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April 2024

# Governmental Accounting Standards Series

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Statement No. 103 of the  
Governmental Accounting  
Standards Board

## Financial Reporting Model Improvements



GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The GASB website can be accessed at [www.gasb.org](http://www.gasb.org).

## **Summary**

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

## **Management's Discussion and Analysis**

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

## **Unusual or Infrequent Items**

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

## **Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position**

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

## **Major Component Unit Information**

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

## **Budgetary Comparison Information**

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

## **Effective Date**

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

## **How the Changes in This Statement Will Improve Financial Reporting**

The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.

The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies will

improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

The requirement for presentation of major component unit information will improve comparability.

The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

## **How the Board Considered Costs and Benefits in the Development of This Statement**

One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits that will result from the implementation of this Statement—more comparable, consistent, relevant, reliable, and understandable information—are significant and justify the perceived costs of implementation and ongoing compliance.

Certain decisions made by the Board to not require additional information that some stakeholders requested are intended to mitigate the costs associated with implementing this Statement. For example, this Statement does not require presentation of a schedule of government-wide expenses by natural classification, nor does it include additional requirements for either the presentation or disclosure of debt service fund information or the presentation of a government-wide or governmental fund statement of cash flows. Furthermore, changes to the recognition of elements in and presentation of governmental fund financial statements were not included in this Statement because the desired benefit of conceptual consistency could not be achieved without a reduction in the value of the information provided in the statements.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 2 discusses the applicability of this Statement.

Statement No. 103 of the  
Governmental Accounting  
Standards Board

**Financial Reporting Model  
Improvements**

April 2024



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**GOVERNMENTAL ACCOUNTING STANDARDS BOARD**  
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**Statement No. 103 of the Governmental Accounting Standards Board**

**Financial Reporting Model Improvements**

**April 2024**

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# Statement No. 103 of the Governmental Accounting Standards Board

## Financial Reporting Model Improvements

April 2024

### INTRODUCTION

1. The objective of this Statement is to improve key components of the financial reporting model.<sup>1</sup> The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues identified through pre-agenda research conducted by the GASB.

### STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

#### Scope and Applicability of This Statement

2. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A)
- b. Unusual or infrequent items
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- d. Information about major component units in basic financial statements
- e. Budgetary comparison information
- f. Financial trends information in the statistical section.

The requirements of this Statement apply to the financial statements of all state and local governments.

3. This Statement supersedes Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraphs 8–11, 55, 56, 101, 102, and 127, and footnotes 6–9, 42, 52, 53, and 56; Statement No. 37, *Basic*

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<sup>1</sup>Those key components are included in National Council on Governmental Accounting (NCGA) Statement 1, *Governmental Accounting and Financial Reporting Principles*, as amended, and GASB Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, and No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended.

*Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus*, paragraphs 4 and 5; Technical Bulletin No. 2020-1, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases*, paragraphs 16–19; *Implementation Guide No. 2015-1*, Questions 2.21.2, 4.28.16, 4.28.21–4.28.23, 4.28.25, 4.39.2, 7.5.8, 7.5.11, 7.43.2, 7.43.4, 7.72.6, 7.73.1, 7.73.4, 7.91.7, 7.91.8, 7.91.12, and 9.8.1; *Implementation Guide No. 2021-1, Implementation Guidance Update—2021*, Question 4.13; *Implementation Guide No. 2023-1, Implementation Guidance Update—2023*, Question 4.6; and 2002 AICPA State and Local Governments Audit and Accounting Guide, paragraphs 11.16 and 14.56, and footnote 19. This Statement amends NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, Summary Statement of Principles No. 10 and paragraph 99; Statement No. 14, *The Financial Reporting Entity*, paragraphs 51 and 131; Statement 34, paragraphs 6, 38, 41, 53, 54, 86, 88, 89, 100, 103, 112, 122, 123, 126, 128–130, 135, 136, 138, and 139, and footnotes 37 and 51; Statement 37, paragraph 19; Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences*, paragraph 3; Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, paragraphs 17 and 21; Statement No. 44, *Economic Condition Reporting: The Statistical Section*, paragraphs 4 and 10; Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, paragraph 23; Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, paragraphs 15 and 19; Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, paragraphs 12 and 14; Statement No. 61, *The Financial Reporting Entity: Omnibus*, paragraphs 7 and 9; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 45, 46, 49, 50, 209, and 498; Statement No. 69, *Government Combinations and Disposals of Government Operations*, paragraphs 40, 43, 45, 47, 50, 51, and 54; Technical Bulletin 2020-1, paragraphs 2 and 14; *Implementation Guide 2015-1*, Questions 2.18.2, 2.20.5, 2.21.3, 2.21.4, 3.27.5, 4.28.4, 4.28.9, 4.28.20, 4.33.3, 4.36.1, 5.64.3, 7.4.4, 7.5.1–7.5.3, 7.5.6, 7.5.7, 7.5.9, 7.5.10, 7.5.12–7.5.14, 7.24.6, 7.29.5, 7.45.1, 7.47.22, 7.56.10, 7.56.14, 7.67.1, 7.67.2, 7.72.4, 7.72.5, 7.72.8–7.72.10, 7.73.2, 7.73.3, 7.74.3, 7.74.4, 7.84.1, 7.91.1, 7.91.3–7.91.6, 7.91.10, 7.91.13, 7.91.14, 7.93.1, 7.93.2, 7.97.2, 9.7.3, 9.8.2, and Z.42.14; *Implementation Guide No. 2016-1, Implementation Guidance Update—2016*, Questions 4.9, 5.7, and 5.10; *Implementation Guide No. 2017-1, Implementation Guidance Update—2017*, Question 5.12; *Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Question 4.16; *Implementation Guide No. 2019-1, Implementation Guidance Update—2019*, Question 4.8; and 2002 AICPA State and Local Governments Audit and Accounting Guide, paragraphs 6.73 and 12.70.

## **Management’s Discussion and Analysis**

4. The basic financial statements should be preceded by MD&A, which is required supplementary information (RSI). MD&A should provide an objective and easily readable analysis of the government’s financial activities based on currently known<sup>2</sup> facts, decisions, or conditions. The financial managers of governments are knowledgeable about (a) the transactions and events

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<sup>2</sup>For purposes of MD&A, *currently known* refers to information that management is aware of as of the date the financial statements are issued.

that are reflected in the government's financial report, (b) the fiscal policies that govern its operations and decision making, and (c) conditions that may have a significant effect on financial position or results of operations. MD&A provides financial managers with the opportunity to present both short-term and long-term analyses of the government's activities.<sup>3</sup> MD&A should be written in a manner that can be understood by users who may not have a detailed knowledge of governmental accounting and financial reporting. MD&A also should include explanations and interpretations that help users understand the information provided.

5. MD&A should discuss the current-year balances and results of operations in comparison with the prior year, with emphasis on the current year. This analysis should be fact based and should discuss the activities that have had either a significant positive impact or a significant negative impact on the government's balances and results of operations in comparison with the prior year. The analysis should assist users in understanding why balances and results of operations reported in the current year's financial statements changed from the prior year rather than simply presenting the amounts or percentages by which they changed. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information.

6. If possible, the analysis in MD&A should avoid unnecessary duplication. Certain explanations may be relevant to the discussion in multiple sections of MD&A. Those explanations may be repeated after they have been presented initially, but that is not required. Determining whether to repeat explanations within multiple sections of MD&A is a matter of professional judgment. For example, a tax rate increase enacted during the year may affect the results in both the government-wide financial statements and the governmental fund financial statements. After the increase is discussed in the analysis of the government-wide financial statements (paragraph 8c(1)), that discussion could be referenced in the analysis of major funds (paragraph 8c(2)), rather than duplicated, unless there is a significant change resulting from the use of a different measurement focus.

7. MD&A should focus on the primary government. Information included in MD&A should distinguish between that of the primary government and its discretely presented component units. Determining whether to discuss matters related to a discretely presented component unit is a matter of professional judgment and should be based on the nature and significance of the individual component unit's relationship to the primary government. If appropriate, the reporting entity's MD&A should refer users to the component unit's separately issued financial statements.

8. MD&A requirements are discussed below in general rather than specific terms to emphasize that financial managers should include the explanations that are most relevant to the information presented each year and should avoid "boilerplate" discussion. The information presented should be confined to the topics discussed in the five sections outlined below.<sup>4</sup>

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<sup>3</sup>If a letter of transmittal is presented in the introductory section of an annual comprehensive financial report, governments are encouraged not to duplicate information contained in MD&A.

<sup>4</sup>Governments can provide additional details about the required topics in subparagraphs (a)–(e). Information that does not relate to the required topics should not be included in MD&A but may be provided elsewhere, such as in the letter of transmittal or in other forms of supplementary information.

- a. *Overview of the Financial Statements.* An overview of the basic financial statements, including the relationships of the statements to each other. The overview should focus on the significant differences in the types of information the financial statements provide.
- 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.
- c. *Detailed Analyses.*
  - (1) An analysis of the primary government's financial position and results of operations. The analysis should summarize significant changes to both governmental activities and business-type activities as reported in the government-wide financial statements and, if applicable, should refer to the analysis of significant capital asset and long-term financing activity required by paragraph 8d rather than duplicating information. In addition to reporting the amounts or percentages of significant changes, the analysis should explain why those changes from the prior year occurred and indicate the magnitude of those changes. The analysis also should include facts, decisions, or conditions about which the user may not be aware, with the understanding that not all users may be from the government's geographical area. Additionally, the analysis should include a discussion of significant policy changes (such as changes in tax rates or fees, or the imposition of a hiring freeze) and important economic factors (such as changes in the tax or employment bases) that significantly affected operating results for the year, as applicable.
  - (2) An analysis of fund balance or net position and results of operations of each major fund. The analysis should summarize significant changes to each major fund and, if applicable, should refer to the analysis of significant capital asset and long-term

financing activity required by paragraph 8d rather than duplicating information. In addition to reporting the amounts or percentages of significant changes, the analysis should explain why those changes from the prior year occurred and indicate the magnitude of those changes. The analysis should include facts, decisions, or conditions about which the user may not be aware, with the understanding that not all users may be from the government's geographical area. The analysis also should address restrictions, commitments, and assignments that significantly affect the availability of fund resources for future use. As noted in paragraph 6, the analysis of major funds may focus on explanations that differ from the analysis already required by paragraph 8c(1) rather than duplicating them.

