,213,691</td>
<td>23,228,336</td>
</tr>
<tr>
<td>Public health and safety</td>
<td>70,880,913</td>
<td></td>
<td>590,383</td>
<td>71,471,296</td>
</tr>
<tr>
<td>Highway and streets</td>
<td>12,137,714</td>
<td></td>
<td>4,715,308</td>
<td>16,853,322</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>3,581,583</td>
<td>335,659</td>
<td>1,808,065</td>
<td>5,725,307</td>
</tr>
<tr>
<td>Economic development</td>
<td>496,141</td>
<td></td>
<td>3,774,045</td>
<td>4,270,186</td>
</tr>
<tr>
<td>Transfers out</td>
<td>155,204</td>
<td></td>
<td>500,000</td>
<td>655,204</td>
</tr>
<tr>
<td><strong>Total outflows of short-term financial resources for current activities</strong></td>
<td><strong>101,304,999</strong></td>
<td><strong>7,296,860</strong></td>
<td><strong>13,201,992</strong></td>
<td><strong>121,803,851</strong></td>
</tr>
<tr>
<td><strong>Net flows of short-term financial resources for current activities</strong></td>
<td><strong>5,455,280</strong></td>
<td><em>(1,319,838)</em></td>
<td><strong>6,314,185</strong></td>
<td><strong>10,449,627</strong></td>
</tr>
</tbody>
</table>

#### NET FLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR NONCURRENT ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Special Tax Fund</th>
<th>Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td></td>
<td></td>
<td>10,651,605</td>
<td>10,651,605</td>
</tr>
<tr>
<td>Debt service</td>
<td>(2,434,544)</td>
<td>(365,412)</td>
<td>(9,198,505)</td>
<td>(11,999,461)</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>(111,987)</td>
<td>(1,513)</td>
<td>(1,346,977)</td>
<td>(1,459,999)</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(2,680,875)</td>
<td>(6,445)</td>
<td>(2,429,900)</td>
<td>(10,108,220)</td>
</tr>
<tr>
<td><strong>Total net flows of short-term financial resources for noncurrent activities</strong></td>
<td><strong>(10,222,466)</strong></td>
<td><strong>(374,372)</strong></td>
<td><strong>(2,214,297)</strong></td>
<td><strong>(12,916,075)</strong></td>
</tr>
<tr>
<td>Net change in short-term financial resources fund balances</td>
<td>(4,772,126)</td>
<td>(1,694,210)</td>
<td>3,999,888</td>
<td>(2,466,448)</td>
</tr>
<tr>
<td>Short-term financial resources fund balances at beginning of year</td>
<td>9,319,621</td>
<td>9,776,471</td>
<td>27,892,592</td>
<td>46,988,687</td>
</tr>
<tr>
<td>Short-term financial resources fund balances at end of year</td>
<td>$ 4,547,495</td>
<td>$ 8,082,264</td>
<td>$ 31,892,480</td>
<td>$ 44,522,239</td>
</tr>
</tbody>
</table>
Proprietary Fund Financial Statement Presentation

- Continue separate presentation of operating and nonoperating revenues and expenses
- Operating revenues and expenses are those other than nonoperating
- Nonoperating revenues and expenses include:
  - Subsidies received and provided
  - Revenues and expenses related to financing
  - Resources from the disposal of capital assets and inventory
  - Investment income and expenses
Subtotal for operating income (loss) and noncapital subsidies

Subsidies are: resources provided by another party or fund to keep rates lower than otherwise would be necessary to support the level of goods and services to be provided
ABC State University  
Statement of Revenues, Expenses, and Changes in Net Position

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees (net of discounts)</td>
<td>$574,168</td>
<td>$525,791</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>292,962</td>
<td>278,481</td>
</tr>
<tr>
<td>Sales and services</td>
<td>271,345</td>
<td>272,244</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>7,888</td>
<td>14,861</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>1,146,343</strong></td>
<td><strong>1,091,377</strong></td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Natural or functional expenses]</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>1,681,544</strong></td>
<td><strong>1,596,059</strong></td>
</tr>
<tr>
<td>Income (loss) generated by operations</td>
<td>(535,201)</td>
<td>(504,682)</td>
</tr>
<tr>
<td>Noncapital subsidies:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations</td>
<td>407,702</td>
<td>394,767</td>
</tr>
<tr>
<td>Taxes</td>
<td>8,026</td>
<td>7,660</td>
</tr>
<tr>
<td>Grants</td>
<td>42,978</td>
<td>37,567</td>
</tr>
<tr>
<td>Gifts</td>
<td>99,395</td>
<td>90,063</td>
</tr>
<tr>
<td><strong>Total noncapital subsidies</strong></td>
<td><strong>558,101</strong></td>
<td><strong>530,057</strong></td>
</tr>
<tr>
<td>Operating income (loss) and noncapital subsidies</td>
<td>22,900</td>
<td>25,375</td>
</tr>
<tr>
<td>Financing and investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>235,820</td>
<td>138,649</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(12,412)</td>
<td>(12,853)</td>
</tr>
<tr>
<td>Loss from the disposition of capital assets</td>
<td>(2,385)</td>
<td>518</td>
</tr>
<tr>
<td><strong>Total financing and investing activities</strong></td>
<td><strong>221,023</strong></td>
<td><strong>126,314</strong></td>
</tr>
<tr>
<td>Income before other items</td>
<td>243,923</td>
<td>151,689</td>
</tr>
<tr>
<td>Other Items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital contributions</td>
<td>23,231</td>
<td>74,830</td>
</tr>
<tr>
<td>Increase (decrease) in net position</td>
<td>267,154</td>
<td>226,519</td>
</tr>
<tr>
<td>Net position--beginning</td>
<td>3,061,111</td>
<td>2,834,592</td>
</tr>
<tr>
<td>Net position--ending</td>
<td><strong>3,328,265</strong></td>
<td><strong>3,061,111</strong></td>
</tr>
</tbody>
</table>
Budgetary Comparison Information

- Presented in required supplementary information
  - Consistent with conceptual framework on methods of communication

- Required variance presentations
  - Final budget and actual amounts
  - Original and final budget
Major Component Unit Information

- If feasible, present in separate columns on the reporting entity’s government-wide financial statements
- If not feasible, present in as combining financial statements after the fund financial statements (included in basic financial statements)
- The existing alternative to present condensed major component unit financial statements in the notes to financial statements would be eliminated
Government-Wide Expenses by Natural Classification

- Applicable to governments presenting a CAFR
- Presented as supplementary information
- Governmental activities by program or function (and natural classification)
- Business-type activities by different identifiable activity (and natural classification)
- No change to government-wide statement of activities
# City of ABC

## Schedule of Governmental Activities Expenses by Function and Natural Classification

for the Year Ended June 30, 20XX

<table>
<thead>
<tr>
<th>Natural Classification</th>
<th>General Government</th>
<th>Public Health and Safety</th>
<th>Highway and Streets</th>
<th>Culture and Recreation</th>
<th>Economic Development</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards and grants</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
<td>$ XXXXXX</td>
<td>$ XX,XXX</td>
<td>$ -</td>
<td>$ XXXXXX</td>
</tr>
<tr>
<td>Contractual services</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXXXXX</td>
<td>XXXXXX</td>
<td>-</td>
<td>XXXXXX</td>
</tr>
<tr>
<td>Other services and supplies</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXXXXX</td>
<td>XXXXXX</td>
<td>-</td>
<td>XXXXXX</td>
</tr>
<tr>
<td>Personnel and benefits</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXXXXX</td>
<td>XXXXXX</td>
<td>-</td>
<td>XXXXXX</td>
</tr>
<tr>
<td>Depreciation</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXXXXX</td>
<td>XXXXXX</td>
<td>-</td>
<td>XXXXXX</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>XXXXXX</td>
<td>XXXXXX</td>
</tr>
<tr>
<td>Total</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXXXXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
</tr>
</tbody>
</table>