- d. *Significant Capital Asset and Long-Term Financing Activity.*<sup>5</sup>
- (1) A description of significant capital asset activity during the year, including certain intangible assets.<sup>6</sup> The description should include a discussion of significant additions and disposals of capital assets and changes to commitments made for the acquisition of capital assets. The description should address any significant policy changes and economic factors relevant to the capital asset activity that occurred during the year. If applicable, the description should refer to the detailed analysis of significant capital asset activity required by paragraph 8c rather than duplicating information.
  - (2) A description of significant long-term financing activity during the year, including debt, leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs). The description should include a discussion of such agreements entered into, changes in credit ratings, and changes to debt limitations that may affect the financing of planned facilities or services, if any. The description should address any significant policy changes and economic factors relevant to the long-term financing activity that occurred during the year. If applicable, the description should refer to the detailed analysis of significant long-term financing activity required by paragraph 8c rather than duplicating information.
- e. *Currently Known Facts, Decisions, or Conditions.* A description of currently known<sup>7</sup> facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or that are expected to produce significant differences from current-period results of operations (revenues, expenses, and other changes in net position).<sup>8</sup> Examples of the types of information that should be included in that description, if applicable, include the following:

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<sup>5</sup>Paragraphs 116–120 of Statement 34, as amended, require certain disclosures about capital assets and long-term liabilities, including long-term debt and leases. It may be sufficient for purposes of this discussion in MD&A to summarize that information and refer the user to those disclosures for additional details.

<sup>6</sup>Intangible assets subject to the provisions of Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as amended, and intangible right-to-use assets subject to the provisions of Statements No. 87, *Leases*, as amended, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, as amended, and No. 96, *Subscription-Based Information Technology Arrangements*, as amended, are considered capital assets.

<sup>7</sup>See footnote 2.

<sup>8</sup>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, including those that give rise to substantial doubt about a government's ability to continue as a going concern, are described in paragraphs 16–19 of Statement 56.

- (1) Trends in relevant economic and demographic data, such as changes in population (total or specific age groups), customer base, income levels, building permits, enrollment, and unemployment rates.
- (2) Relevant factors used to develop the subsequent year's budget that will provide an indication of how results of operations are expected to change in the subsequent year, such as:
  - (a) Those that are expected to result in changes in the total amount available for appropriation, referring as needed to relevant information about specific revenue sources, for example, changes in tax rates or fee amounts and changes in the economic bases or range of activities, respectively, to which they are applied
  - (b) Those that are expected to result in changes in planned spending, referring as needed to relevant explanatory factors such as inflation; labor contracts; new laws or regulations; and the addition, expansion, elimination, or reduction of programs.
- (3) Expected changes in budgetary net position or fund balance.
- (4) Actions the government has taken related to postemployment benefit liabilities, capital asset improvement plans, lessee liabilities, operator liabilities in PPP arrangements, SBITA liabilities, and other long-term financings that will affect the government in a subsequent period.
- (5) Actions other parties have taken that will affect the government in a subsequent period, such as new legislation or regulations imposed on the government.

The above examples are not all-inclusive; information about any additional types of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or to produce significant differences from current-period results of operations should be provided.

## **Unusual or Infrequent Items**

9. Unusual or infrequent items are transactions and other events that are unusual in nature or infrequent in occurrence. Statement 62 defines the terms *unusual in nature* and *infrequency of occurrence*.

10. Governments should present inflows and outflows related to unusual or infrequent items individually as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted on the government-wide statement of activities; the governmental fund statement of revenues, expenditures, and changes in fund balances; and the proprietary fund statement of revenues, expenses, and changes in fund net position. Governments should disclose in notes to financial statements the program, function, or identifiable activity to which an unusual or infrequent item is related, if applicable, and whether that item is within the control of management.

## **Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position**

11. The statement of revenues, expenses, and changes in fund net position should distinguish between operating and nonoperating revenues and expenses (as discussed in paragraph 13), as well as separately report noncapital subsidies (a type of nonoperating revenue and expense).
12. The statement of revenues, expenses, and changes in fund net position should present the following information in the order shown, using the all-inclusive format indicated:

Operating revenues (detailed)  
Total operating revenues  
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

Each caption, subtotal, and total shown in the format above should be presented, as applicable.

### **Definitions of Operating Revenues and Expenses and of Nonoperating Revenues and Expenses**

13. Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses. Revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements should be classified as operating revenues or operating expenses if those transactions constitute the proprietary fund's principal ongoing operations. For example, interest revenues should be reported as operating revenues by a proprietary fund established to provide loans to first-time homeowners, which is consistent with the classification in the statement of cash flows of certain loan programs as described in paragraph 19 of Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

## ***Definition of Subsidies***

14. Subsidies are defined as follows:

- a. Resources received from another party or fund (1) for which the proprietary fund does not provide goods and services to the other party or fund and (2) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise
- b. Resources provided to another party or fund (1) for which the other party or fund does not provide goods and services to the proprietary fund and (2) that are recoverable through the proprietary fund's current or future pricing policies
- c. All other transfers.

## **Information about Major Component Units in Basic Financial Statements**

15. In basic financial statements, governments should present each major component unit separately in the reporting entity's statements of net position and activities if it does not reduce the readability of the statements. If presenting each major component unit separately in the reporting entity's statements of net position and activities reduces the readability of the statements, combining statements of major component units should be included in the reporting entity's basic financial statements after the fund financial statements.

## **Budgetary Comparison Information**

16. Budgetary comparison schedules should be presented as RSI for the general fund and each major special revenue fund that has a legally adopted annual budget. Separate columns for the variances between (a) original and final budget amounts and (b) final budget amounts and actual results are required to be presented. An explanation of significant variations between original and final budget amounts and final budget amounts and actual results also is required to be presented in notes to RSI.

## **Statistical Section**

### **Financial Trends Information**

#### ***Information about Changes in Net Position***

17. In the statistical section of separately issued financial reports, governments engaged only in business-type activities or only in business-type and fiduciary activities should present revenues by major source for their business-type activities, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses.

## EFFECTIVE DATE AND TRANSITION

18. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. If a primary government chooses early implementation of this Statement, all component units also should implement this Statement in the same year, subject to the provisions of paragraph 59 of Statement 14.

19. Changes adopted at transition to conform to the provisions of this Statement should be reported as a change in accounting principle in accordance with Statement No. 100, *Accounting Changes and Error Corrections*, including the related display and disclosure requirements.

**The provisions of this Statement need not be applied to immaterial items.**

*This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.*

Joel Black, *Chair*  
Jeffrey J. Previdi, *Vice Chair*  
Brian W. Caputo  
Kristopher E. Knight  
Dianne E. Ray  
Jacqueline L. Reck  
Carolyn Smith

## APPENDIX A: BACKGROUND

A1. Issued in June 1999, Statement 34 was the culmination of 15 years of research, deliberation, and due process. In Statement 34, the GASB established a model for state and local government financial reporting—the formats and measurement focuses and bases of accounting of the basic financial statements, certain related notes to financial statements, and certain RSI, including MD&A.

A2. Among its many features, Statement 34 introduced government-wide financial statements containing information reflecting the economic resources measurement focus and accrual basis of accounting—which notably included the reporting of infrastructure, other capital assets, and long-term liabilities—for governmental activities. Governmental activities previously were reported only under the current financial resources measurement focus and modified accrual basis of accounting in the governmental funds, using account groups for capital assets and long-term debt. Statement 34 also required a narrative MD&A to precede the financial statements, added the presentation of the original budget to the required budgetary comparison schedules, introduced major fund reporting for governmental and enterprise funds, and added note disclosures related to capital asset and long-term liability activity during the reporting period.

A3. Statement 34 was first effective for periods beginning after June 15, 2001. Most provisions of the Statement became effective in three phases, beginning with the largest governments. Up to an additional 4 years were allowed for Phase 1 (annual revenues of \$100 million or more) and Phase 2 (\$10 million to \$100 million) governments to retroactively report existing infrastructure assets. Phase 3 governments (below \$10 million) were allowed to report general infrastructure prospectively. All requirements were effective for all governments for periods beginning after June 15, 2006.

A4. The financial reporting model has a pervasive influence over the effectiveness of financial reporting by state and local governments and the ability to achieve the objectives of financial reporting. As a result, the Board decided that it was important, as part of its commitment to maintaining the effectiveness of its standards, to reexamine the existing financial reporting model because it had been in place for an appreciable length of time.

A5. In addition, the Board decided to continue the efforts in developing recognition concepts for information presented in governmental funds. Feedback on the Preliminary Views, *Recognition of Elements of Financial Statements and Measurement Approaches*, issued in June 2011, included recommendations that recognition concepts for governmental funds be pursued in conjunction with a reexamination of the existing financial reporting model. In 2012, the Board suspended work on the conceptual framework project on recognition pending reexamination of the financial reporting model.

A6. The Board added the reexamination of the existing financial reporting model as a pre-agenda research activity in August 2013. The initial phase of the pre-agenda research was exploratory in nature and established the specific objectives of the more extensive research activities. During 2013, the staff conducted three related pre-agenda research efforts:

- a. A review of the relevant literature related to the financial reporting model

- b. Archival research of financial reports of a random sample of 465 governments of various types and sizes to collect information about how governments currently comply with the requirements related to the financial reporting model
- c. A series of 11 research roundtables conducted with a wide variety of types of preparers, auditors, and users of financial statements, which were used to identify key issues related to the financial reporting model in practice.

A7. Following the analysis of the results of the initial phase of pre-agenda research, the staff conducted broad-based surveys of preparers, auditors, and users. The staff also conducted a separate survey with preparers whose governments implemented Statement 34 using the modified approach to report infrastructure assets. The intent of the surveys was to obtain feedback from a broader group of constituents about the key issues identified in the preceding research efforts. The final phase of the pre-agenda research involved in-depth interviews with preparers, auditors, and users to further investigate the issues raised in the earlier stages of the research and to seek additional explanation of major and common concerns.

A8. The pre-agenda research showed that most of the components of the existing financial reporting model are effective; however, certain areas in which improvements could be made were identified. After considering the results of the pre-agenda research, the Board added this project to its current technical agenda in September 2015 to consider potential improvements.

A9. The GASB issued an initial public comment document, Invitation to Comment, *Financial Reporting Model Improvements—Governmental Funds*, in December 2016. The Invitation to Comment sought feedback from stakeholders on potential improvements to the existing financial reporting model related to governmental fund financial statements, including (a) the measurement focus, (b) the presentation format of the statement of resource flows, (c) specific terminology (for example, line item descriptions that more clearly communicate the measurement focus), (d) the reconciliation to the government-wide financial statements, and (e) whether a governmental fund statement of cash flows should be presented in the basic financial statements in conjunction with some of the measurement focus alternatives. The GASB received 111 written responses to the Invitation to Comment from organizations and individuals. In addition, the Board received oral responses from and had the opportunity to further explore the views of 48 individuals or groups at 5 public hearings and 30 individuals at 3 user forums.

A10. During the comment period on the Invitation to Comment, the Board began its initial deliberations of issues related to government-wide financial statements, proprietary funds, and budgetary comparison information—issues not addressed in the Invitation to Comment. From August 2017 through September 2018, the Board discussed and reached tentative conclusions on the issues related to governmental funds presented in the Invitation to Comment in light of the feedback provided by stakeholders.

A11. In September 2018, the GASB issued a Preliminary Views, *Financial Reporting Model Improvements*. The Preliminary Views addressed recognition concepts and their application to governmental funds, presentation of governmental fund financial statements, presentation of proprietary fund financial statements, budgetary comparison information, communication of major component unit information, and a schedule of government-wide expenses by natural classification. The GASB received 151 written responses to the Preliminary Views from

organizations and individuals. In addition, the Board received oral responses from and had the opportunity to further explore the views of 30 individuals or groups at 3 public hearings and 22 individuals at 2 user forums.

A12. During the comment period on the Preliminary Views, the GASB conducted a field test to obtain information from financial statement preparers about the potential cost, effort, and issues associated with the implementation of the provisions of the Preliminary Views. The GASB received 67 completed field tests from governments of all types and sizes. Also during the comment period, the Board began its initial deliberations of issues related to MD&A, debt service fund information, and special and extraordinary items—issues not addressed in the Preliminary Views. From April 2019 through June 2020, the Board discussed and reached tentative conclusions on the issues presented in the Preliminary Views in light of the feedback provided by stakeholders.

A13. In June 2020, the GASB issued an Exposure Draft, *Financial Reporting Model Improvements*. The Exposure Draft addressed MD&A, unusual or infrequent items, recognition concepts and their application to governmental funds, presentation of governmental fund financial statements, presentation of proprietary fund financial statements, presentation of major component unit information, and budgetary comparison information. The GASB received 279 written responses to the Exposure Draft from organizations and individuals. In addition, the Board received oral responses from and had the opportunity to further explore the views of 45 individuals or groups at 5 public hearings and 17 individuals at 2 user forums. From February 2021 through April 2024, the Board discussed and reached conclusions on the issues presented in the Exposure Draft in light of (a) the feedback provided by stakeholders and (b) additional interview research conducted with users related to unusual or infrequent items and reconciliations of information in the governmental fund financial statements to information in the government-wide financial statements.

A14. The Board sought feedback from the Governmental Accounting Standards Advisory Council (GASAC) at 22 of its 26 meetings throughout the Board's deliberations that led to this Statement. In addition, the GASB assembled a task force to gather input from members broadly representative of the GASB's stakeholders. Task force members (a) met with the Board in June 2016 and September 2017 to discuss the Board's tentative decisions and (b) provided feedback on issues discussed by the Board on a continual basis throughout the development of this Statement. The Board's consideration of the individual feedback from both the GASAC members and the task force members is incorporated throughout Appendix B. When issues are discussed with task force members and GASAC members, those groups do not take formal positions either in support of or in opposition to those issues.

## **APPENDIX B: BASIS FOR CONCLUSIONS**

### **Introduction**

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

### **Scope of This Statement**

B2. As part of the Board's commitment to maintaining and improving the effectiveness of its standards, it added the reexamination of the existing financial reporting model requirements as a pre-agenda research activity. The pre-agenda research was exploratory in nature and considered all requirements of the financial reporting model provided in Statement 34. The results of the pre-agenda research showed that most of the components of the financial reporting model are effective; however, certain areas in which improvements could be made were identified. Based on stakeholder feedback received during the pre-agenda research, the Board shifted the approach to identifying specific potential improvements to the existing financial reporting model, rather than taking a "clean slate" approach that could result in a completely new financial reporting model. Accordingly, this Statement does not introduce changes to every aspect of the existing financial reporting model.

B3. The Board determined that to (a) improve the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues, it was most appropriate to establish requirements to improve only certain key components of the financial reporting model. Those key components include (1) MD&A; (2) unusual or infrequent items; (3) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position and related financial trends information; (4) information about major component units in basic financial statements; and (5) budgetary comparison information. As discussed in paragraphs B57–B65, other potential improvements were considered by the Board but ultimately not required.

### **MD&A**

B4. Participants in the pre-agenda research provided feedback that MD&A is effective in providing information that is essential for decision making and that enhances the ability to assess a government's accountability. MD&A accomplishes that through its role of providing an objective and easily readable analysis of the government's financial activities; however, potential opportunities for improvement were identified in the pre-agenda research. Those potential opportunities included (a) reducing the boilerplate information included in MD&A, (b) increasing the focus on the explanations of the reasons for changes from year to year in the government-wide financial statements and fund financial statements, (c) reducing repetition within MD&A, and (d) clarifying the requirements related to currently known facts, decisions, or conditions. Proposals

related to those potential opportunities for improvement were included in the Exposure Draft that was issued in June 2020.

B5. Some respondents took exception to the proposal in the Exposure Draft carried forward from Statement 34 that the analysis in MD&A focus on the primary government and that professional judgment be used in determining whether to discuss matters regarding discretely presented component units. Those respondents suggested that the discussion of discretely presented component units be optional or excluded. The Board noted that the requirement, which is essentially unchanged from the existing guidance, is similar to the requirements for note disclosures in paragraph 63 of Statement 14 as amended, and Question 7.5.3 of the *Comprehensive Implementation Guide* (CIG). Paragraph 63 of Statement 14, as amended, provides that fair presentation in the reporting entity's general purpose financial statements encompasses (a) governmental and business-type activities, major funds individually, and nonmajor funds in the aggregate of the primary government (including its blended component units) and (b) major discretely presented component units. That paragraph also explains that professional judgment should be used to determine which discretely presented component unit disclosures are essential for fair presentation. Question 7.5.3 of the CIG provides that the decision to discuss component units in MD&A should be based on the component unit's significance and its relationship to the primary government and that the discussion generally should be focused on individual component units.

B6. The Board believes that if a component unit is significant to or related to the primary government, management should be able to provide meaningful explanations for significant changes in its financial performance because of the closeness of the relationship between the primary government and the component unit. Therefore, the Board continues to believe that professional judgment should be used to determine whether a discussion of financial matters related to discretely presented component units should be included in MD&A to fully and accurately meet the requirements of paragraph 8.

## **Boilerplate Information and Users of MD&A**

B7. Some participants in the pre-agenda research provided feedback that MD&A contained boilerplate information. Paragraph 11 of Statement 34, as amended, provides that governments should avoid a boilerplate discussion. In evaluating that feedback, the Board considered boilerplate information in terms of specific information presented in MD&A that generally is the same from government to government. The only MD&A requirement in this Statement that generally would result in the same presentation for all governments is the requirement to present a brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide. The Board believes that experienced users of governmental financial statements already would be aware of the nature of the different financial statements, but less experienced users may need that information to understand the other components of MD&A.

B8. The GASB's conceptual framework discusses users in two different contexts. Paragraph 63 of Concepts Statement No. 1, *Objectives of Financial Reporting*, states when explaining the qualitative characteristic of understandability that "Users of governmental reports tend to have different levels of knowledge and sophistication about governmental accounting and finance. To

be publicly accountable, a government should issue financial reports that can be understood by those who may not have a detailed knowledge of accounting principles. Those reports should include explanations and interpretations that help users understand the information provided. However, financial reporting should not exclude information merely because it is difficult to understand or because some users choose not to use it.” Paragraph 21 of Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*, states, “The messages contained in financial reports are intended for users. To effectively interpret these messages, the user is responsible for obtaining a reasonable understanding of government and public finance activities and of the fundamentals of governmental financial reporting, for studying the messages with reasonable diligence, and for applying relevant analytical skills.”