# City of ABC

## Schedule of Business-Type Activities Expenses by Different Identifiable Activity and Natural Classification

for the Year Ended June 30, 20XX

<table>
<thead>
<tr>
<th>Natural Classification</th>
<th>Water</th>
<th>Sewer</th>
<th>Parking</th>
<th>Cemetery</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual services</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
</tr>
<tr>
<td>Other services and supplies</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Personnel and benefits</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Interest</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
</tr>
</tbody>
</table>
How to Provide Feedback

- Comment letter deadline February 15, 2019
- Public hearings
  - March 5, 2019 in Rosemont, IL (near O’Hare airport)
  - March 12, 2019 in Atlanta, GA (in conjunction with NASC)
  - March 14, 2019 in Flushing, NY (near LaGuardia airport)
- User forums
  - March 6, 2019 in Rosemont, IL
  - March 14, 2019 in Flushing, NY
Next Steps

- Additional issues for Exposure Draft
  - Extraordinary and special items
  - Management’s discussion and analysis (MD&A)
  - Debt service funds

- Target issuance of Exposure Draft: June 2020
Concepts—Recognition
Preliminary Views: Recognition of Elements of Financial Statements

- Hierarchy of recognition
  - Meet definition of asset or liability?
  - Meet definition of deferred outflow of resources or deferred inflow of resources?
  - Meet definition of outflow of resources or inflow or resources?
Preliminary Views: Recognition of Elements of Financial Statements

- Short-term financial resources measurement focus
  - Governmental funds
  - Recognizes elements arising from short-term transactions and other events as they occur
  - Recognizes elements arising from long-term transactions when payments are due

- Recognition concepts
  - Meet definition of element within context of short-term financial resources measurement focus
  - Sufficiently reflects qualitative characteristics, subject to limitations of financial reporting
Preliminary Views: Recognition of Elements of Financial Statements

- Economic resources measurement focus
  - Incorporates all outflows of resources, inflows of resources and all assets, liabilities, deferred outflows of resources, and deferred inflows of resources
  - Recognition concepts
    • Meet the definition of an element
    • Sufficiently reflect qualitative characteristics, subject to limitations of financial reporting
Statement 84, *Fiduciary Activities*

**WHAT**
The Board issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements.

**WHY**
Guidance is needed by preparers and auditors for issues related to the implementation of Statement 84.

**WHEN**
Effective for fiscal years beginning after December 15, 2018. Earlier application is encouraged.
Exposure Draft—Proposed Implementation Guide, Fiduciary Activities

**WHAT**
GASB has cleared an Exposure Draft of a Proposed Implementation Guide, *Fiduciary Activities*, for public comment

**WHY**
Guidance is needed by preparers and auditors for issues related to the implementation of Statement 84

**WHEN**
Comment deadline: February 28, 2019
Final Implementation Guide expected: June 2019
Implementation Guidance—A Focus on State Governments

- Identifying Fiduciary Activities
  - Fiduciary Component Units
    • Control applicability
  - Pension and OPEB Arrangements That Are Not Component Units
  - Other Fiduciary Activities
    • Assets are for the benefit of individuals
    • Assets are for the benefit of organizations or other governments
  - Control of Assets
  - Own-source Revenues
Implementation Guidance—A Focus on State Governments

- Reporting Fiduciary Activities in Fiduciary Funds
  - Investment Trust Funds
  - Private-Purpose Trust Funds
  - Custodial Funds
    - Business-type activity exception
- Statement of Fiduciary Net Position
  - Liability to the Beneficiaries
- Statement of Changes in Fiduciary Net Position
  - Disaggregation Exception
- Reporting Fiduciary Component Units
Identifying Fiduciary Activities Q&As