B9. Some respondents to the Exposure Draft disagreed that MD&A should be written in a manner that can be understood by users who may not have a detailed knowledge of governmental accounting and financial reporting because this expectation of users would require boilerplate and educational information to define terms and explain to users what governmental financial statements are intended to communicate. The Board believes that users with all levels of knowledge and sophistication about governmental accounting and finance read MD&A to inform decisions and assess accountability based on the information contained within MD&A. As a result, the Board believes the requirement to present an overview of the basic financial statements and the significant differences in the information they provide is necessary to help users understand the information in those statements. Although the Board believes that the “reasonable understanding” threshold of a user should be applied to information communicated in basic financial statements, the Board also believes that an objective of MD&A is to communicate information to a broad range of users. Furthermore, the Board noted that the intent of the requirement to present MD&A in an easily understandable manner is not to include educational information or to define terms. Instead, the intent of the requirement is to ensure that MD&A is written in “plain language” that avoids the use of accounting jargon that only more sophisticated users are familiar with.

## **Focus on Explanations**

B10. Some participants in the pre-agenda research provided feedback that the analysis contained in MD&A could be improved. Those participants did not suggest that the information in the analysis was inappropriate but, rather, that the explanations of the reasons for changes from year to year were not thorough enough.

B11. The previous requirements for analysis of the government’s overall financial position, results of operations, and results of individual funds stated that the reasons for significant changes should be presented. As a result of the participant feedback, the Board concluded that the previous requirements should be modified to emphasize the focus of the detailed analysis on those comparisons, including the reasons for those changes, to improve the understandability of MD&A.

B12. A respondent to the Exposure Draft that agreed with discussing the current-year balances and results of operations in comparison to the prior year suggested that the analysis focus on significant or material balances. The Board noted that paragraph 5 provides guidance regarding the level of detail needed in the analysis of the applicable requirements in paragraphs 8c–8e—

for example, rather than just presenting the amounts or percentages by which the balances have changed, the analysis should explain why they have changed. Those paragraphs specify that the analysis need only focus on significant changes, activity, and effects. Additionally, every GASB Statement includes an explanation (often referred to as the materiality box) stating, “The provisions of this Statement need not be applied to immaterial items.” Therefore, the Board determined that no further clarification was needed regarding the inclusion of insignificant or immaterial balances.

B13. Another respondent requested that the Board consider providing clarification on whether the condensed financial information should distinguish between governmental activities and business-type activities. The Board noted that paragraph 8b of the Exposure Draft required that information presented in the financial summary support the government’s analysis of its financial position and results of operations required in paragraph 8c. Paragraph 8c(1) provides that the detailed analyses section “should summarize significant changes to both governmental activities and business-type activities as reported in the government-wide financial statements.” Therefore, the Board believes that paragraph 8b implies that the government-wide condensed financial information presented should distinguish between governmental activities and business-type activities. The Board also noted that the illustrations in Appendix C demonstrate how governmental activities and business-type activities are shown separately to meet the requirements in paragraphs 8b and 8c(1). Although the requirement to distinguish between governmental activities and business-type activities is implied in paragraph 8b, the Board concluded that further clarification should be added to indicate that the government-wide condensed financial information should distinguish between governmental activities and business-type activities.

## **Analysis of Nonmajor Funds**

B14. A concern raised by respondents related to the proposal in the Exposure Draft to include an analysis of the primary government’s financial position and results of operations for nonmajor funds in the aggregate. Those respondents believe that (a) it would be difficult to comment on changes to the nonmajor funds in the aggregate in a meaningful way because of the aggregation of the balances; (b) those funds represent activities or balances that are small compared to the major funds, which would confuse the reader; (c) an analysis at the government-wide level could instead fulfill this requirement without creating inherent duplication; and (d) such an analysis could be lengthy and complex for many governments that have a large number of nonmajor funds. When developing guidance for the Exposure Draft, the Board decided that the analysis in MD&A should align with paragraph 6b(2) of Statement 34 (with the exception of internal service funds and fiduciary funds), which requires the governmental and enterprise fund financial statements to display information about major funds individually and nonmajor funds in the aggregate. In doing so, the information provided in MD&A and the fund financial statements would have been presented in a consistent manner and would have assisted users in their analysis by connecting the analysis and explanations in MD&A to information in the fund financial statements. However, despite the Board’s intent to align the information in the basic financial statements with the information in MD&A, it acknowledged that paragraph 8c of the Exposure Draft did not explicitly state that an analysis of nonmajor funds should be provided separately for governmental funds in the aggregate and enterprise funds in the aggregate. The Board also was concerned about the

volume of information that would be required to be discussed if nonmajor funds in the aggregate were required to be included in the detailed analysis required in MD&A. Furthermore, paragraph 76 of Statement 34, as amended, allows governments to present any nonmajor fund as a major fund in the basic financial statements if the government believes the fund is particularly important to financial statement users. Therefore, governments that choose to report a fund as major are required to separately discuss that fund in MD&A even if the requirement to provide an analysis of nonmajor funds in the aggregate is eliminated. As a result, the Board decided to remove the requirement to provide an analysis of nonmajor funds in the aggregate and only require an analysis of significant changes to each major fund.

## **Repetition**

B15. Some participants in the pre-agenda research identified repetition within the analysis section of MD&A as a concern because the repetition diminished its readability. The previous guidance related to MD&A did not specifically require that repetition be avoided. Footnote 7 of Statement 34 indicated that information in MD&A should not be duplicated in the letter of transmittal, if presented. However, the Board concluded that the previous requirements related to information in MD&A should be modified to also indicate that the analysis should be presented in a manner that avoids unnecessary duplication by referencing prior analysis in MD&A rather than repeating an explanation.

B16. A respondent to the Exposure Draft suggested that references to previously provided explanations within MD&A not be an explicit requirement because some duplication may enhance the readability of MD&A. Rather, the respondent believes that the Board should provide examples of how the references may occur to avoid duplication. The Board noted that the intent was to provide authoritative guidance to avoid unnecessary duplication of the information presented in MD&A because participants in the pre-agenda research indicated that repetition within MD&A was a concern. Thus, the Board believed when developing the Exposure Draft language that including a requirement to avoid duplication was necessary and an example of references, if applicable, should be included in the illustrative MD&A rather than in the authoritative guidance. As a result, references to prior analyses in MD&A were included in the illustration in Appendix C.

B17. However, the Board acknowledged that the provisions in paragraph 6 of the Exposure Draft would have eliminated all duplication within MD&A because it stated that “. . . explanations should not be repeated after they have been presented initially.” The Board believes that the absoluteness of that Exposure Draft proposal may have resulted in an excessive number of references being included in MD&A that may have diminished its readability. As a result, the Board concluded that the language in paragraph 6 should be revised to allow preparers the ability to exercise additional judgment in determining what information is unnecessarily duplicative.

B18. Another respondent to the Exposure Draft expressed concern that the provisions in paragraph 8d that require a government to include descriptions of significant capital asset and long-term financing activity would be duplicative of the detailed analyses required by paragraph 8c. The Board noted that the objective of paragraph 8d is to expand the requirements that were in paragraph 11f of Statement 34 related to significant capital asset and long-term debt activity. While the requirements in paragraph 11f of Statement 34 were initially created to highlight the capital asset and long-term debt activity within the then newly required government-wide

financial statements and accompanying note disclosures, the Board noted that the effects of capital asset and long-term financing activity on the government-wide financial statements and the governmental fund financial statements are different because of the different measurement focuses and bases of accounting. Thus, the Board believes that an analysis of capital asset and long-term financing activity for both government-wide and governmental fund financial statements is necessary to emphasize the different accounting treatments and that the analysis should be presented together in its own section to reduce unnecessary duplication. The Board also noted that paragraph 8d requires that the descriptions of significant capital asset and long-term financing activity refer to the detailed analyses required by paragraph 8c, if applicable, to avoid duplicating information.

B19. The Board also noted that a detailed analysis of capital asset and long-term financing activity was not intended to be included in the requirements for paragraph 8c. Instead, the Board intended paragraph 8c to include a high-level analysis that would then refer users to the additional analysis provided as part of the requirements for paragraph 8d. Therefore, the Board decided to include cross-references in both paragraphs 8c and 8d to clarify that paragraph 8d includes the requirement for providing additional analysis of capital assets and long-term financings.

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

B20. The pre-agenda research identified that (a) there is a wide variety of information being presented as currently known facts, decisions, or conditions and (b) users participating in the pre-agenda research ranked this information as the component of MD&A that is most useful when pertinent issues are addressed. The Board determined that the presentation of currently known facts, decisions, or conditions could be improved by providing clearer guidance to enhance the usefulness of the information presented.

B21. The Board concluded that the most effective way to improve the usefulness of the presentation of currently known facts, decisions, or conditions would be to modify the previous guidance by requiring the inclusion of specific types of information. Recommendations for additional information to require in this component of MD&A were provided by pre-agenda research participants. Those recommendations included a discussion of (a) the overall economic condition of the government, (b) specific pension-related information, (c) a government's capital improvement plan, (d) new regulations or standards and legislative changes imposed on a government, and (e) forward-looking information. However, the Board determined that requiring certain types of information posed challenges because in some instances, it could prove to be too limiting and exclude information that is necessary to provide context on facts, decisions, or conditions that will have an effect on financial position or results of operations. Because MD&A is RSI, only items required by GASB standards can be presented.

B22. As a result, the Board concluded that it would be beneficial to modify the previous authoritative guidance by including examples of specific types of information that should be included in this component of MD&A. By providing examples, rather than specific requirements, the Board avoided providing specificity that could exacerbate the issue of MD&A being too boilerplate and allowed financial managers to conform the information in this section to the specifics of their government.

B23. Some respondents to the Exposure Draft disagreed with including the examples that incorporate discussions of economic and demographic data and the subsequent year's budget as part of the currently known facts, decisions, or conditions section of MD&A. The Board noted that while those items are not directly comparable to the information in the basic financial statements, those types of facts, decisions, or conditions have the potential to significantly impact a government's financial position and results of operations and, thus, provide context for the basic financial statements.

B24. One of those respondents noted that some governments have numerous currently known facts, decisions, or conditions after the reporting period ends that may result in a voluminous amount of information in MD&A. However, the Board noted that paragraph 8e focuses on currently known facts, decisions, or conditions that are expected to have a *significant* effect on financial position (net position) or that are expected to produce *significant* differences from the current-period results of operations. Therefore, the impact of the currently known facts, decisions, or conditions must meet a significance threshold to be included in this section, which the Board believes may minimize the volume of information included in MD&A.

B25. Another one of those respondents expressed concern that including economic and demographic data in currently known facts, decisions, or conditions may prove to be problematic for auditors when comparing it to the basic financial statements or other supporting documentation obtained during the audit. However, the Board noted that auditors are only responsible for comparing the content of RSI for consistency with management's responses to foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements and applying additional procedures, if any, that are prescribed for specific types of RSI. Because economic and demographic information is not included in the basic financial statements, the Board noted that auditors are only responsible for (a) ensuring that the information provided is consistent with management's responses and (b) comparing the information to other information obtained during the audit and applying additional procedures, if necessary, which the Board believes would not be problematic or costly to perform.

B26. Still another respondent expressed concern that by including the subsequent year's budget information as currently known facts, decisions, or conditions, the Board is contradicting the requirement to remove budgetary comparison information from MD&A (discussed in paragraph B31). The examples in paragraph 8e(2) are intended to highlight how the subsequent year's budget could have a significant impact on financial position or produce significant differences from current-period results of operations and was not intended to provide comparative budgetary information, such as budget to actual balances. Therefore, the Board believes that the examples in paragraph 8e(2) are useful when identifying future impacts to net position and provide a different type of information than the discussion of budgetary comparison information proposed to be included in other RSI. However, the Board did modify the examples in paragraph 8e(2) to clarify the intent of providing information about the subsequent year's budget.

B27. A respondent to the Exposure Draft also requested that the Board clarify whether the examples in paragraphs 8e(2)–8e(4) are intended to consist of events other than subsequent events, only certain subsequent events, or a mix of events that may be required to be disclosed as a subsequent event as well as those that may not qualify for reporting (recognition or disclosure) as a subsequent event. The Board noted that paragraph 8e requires a description of

currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or that are expected to produce significant differences from current-period results of operations (revenue, expenses, and other changes in net position).

B28. The Board believes the examples in paragraph 8e encompass more types of information than the definition of subsequent events in Statement 56. For instance, an increase in the income tax rate approved in the current year that becomes effective in the subsequent year would not meet the definition of a subsequent event and thus would not be required to be recognized in the basic financial statements or disclosed in notes to financial statements. Therefore, the Board believes that information required to be presented as currently known facts, decisions, or conditions could consist of information that either meets the definition of a subsequent event or does not meet the definition of a subsequent event.

B29. Another respondent to the Exposure Draft suggested the inclusion of several additional examples in paragraph 8e, including material pending litigation and uninsured casualty events. The Board noted that the final language of the provision states, “The above examples are not all-inclusive; information about any types of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or to produce significant differences from current-period results of operations should be provided.” Therefore, governments are not limited to the examples provided in paragraph 8e; as a result, the Board concluded that it was not necessary to include additional examples.

B30. The Board acknowledges that there may be actions taken prior to the end of the reporting period related to capital asset improvement plans (and the other items listed in paragraph 8e(4)) that are not expected to impact financial position (net position) or current-period results. However, paragraph 8e(4), as proposed in the Exposure Draft, would have limited the discussion of capital asset improvement plans to actions taken after the end of the reporting period, which the Board believes may have caused governments to conclude that actions taken prior to the end of the reporting period (which have not yet had any effects) should not be included in the discussion of currently known facts, decisions, or conditions. Therefore, the Board modified the examples in paragraph 8e(4) in this Statement to clarify that all actions (regardless of when the actions are taken) that are expected to have a significant effect on financial position (net position) or that are expected to produce significant differences from current-period results of operations are currently known facts, decisions, or conditions. With those modifications, the examples in paragraph 8e(4) are parallel to the examples in paragraph 8e(5), which do not limit the discussion of actions taken by other parties that will affect the government to actions taken after the end of the reporting period.

## **Budgetary Analysis**

B31. Paragraph 11e of Statement 34 required a discussion of significant variations between original and final budget amounts and between final budget amounts and actual budget results—the same variances that are required to be presented as RSI (other than MD&A) in this Statement. Because the Board believes that budgetary comparison information should be presented as RSI, as discussed in paragraphs B48–B52, the Board concluded that the discussion of variances should be presented as notes to RSI so that the analysis of variances would be presented closer to the variances themselves. The Board believes that it is not appropriate to discuss budgetary

variance information in MD&A because MD&A should focus on information in the basic financial statements, and budgetary comparison information is not part of the basic financial statements.

## **Modified Approach**

B32. Paragraph 11g of Statement 34 required that certain information about the modified approach presented as RSI (other than MD&A) be discussed and presented in MD&A. Similar to the budgetary comparison information, because the modified approach information is required to be presented as RSI, the Board concluded that the discussion should be presented in notes to RSI to be closer to the information presented related to the modified approach. As a result, the Board decided to remove the requirement to present information about infrastructure assets accounted for using the modified approach from MD&A.

B33. A respondent to the Exposure Draft suggested that the requirement in paragraph 8d(1) to include a description of significant capital asset activity specifically exclude a discussion of significant changes in infrastructure assets that are reported using the modified approach because the discussion in MD&A will be duplicative of the disclosures included in notes to RSI. Paragraph 132 of Statement 34 requires governments to present schedules of information related to the condition of infrastructure assets. Paragraph 8d(1) requires a discussion of significant capital asset activity related to the balance of capital assets. The Board believes that the requirements of Statement 34 and the requirement in paragraph 8d(1) provide different types of information relating to infrastructure assets. For instance, even if the condition of the infrastructure assets stays the same, the balance could change due to the acquisition or disposal of infrastructure assets. Therefore, the Board believes that the requirement in paragraph 8d(1) provides useful information that is not duplicative of the disclosures required in notes to RSI.

## **Information about the Condition of Capital Assets**

B34. Finally, a participant in one of the user forums on the Exposure Draft suggested requiring information about the condition of capital assets. The Board noted that governments that do not use the modified approach are not required to report information about the physical condition of capital assets. Therefore, the Board believes that a requirement to report the condition of all capital assets in MD&A would be (a) inconsistent with the decision to move the modified approach discussion out of MD&A and (b) burdensome because many governments do not have condition information on all of their capital assets, even those that use the modified approach for some infrastructure assets. Thus, the Board concluded that information about the condition of capital assets should not be required to be presented in MD&A.

## **Unusual or Infrequent Items**

B35. Statement 34 required that the resource flows statements separately present transactions and other events that are *both* unusual in nature *and* infrequent in occurrence—extraordinary items—as well as transactions and other events that are within the control of management and are *either* unusual in nature *or* infrequent in occurrence—special items. The results of the pre-agenda research indicated that most stakeholders find the separate presentation of special and extraordinary items to be valuable because of (a) the importance of separating normal and

continuing operations from one-time events, (b) its usefulness in understanding trend analysis, and (c) its usefulness in comparing governments.

B36. The reasons identified for finding the separate presentation of special and extraordinary items valuable focused on the unusual nature or infrequency of occurrence of the items and did not extend to whether the items were *either* unusual in nature *or* infrequent in occurrence *or both*, or whether the items were within the control of management. In practice, identifying whether an item is both unusual in nature and infrequent in occurrence or whether the item has only one of those characteristics was found to be challenging. After consideration of the findings of the pre-agenda research, the Board proposed in the Exposure Draft to retain the separate presentation of unusual or infrequent transactions and other events. However, to simplify the process of identifying and presenting those items, the Board concluded that instead of special and extraordinary items, all unusual or infrequent items should be presented separately in the financial statements regardless of whether the item was within control of management. The Board also concluded that information regarding whether the item was within the control of management, one of the characteristics of special items, should be conveyed through a disclosure in notes to financial statements in accordance with the provisions in paragraph 10 of this Statement.

B37. Some respondents to the Exposure Draft requested additional guidance to assist in the evaluation of whether an event is unusual or infrequent, such as including additional factors to consider when making the determination or examples. Some respondents to the Exposure Draft also asked the Board to clarify whether the event itself or the magnitude of the dollar amount makes an event unusual or infrequent. As a result, the Board considered whether it should reexamine the guidance in Statement 62, which provides the criteria related to unusual in nature and infrequency of occurrence in paragraphs 45–49. Additional outreach was performed with users of state and local government financial statements to obtain feedback on what information is used and what information related to unusual or infrequent items those users expected to see in government general purpose external financial reports. Users that participated in the outreach answered that items that are outside of the normal course of business or items that occur one time are the types of items they expect to see reported as unusual or infrequent. In addition, some participants in the outreach noted that they believe that the magnitude of the event or transaction should be considered because of the potential to distort trend analysis of government financial information. After consideration of the feedback from users, the Board decided not to make changes to the criteria for consideration of whether an event or transaction is unusual or infrequent because (a) there was not sufficient consistency in the types of items identified by participants that should be presented separately and (b) changes to the guidance in Statement 62 were not included in the project issues to be addressed by this Statement.

B38. A respondent to the Exposure Draft requested guidance as to whether both inflows of resources and outflows of resources related to an unusual or infrequent item should be presented separately or netted and presented in a single line. Because netting is generally not permitted for inflows of resources and outflows of resources in financial statements, the Board decided to clarify that inflows of resources and outflows of resources related to an unusual or infrequent item should be presented separately.