- **Fiduciary Component Units**
  - Intended to clarify whether pension or OPEB plans (both defined benefit and defined contribution) that are administered through a trust or an equivalent arrangement are legally separate
    - Potentially different answer for trust and equivalent arrangement (Q4.1-Q4.3)
  - Intended to clarify other Implications of Statement 14, as amended
    - Financial accountability applicability (Q4.4-Q4.6)
    - Implication of being legally obligated or otherwise assuming the obligation to make contributions to a pension or OPEB plan (Q4.7)
Identifying Fiduciary Activities Q&As

- Fiduciary Component Units
  - Control applicability
    - Intended to clarify whether control of the assets is required when a government has determined the activity is a component unit (Q4.8)
Identifying Fiduciary Activities Q&As

- Pension and OPEB Arrangements That Are Not Component Units
  - Intended to clarify whether a government holding assets for a multiple employer pension or OPEB plan that is not administered through a trust that meets the specified criteria results in a fiduciary activity to be reported by any of the participating governments
    • Government holding the assets versus the other government participants (Q4.9)
Other Fiduciary Activities

- Intended to clarify whether the following are considered to be fiduciary activities
  - Seized assets (Q4.11)
  - Contractor deposits/Performance bonds (Q4.12-Q4.13)
  - Retainage (Q4.14)
  - Jail inmate accounts (Q4.15)
  - Payroll clearing accounts (Q4.16)
Identifying Fiduciary Activities Q&As

- Assets Are For the Benefit of Individuals
  - Intended to clarify whether a government has administrative involvement or direct financial involvement with the assets
    - Actual scenarios are analogized to the examples from Statement 24:
      - Monitors compliance with the requirements of the activity (established by the government or resource provider)
      - Determines eligible expenditures (established by the government or resource provider)
      - Has ability to exercise discretion over how the assets are allocated
      - Provides matching resources for the activities

- COMES DOWN TO WHO ESTABLISHES THE SPECIFIC GUIDELINES ON HOW THE RESOURCES CAN BE SPENT
Identifying Fiduciary Activities Q&As

- Assets Are For the Benefit of Individuals
  - Intended to clarify when a government has administrative involvement or direct financial involvement with the assets
    - Inmate accounts- contraband purchases (Q4.25)
    - University scholarships (Q4.26)
Identifying Fiduciary Activities Q&As

- Assets Are For the Benefit of Organizations or Other Governments
  - Intended to clarify when assets are being held for the benefit of an individual or an other organization
  - Funds received by a university from a foundation (Q4.28)
  - Non-trust agreements to provide accounting and treasury services (including investing) to a not-for-profit organization (Q4.30-Q4.31)
Identifying Fiduciary Activities Q&As

- **Control of Assets**
  - Intended to clarify whether a government is controlling assets as described in paragraph 12 of Statement 84
    - College tuition savings plan (Q4.32)
    - ABLE savings plan (Q4.34-Q4.35)

- **Own-Source Revenues**
  - Intended to clarify whether specific revenue sources would be considered own-source as described in paragraph 13 of Statement 84
    - Revenue-sharing agreements (Q4.36)
    - University enrolled student activity fees (Q4.37)
    - Prepaid college tuition plans (Q4.38)
Investment Trust Funds
- Intended to clarify how to report investment pools that are not administered through a trust that meets the criteria in paragraph 11c(1) of Statement 84 (Q4.41)

Private-Purpose Trust Funds
- Intended to clarify that a fiduciary activity administered through a trust that meets the criteria in Statement 84 that is not a pension (or other employee benefit) trust fund or an investment trust fund should be reported in a private-purpose trust fund (Q4.42)
Reporting Fiduciary Activities in Fiduciary Funds Q&As

- Custodial Funds
  - Intended to clarify how to report multiple external investment pools that are not administered through a trust that meets the criteria in paragraph 11c(1) of Statement 84 (Q4.44)

- Business-Type Activity Exception
  - Intended to clarify the exception provided in paragraph 19 of Statement 84 to business-type activities that are normally expected to hold assets, upon receipt, for three months or less (Q4.45)
Reporting Fiduciary Activities in Fiduciary Funds Q&As