## **Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position**

B39. Outreach conducted during the development of the Preliminary Views provided stakeholder feedback on the separate presentation of operating and nonoperating revenues and expenses in the proprietary fund statement of revenues, expenses, and changes in fund net position. Those stakeholders generally believe separating operating and nonoperating revenues and expenses results in information that is valuable for (a) identifying whether an activity's operating revenues covered its operating costs and (b) providing useful indicators for the evaluation of management. Some of those stakeholders raised concerns that inconsistency in determining how to classify items as operating or nonoperating is an impediment to the usefulness of the presentation. The Board concluded that governments should use specific definitions of operating revenues and expenses and of nonoperating revenues and expenses when presenting the financial statements of proprietary funds rather than continuing to use their individual accounting policies, which may differ. The alternative of establishing definitions for operating revenues and expenses on an industry-by-industry basis was considered; however, the Board decided that using the term *operating* to mean different things in the financial statements of different types of governments would create more confusion than clarity. The Board also concluded that the transactions classified as operating revenues and expenses generally should be consistent with the classifications of those transactions in the statement of cash flows.

B40. During the outreach described in the preceding paragraph, several approaches to defining operating activities were suggested, as follows:

- a. A *self-sustaining or subsidized approach*, which may be useful for identifying whether the activity reported is self-supporting or whether other resources, such as subsidies, are needed to maintain the level of service provided
- b. A *financial performance approach*, which may be useful for evaluating management or to assess the financial health of an activity
- c. A *recurring and nonrecurring approach*, which may be useful for differentiating transactions that are ongoing from those that are not
- d. A *debt covenants approach*, which may be useful for assessing compliance with debt covenants.

The Board concluded that the self-sustaining or subsidized approach would provide the most consistent and useful message in the proprietary fund financial statements. That approach identifies for the user whether assessments of activities outside of the proprietary fund—the source of the subsidy—is needed to fully understand the financial health of the activities of the proprietary fund. The Board believes the financial performance approach would present challenges because it does not have a consistent meaning to stakeholders and likely would result in measures that are not comparable from one government to another. The Board concluded that the recurring and nonrecurring approach would not be feasible because of the difficulties in developing guidance for what is considered recurring and nonrecurring that can be applied consistently. Finally, the Board concluded that the debt covenants approach would present challenges related to comparability, even within the government if there are conflicting debt covenants, and also would raise issues regarding usefulness to all stakeholders.

B41. The approach to determining what is operating and what is nonoperating was designed to capture all revenues and expenses. To ensure that no type of revenue or expense would be omitted from consideration, the Board decided to define one term and then define the other term as all transactions not included in the definition of the first term. The Board determined that it was most feasible to define those items that should be considered nonoperating. Items that are not included in the definition of nonoperating revenues and expenses (for example, rental revenues from excess land and sales of inventory in the ordinary course of the business activity) would be considered operating revenues. The Board believes that the definitions of operating revenues and expenses and of nonoperating revenues and expenses generally are consistent with the guidance for determining operating, noncapital financing, capital and related financing, and investing activities in Statement 9.<sup>9</sup> The cash flows to be presented in the other three classifications are specifically identified; all other cash flows are classified as operating activities. The Board concluded that the definitions of operating revenues and expenses and of nonoperating revenues and expenses in this Statement would eliminate inconsistencies in classifying operating revenues and expenses and the need for a government to establish a policy that defines operating revenues and expenses as previously required by paragraph 102 of Statement 34.

B42. In the feedback on the Preliminary Views and the Exposure Draft related to defining operating revenues and expenses and nonoperating revenues and expenses, some stakeholders associated with proprietary funds that receive subsidies on a regular basis expressed a preference for a financial performance approach. As previously noted, the Board does not believe it is feasible to define operating activities using a financial performance approach because the transactions and other events that are included in the operating income subtotal should be uniform across all proprietary funds. However, the Board recognizes the concern of some stakeholders that operating income (loss) presented applying the definition in paragraph 13 of this Statement may present an incomplete portrayal of the financial health of some entities. The Board concluded that the presentation of a subtotal that includes noncapital subsidies is needed to be (a) informative with respect to proprietary funds that receive subsidies on a regular basis and (b) closer to a financial performance measure than the existing subtotal for operating income (loss), which conveys whether an entity is self-supporting or subsidized. Additionally, some stakeholders questioned whether the definitions of operating revenues and expenses and of nonoperating revenues and expenses should be consistent with the existing recognition classifications of exchange and nonexchange transactions. The Board believes that an approach consistent with recognition classifications would not provide as valuable information for users as the self-sustaining or subsidized approach.

B43. In the Preliminary Views and the Exposure Draft, the definition of nonoperating revenues and expenses did not include contributions to permanent and term endowments. In the feedback to the Exposure Draft, some stakeholders questioned how contributions to permanent and term endowments would be classified and whether that classification would produce the most valuable results in assessing whether a proprietary fund is self-supporting or subsidized. The Board

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<sup>9</sup>Paragraph 19 of Statement 9 requires that cash flows from “program loans” be reported as operating activities. Revenues from those activities also would be reported as operating revenues. However, the Board determined that the financing expenses of loan programs should be reported as nonoperating expenses consistent with the definition of nonoperating expenses, which is a change from prior guidance. Not all loan programs are funded through borrowing; therefore, financing expenses should be reported as nonoperating expenses.

concluded that contributions to permanent and term endowments should be considered nonoperating to retain the information value of the operating income (loss) subtotal and the operating income (loss) and noncapital subsidies subtotal and revised the definition to include them.

B44. GASB literature has not previously defined *subsidies*, although the term has been used in several contexts to describe the use of subsidies and to identify certain types of transactions as subsidies. In the Preliminary Views, the Board proposed that the definition capture the essential feature of a subsidy—that of keeping rates lower than they otherwise would be. In the Exposure Draft, this definition was expanded to include both subsidies received and subsidies provided based upon stakeholder feedback. Respondents to the Exposure Draft questioned whether a variety of transactions, such as payments in lieu of taxes, grants and contracts, intergovernmental revenues, third-party payments, internal scholarships, and transfers, would be considered subsidies. The definition of subsidies in this Statement reflects revisions to add additional clarity. Exhibit 8 in Appendix C of this Statement provides a nonauthoritative example of how that financial statement should present subsidies.

## **Information about Major Component Units in Basic Financial Statements**

B45. Previous guidance provided that major component unit information may be presented using more than one method of communication. That guidance allowed presentation of major component units by (a) presenting each major component unit separately in the reporting entity's statements of net position and activities, (b) including combining statements of major component units in the reporting entity's financial statements after the fund financial statements, or (c) presenting condensed financial statements of major component units in notes to the reporting entity's financial statements. Subsequent to the issuance of that guidance, the GASB issued Concepts Statement 3, which clarifies the relationships between basic financial statements, notes to basic financial statements, and supporting information presented with basic financial statements within the framework of general purpose external financial reporting. It establishes a hierarchy that provides a conceptual basis for selecting the appropriate communication method for each item of information. Based on that hierarchy, the Board concluded that it is conceptually appropriate for major component unit information to be presented using a single method of communication. The Board also concluded that major component unit information has characteristics of financial statement information because it represents the effects of transactions and other events. Therefore, this Statement eliminates the option to report information about major component units in the reporting entity's notes to financial statements. In addition, the Board determined that information about major component units should be presented separately in the reporting entity's statement of net position and statement of activities if it does not reduce their readability. However, the Board believes that readability of the statements may be reduced if a government has several major component units. In those circumstances, this Statement requires that combining statements of major component units be presented after the fund financial statements as part of the basic financial statements.

B46. A respondent to the Exposure Draft noted that in the statement of activities, the most readable format for presenting major component unit information requires the use of both columns

and rows. Accordingly, the language of the requirement was modified to require major component unit information to be presented separately in the reporting entity's statement of net position and statement of activities rather than presenting the information in a separate column.

B47. Some respondents to the Exposure Draft suggested that the Board clarify or provide specific criteria for the presentation of major component units. However, as discussed in paragraph 40 in the Basis for Conclusions of Statement 61, the Board determined that a quantitative approach to determining major component units would presume that component unit balances always are important relative to the primary government, regardless of the nature of the relationships between the primary government and its component units. Therefore, the Board concluded that no change was necessary to the requirement that the determination of a major component unit be based on the nature and significance of its relationship to the primary government, as discussed in paragraph 51 of Statement 14, as amended.

## **Budgetary Comparison Information**

### **Method of Communication**

B48. Based on the hierarchy of communication methods provided in Concepts Statement 3, the Board concluded that it is conceptually appropriate for budgetary comparison information to be presented using a single method of communication. The Board believes that using a single method also will increase comparability between governments reporting budgetary comparison information. Requiring a single communication method eliminates the option of reporting budgetary comparison information as a basic financial statement, which was allowed in Statement 34.

B49. Paragraph 43 of Concepts Statement 3 states that "RSI has a clear and demonstrable relationship to information in the basic financial statements or notes to basic financial statements. . . ." RSI may include explanations of recognized amounts, analysis of known facts or conditions, or other information essential for placing the basic financial statements and notes to basic financial statements into operational, economic, or historical context. The Board concluded that budgetary comparison information provides operational context (relates financial information to the activities, policies, and nonfinancial resources of a government) as to whether a government obtained and spent resources in accordance with its established budget. Budgetary comparison information also provides operational context by requiring a reconciliation to information presented in the governmental fund resource flows statement.

B50. Paragraph 33 of Concepts Statement 3 states that "items recognized in a financial statement are intended to provide reliable representations of the effects of transactions and other events." Items that meet the definition of a financial statement element and for which the measurement of the item sufficiently reflects the qualitative characteristics of information in financial reporting, subject to the limitation of financial reporting described in Concepts Statement 1, are recognized. Concepts Statement No. 4, *Elements of Financial Statements*, established definitions for the seven elements of historically based financial statements. The Board concluded that even though the actual amounts on a budgetary basis meet the criteria for elements of financial statements, budgeted amounts for inflows of resources and outflows of resources do not because they are

not actual amounts from transactions and other events but are, instead, inflows and outflows of resources that are expected to occur during a period. The Board also acknowledges that if budgetary information is presented in an annual financial report, it is historical information because the reporting period has ended. However, the GASB does not set standards for budgetary measures, and there is no standardized measure for budgetary reporting. Furthermore, the Board concluded that budgetary comparison information would not provide reliable representations of the effects of transactions and other events that are measurable with a sufficient degree of reliability if a government has different budgetary and GAAP measurement focuses and bases of accounting or fund structures.

B51. As a result, the Board concluded that budgetary comparison information is essential for placing the basic financial statements and notes to basic financial statements into context and, therefore, should be reported as RSI and not as a basic financial statement. The Board also noted that the results of the pre-agenda research indicated that most governments currently report their budgetary comparison information as RSI.

B52. Some Preliminary Views and Exposure Draft respondents who disagreed with including budgetary comparison information as RSI stated that the value of budgetary reporting would be reduced because of the level of audit assurance provided on the information. The Board considered audit issues during its deliberations on budgetary comparison information. The Board reached out to representatives from the audit community and found that budgetary comparison information is subject to audit procedures for compliance regardless of the communication method, even if not at the same level of assurance. Although the Board acknowledged that those auditor stakeholder views may not be representative of past practice, the Board concluded that the value of budgetary comparison information would not be reduced by reporting the information as RSI; that is, the information is required.

## **Budget Variances**

B53. The consideration of requirements related to the reporting of budget variances is not entirely independent of the consideration of the method of communicating budgetary information. Paragraph 45 of Concepts Statement 3 provides that RSI should be reported in accordance with specific requirements to present that information. Optional presentations, such as allowing presentation of final-budget-to-actual variances and original-budget-to-final-budget variances as discussed in paragraph 130 of Statement 34, are not consistent with the concept of RSI, which was developed subsequent to the issuance of Statement 34.

B54. The Board concluded that the final-budget-to-actual variance should be required to be presented because it will provide users with the ability to assess the accountability of a government for its resources. The Board believes that this variance is important because it demonstrates whether resources were obtained and used in accordance with the government's legally adopted budget. Furthermore, the Board believes that, from a practical standpoint, requiring the final-budget-to-actual variance imposes a minimal burden on governments because many governments currently present the final-budget-to-actual variance in their budgetary comparison schedule, as shown in the results of the pre-agenda research. Some respondents to the Preliminary Views and the Exposure Draft agreed that the variance should be required. Those respondents stated that including the variance would impose a minimal burden on governments.

Some respondents who disagreed with providing the variance believe that amounts reported in parentheses are perceived negatively. The Board was not persuaded by this argument against including this specific variance because of the usefulness of the information and because the column heading is objective in nature.

B55. The Board also concluded that the original-budget-to-final-budget variance should be required to be presented in a budgetary comparison schedule because it provides a different analytical dimension to the information and increases the usefulness of the budgetary comparison. The Board believes that variance provides information to users to assess accountability. For example, highlighting amendments made to the original budget may provide necessary information to users related to uncommon or nonrecurring events that the government experienced during the period. Some respondents to the Preliminary Views and the Exposure Draft specifically disagreed with including the variance because they believe that (a) it does not provide meaningful information, (b) users can easily calculate those variances, and (c) it would overcomplicate or clutter the budgetary comparison schedule, making it more difficult for users to read. The Board was not persuaded by those arguments against including this specific variance because of the usefulness of the information from an accountability perspective.

B56. The Board also considered requiring the presentation of the original-budget-to-actual variance and concluded that, although it informs a different accountability assessment, both the original budget and actual amounts already would be considered in the other two variances.

## **Potential Improvements Considered but Not Required**

### **Debt Service Fund Information**

B57. Pre-agenda research surveys found that debt service fund information is the type of fund information most frequently cited as needed but missing from many major fund financial statement presentations. User interviews identified different presentations of debt service funds that some users believe would provide additional useful information. Some users preferred that the largest debt service fund be reported as a major fund to obtain information about cash and revenue resources associated with that debt. Other users preferred reporting aggregated debt service funds as a major fund to assess the total debt service for governmental activities. In addition, some users preferred providing additional note disclosures about debt service funds.

B58. After considering the need to provide additional information in financial statements related to debt service funds, the Board decided not to add reporting requirements related to information in debt service funds. The Board believes that requiring debt service funds to be reported as major funds, either individually or in the aggregate, would not be consistent with the decisions made in Statement 34 that the focus of governmental and enterprise fund financial statements should be on major funds. The Board recognizes that different types of users have unique needs that require specific financial information to meet those needs; however, general purpose external financial reporting cannot meet the needs of every type of user. The Board noted that governments that want to report debt service funds as major funds can do so if they believe that it is particularly important to financial statement users. The Board also noted that much of the information requested related to debt service funds currently is provided in the line item information in the

basic financial statements or notes to those statements. The Board evaluated disclosure requirements related to debt during its deliberations that led to the issuance of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

## **Schedule of Government-Wide Expenses by Natural Classification**

B59. The Preliminary Views included a proposal that a schedule of natural classification of government-wide expenses by function or program for governmental activities and by different identifiable activity for business-type activities be presented as supplementary information by governments that prepare an annual comprehensive financial report. It was noted in the Preliminary Views that a natural classification of government-wide expenses could provide valuable insight into the cost breakdown of each function, program, or identifiable activity.

B60. Although some respondents to the Preliminary Views supported including a schedule of natural classification of government-wide expenses because of the usefulness of the information it would provide, other respondents and some field test participants indicated that there would be significant costs incurred by governments to prepare such information. Because of the concerns that the expected benefits would not justify the perceived costs to prepare such information, the Board concluded that a schedule of government-wide expenses by natural classification should not be required.

## **Statement of Cash Flows**

B61. The Board also considered whether a statement of cash flows, as part of either the government-wide financial statements or the governmental fund financial statements, should be required to be presented as part of the financial reporting model. The Board decided not to require a statement of cash flows because the expected incremental benefits did not exceed the perceived costs of preparing and auditing that information. Budgetary information of the general fund (a major fund) and each major special revenue fund that has a legally adopted budget is required to be presented, and many governments budget on a cash or similar-to-cash basis. Therefore, in those cases, the overall nature of the information that would be provided by a governmental fund statement of cash flows would not be significantly different from some of the information already being presented as budgetary comparison information. The format of the presentation would be different, but the content likely would not. Furthermore, information about business-type activity cash flows is currently required as part of the statement of cash flows of the proprietary funds. The Board also understands that for many governments—complex governments with a large number of governmental funds and small governments with limited resources—the effort necessary to prepare a governmental fund statement of cash flows could be significant and could affect the timeliness of financial reports.

## **Governmental Funds**

B62. The Board originally considered issues related to recognition of elements in and presentation of governmental fund financial statements. Those issues were the sole focus of the Invitation to Comment, and the Board continued to pursue them in the Preliminary Views and in the Exposure Draft. Those efforts resulted in proposing a new measurement focus and basis of accounting: the short-term financial resources measurement focus and accrual basis of accounting (the short-

term method), which reflected the features of recognition (a) based upon contractual terms, (b) when payments are due, and (c) applying a one-year time recognition period, as well as presentation using the current and noncurrent format for the governmental fund resource flows statement. In each stage of due process, feedback was mixed as to the particular features proposed.

B63. After consideration of feedback on the proposals and evaluation of the recognition of various types of transactions using various options, the Board decided not to include in this Statement guidance on recognition of elements in and presentation of governmental funds. The expected primary benefit of the short-term method was presenting information that is conceptually consistent and comparable among governments. An additional benefit would have been that stakeholders would better understand the nature of the information presented in governmental fund financial statements. The primary information to be conveyed by governmental fund financial statements was to be (a) a fund balance at period-end that is available for spending and (b) financial results that may be useful in evaluating budgetary information. Conceptual consistency also would have provided direction to the Board itself when establishing guidance for new types of transactions, especially those that may be complex, or when reassessing existing guidance.

B64. As the Board considered language for the short-term method, it evaluated the expected benefits from the application of the short-term method to the governmental fund financial statements. The Board determined that a conceptually pure model would provide less meaningful information because it would report a fund balance that did not reflect all accruals that the Board believes should be recognized in governmental fund financial statements. As a result, the Board determined that in order for the short-term method to provide more meaningful information, it would need to include exceptions for certain transactions, resulting in a lack of the conceptually consistent foundation that was a primary objective of creating a new measurement focus and basis of accounting. An example of an exception that was a concern was that some transactions would need to be broken into component parts (units of account) and how to define those parts before being evaluated for recognition in the short-term method. The Board also questioned the ability of the proposed guidance to produce comparable results because of the potential difficulty in applying new concepts, such as “inception,” “conclusion,” “action,” “other activity,” and “one-to-one relationship”—language that had been proposed to address the challenges identified during due process. The Board ultimately determined that those exceptions and complications would result in a measurement focus and basis of accounting that presents information that is not conceptually consistent and comparable among governments.

B65. With the determination that the intended conceptual consistency would not be achieved, the expected benefits of the proposed changes to the measurement focus and basis of accounting for governmental funds would not be significant, and the Board believes that the perceived costs would not be justified when compared to the expected overall benefit. Additionally, the Board determined that the changes to the format of the governmental fund resource flows statement were unwarranted based upon the decision not to change the measurement focus and basis of accounting for governmental funds. The Board acknowledges that existing concerns with governmental funds remain.

## Small Government Considerations

B66. The Board acknowledges that there are differences in resources (human or financial) potentially available for implementation within small governments. As a result, the Board considered all the improvements within the context of small governments to determine whether there were opportunities for practical concessions without undermining the fundamentals of the financial reporting model. The major changes to the existing financial reporting model relate to the following:

- a. MD&A
- b. Unusual or infrequent items
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- d. Information about major component units in basic financial statements
- e. Budgetary comparison information.