- **Statement of Fiduciary Net Position**
  - Intended to clarify the “liability to a beneficiary” requirement—when a government is compelled to disburse the resources (Q4.47)

- **Statement of Changes in Fiduciary Net Position**
  - Intended to clarify the disaggregation exception when resources are expected to be held for 3 months or less for one activity and for multiple activities (Q4.48-Q4.50)
Reporting Fiduciary Activities in Fiduciary Funds Q&As

- Reporting Fiduciary Component Units
  - Intended to clarify how to report a fiduciary component unit that has fiduciary component units of its own
    - Public employee retirement system (Q4.51)
    - Public university (Q4.53)
Effective Dates

- Effective date, except for questions 5.2 and 5.5

- Effective date for questions 5.2 and 5.5

Earlier application is encouraged.
Transition

- Changes adopted to conform to the provisions in this Implementation Guide should be applied retroactively by restating financial statements, if practicable, for all prior periods presented.

- If restatement for prior periods is not practicable, the cumulative effect, if any, should be reported as a restatement of beginning fiduciary net position for the earliest period restated.
Implementation Guide Update
## Implementation Guidance Update

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
</table>
| GASB has cleared an Exposure Draft of an implementation guidance update for public comment | Guidance is needed by preparers and auditors for issues related to previously issued standards | Comment deadline:  
• January 31 |
Issues Addressed in the Proposal

- Postemployment benefits
  - Selection of an index rate for purposes of the discount rate
  - “Implicit rate subsidy” as contributions subsequent to the measurement date

- Derivative instruments—role of termination date in accounting for termination of an effective hedge

- Revenue recognition for expenditure-driven grants

- Insurance recoveries related to storm damage

- Intra-entity transfers of capital assets
Issues Addressed in the Proposal (cont.)

- Reporting amounts related to the long-term portion of notes receivable from transactions not yet recognized as revenue
- Tax abatement disclosures—computation of the amount by which tax revenues were reduced
- Irrevocable split-interest agreements
  - Cash flows reporting for resources received
  - Remainder interest benefit to establish permanent endowment
  - General fund recognition of liability for remainder interest
- Technical corrections
## Project Timeline

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliberations Began</td>
<td>October 2018</td>
</tr>
<tr>
<td>Exposure Draft Cleared</td>
<td>November 2018</td>
</tr>
<tr>
<td>Comment Deadline</td>
<td>January 31, 2019</td>
</tr>
<tr>
<td>Final Guide Expected</td>
<td>April 2019</td>
</tr>
</tbody>
</table>
Other Projects
Other Projects

<table>
<thead>
<tr>
<th>Timetable</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription-Based IT Arrangements</td>
<td>Exposure Draft—May 2019</td>
</tr>
<tr>
<td>Public-Private Partnerships</td>
<td>Exposure Draft—June 2019</td>
</tr>
<tr>
<td>Deferred Compensation Plans</td>
<td>Exposure Draft—June 2019</td>
</tr>
<tr>
<td>Omnibus</td>
<td>Exposure Draft—June 2019</td>
</tr>
<tr>
<td>Secured Overnight Financing Rate</td>
<td>Exposure Draft—August 2019</td>
</tr>
<tr>
<td>Implementation Guide Update</td>
<td>Final—April 2019</td>
</tr>
<tr>
<td>Implementation Guide—Fiduciary</td>
<td>Final—June 2019</td>
</tr>
<tr>
<td>Implementation Guide—Lease</td>
<td>Exposure Draft—February 2019</td>
</tr>
</tbody>
</table>
Questions

Website information: www.gasb.org
Website Resources

- Free download of Statements, Implementation Guides, Concepts Statements and other pronouncements
- Free access to the basic view of Governmental Accounting Research System (GARS)
- Free copies of proposals
- Up-to-date information on current projects
- Articles and Fact Sheets about proposed and final pronouncements
- Form for submitting technical questions
- Educational materials, including podcasts