B67. The Board believes that the improvements related to MD&A either move existing requirements to other sections of the financial report or provide clarification and emphasis of requirements that existed in Statement 34, which will assist governments of all sizes. Presenting the analysis of budgetary variances as RSI with the presentation of the variances themselves (budgetary comparison information) does not require governments, including small governments, to report any information that they are not already reporting. The Board considered providing small governments with a practical concession by not requiring the reporting of a discussion of budgetary variances at all. However, based on the value placed on this information by stakeholders in the pre-agenda research, especially in relation to small governments, the Board concluded that providing an analysis of budget variances would be appropriate for all governments. Furthermore, the Board concluded that eliminating the discussion of the modified approach from MD&A is not likely to affect many small governments because few of them report infrastructure assets using the modified approach.

B68. Statement 34 requires that MD&A include an analysis of *why* the measurements and results reported in the financial statements have changed rather than simply present the amounts and percentages of changes. However, the pre-agenda research, which included governments of all sizes, provided evidence that the related guidance in Statement 34 may not be sufficiently clear. The level of detail of the condensed financial statements from the government-wide financial statements, in which many individual accounts may be aggregated into a single line item, may lead some preparers simply to identify the accounts aggregated within the line item as the source of a year-to-year change, rather than explain the reasons why the amounts reported for those individual aggregated accounts changed from year to year. As a result, the Board believes that clarifying the relationship of the financial statements to each other and emphasizing the focus on the detailed analyses will benefit all governments, regardless of their size. The Board concluded that providing clearer guidance on how to discuss those relationships and reasons for changes in MD&A, which will increase the consistency and comparability in how this information is reported, benefits all governments.

B69. Furthermore, the pre-agenda research revealed that some preparers from governments of all sizes are describing only those facts, decisions, or conditions in MD&A that are specifically illustrated in the GASB's nonauthoritative guidance. Users participating in the pre-agenda research ranked the description of currently known facts, decisions, or conditions as the component of MD&A that is most useful. The users also identified additional information that would be valuable to them if discussed in this section of MD&A. In many cases, that additional information would meet the existing requirements in Statement 34, if applicable, but some governments were not presenting that additional information within this section of MD&A. Preparers and auditors identified additional types of information that would be useful in understanding a government's health and that were similar to those identified by users. As a result, the Board determined that including examples of specific types of information that should be included in this component of MD&A will clarify the existing requirement for governments of all sizes and expand the discussions provided. Furthermore, consistency and comparability in how this information is reported will be improved.

B70. The Board does not believe that unusual or infrequent items are a pervasive issue for small governments. In practice, identifying whether an item is unusual in nature or infrequent in occurrence or both is challenging for all governments, especially those that are small in size. The Board determined that not focusing on the distinctions of whether the item is unusual or infrequent or both and of whether the item is within the control of management will clarify and simplify reporting for all governments.

B71. The Board believes that defining proprietary fund operating revenues and expenses and nonoperating revenues and expenses (including defining subsidies) in the proprietary fund resource flows statement will benefit all governments, regardless of their size. Those definitions will assist governments of all sizes by providing clearer guidance on how to classify revenues and expenses, which will increase the consistency and comparability of that information.

B72. The requirements for both budgetary comparison information and major component unit information are based on application of the conceptual framework, and the Board does not believe that it would be appropriate to establish separate conceptual frameworks based on a government's size. As a result, the Board concluded that the single method of communication for each type of information is appropriate. Furthermore, the pre-agenda research showed that most governments (of all sizes) already include the budgetary comparison information as RSI and report a variance column.

## **Considerations Related to Benefits and Costs**

B73. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards (including disclosure requirements) address a significant user need and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B74. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B75. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes the assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

## **MD&A**

B76. The changes to the MD&A requirements are expected to benefit users by discouraging the inclusion of boilerplate and duplicative information in MD&A, improving the quality of the analysis of changes from the prior year presented by governments, and providing greater clarity regarding which items should be presented as currently known facts, decisions, or conditions. Those changes also are expected to benefit preparers and auditors by further clarifying what information should be presented in MD&A. The Board believes that the costs associated with those changes would be minimal because the types of information to be presented in MD&A have been clarified, not significantly modified.

## **Unusual or Infrequent Items**

B77. The requirement to separately present unusual or infrequent items, rather than special and extraordinary items, in the resource flows statement retains the benefit to users of identifying transactions that may affect their analysis of trends and will provide additional information regarding inflows of resources, outflows of resources, and the program or identifiable activities of the items. The requirements are expected to benefit preparers and auditors by simplifying their efforts to identify items that are required to be presented separately. Preparers and auditors no longer need to assess whether an item is either unusual in nature or infrequent in occurrence or both to determine whether the item should be presented as an extraordinary item or a special item. The Board does not anticipate that the requirements will be costly to governments because preparers and auditors already are familiar with evaluating transactions based on the *unusual in nature* and *infrequent in occurrence* criteria from existing guidance.

## **Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position**

B78. The requirements related to the presentation of proprietary fund financial statements are expected to benefit users in several ways. The Board believes that the use of the definitions of operating revenues and expenses and of nonoperating revenues and expenses, including the definition of a subsidy, will result in information that is more relevant being presented in the statement of revenues, expenses, and changes in fund net position. The definitions also will increase the comparability of that information because all governments will apply the same definitions. The inclusion of a subtotal for operating income (loss) and noncapital subsidies provides value because it is a more representative performance measure than the subtotal for operating income (loss), which indicates sustainability, and it is useful for analysis and benchmarking. Preparers and auditors are expected to benefit from this guidance because they will be applying a uniform set of definitions rather than government-specific definitions. The definitions of operating revenues and expenses and of nonoperating revenues and expenses generally are consistent with the classification of related cash flows in the statement of cash flows and, therefore, application is not anticipated to be challenging. The definition of a subsidy is new guidance and, as a result, the Board believes that the application may be more challenging. Based on the feedback received as part of the field test, the Board believes that the perceived costs to preparers to reassess the classification of revenues and expenses and to reformat the statement would be primarily in the years prior to and in the year of implementation.

## **Information about Major Component Units in Basic Financial Statements**

B79. The Board believes that the requirement related to the presentation of major component unit information will benefit users by improving their ability to locate the information because the alternatives for presentation have been reduced. Furthermore, costs associated with the requirement are expected to be limited to minor reformatting because for most governments, it is the location of the information that may change, not the information itself.

## **Budgetary Comparison Information**

B80. The requirements related to the presentation of budgetary comparison information are expected to benefit users by (a) communicating the information using a single communication method and (b) enhancing its usefulness by requiring presentation of both the original-budget-to-final-budget variance and the final-budget-to-actual variance. Additionally, the requirement to relocate the analysis of significant variances from MD&A to notes to RSI is expected to benefit users' ability to assess accountability. The Board believes that the expected costs of these requirements will be minimal because (1) only the location of existing information will change (the budgetary comparison information and analysis of significant variances) and (2) the addition of variance columns is expected to be a minor modification to the existing presentation requirement.

## **Overall Conclusion Regarding Benefits and Costs**

B81. Considering (a) the aforementioned expected benefits of the provisions of this Statement related to MD&A, unusual or infrequent items, presentation of proprietary fund financial

statements, major component unit information, and presentation of budgetary comparison information and (b) the previously discussed perceived costs associated with those provisions, the Board believes that the expected benefits that will result from the information provided through implementation of this Statement are significant and justify the perceived costs of implementation and ongoing compliance.

## **Effective Date and Transition**

B82. The Exposure Draft proposed a two-tiered effective date with governments with total annual revenues of less than \$75 million implementing the requirements one year later than governments with total annual revenues of \$75 million or more. The Board believed that a later effective date for governments with total annual revenues of less than \$75 million would enable them to benefit from the report preparation and audit experiences of governments that would have implemented earlier. The two-tiered effective date largely reflected the perceived level of resources that would have been necessary to implement the proposed requirements related to recognition in and presentation of governmental fund financial statements, which were removed from the scope of this Statement. The Board concluded that with the reduced scope of the final provisions, the effective date proposed for smaller governments (reporting periods beginning after June 15, 2025) would provide sufficient time for all governments, including taking into consideration the effective dates of other GASB pronouncements.

B83. The Exposure Draft proposed that all component units implement the provisions in the same year as their primary government regardless of the level of total annual revenues because the Board was concerned that the information provided to users would not be consistent between the primary government and some component units in a reporting entity if the primary government implemented the provisions of this Statement earlier than some component units in the same reporting entity. Although the potential for different effective dates based on the size of total annual revenues is no longer relevant, the potential for different effects should a primary government or component unit early implement this Statement remains. Because of the concern with consistency of information provided to users, the requirement for component units to implement in the same year as their primary government was retained.

B84. Subsequent to the issuance of the Exposure Draft, Statement 100 was issued. The Board believes that the accounting and financial reporting requirements in Statement 100 are appropriate and sufficient for this Statement. Therefore, the transition provisions of this Statement reference Statement 100 and do not specify additional requirements.

## APPENDIX C: ILLUSTRATION

C1. This appendix illustrates certain requirements of this Statement. The exhibits are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the policies or practices shown. Application of the provisions of this Statement may require assessment of facts and circumstances other than those illustrated here. Disclosures set forth in other GASB pronouncements, in addition to those shown in Exhibit 14, are required, if applicable. The management's discussion and analysis presented in Exhibit 1 is based on the information presented in the exhibits illustrating the other financial statements and schedules. As a result, those exhibits are included in this appendix even if they do not illustrate specific requirements of this Statement.

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## Exhibit 1

### Management's Discussion and Analysis

The purpose of management's discussion and analysis (MD&A) is to help City residents and other readers understand what the financial statements and notes in this financial report say about the City's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the City's finances.

If you have questions about this report or require further information, contact the Department of Finance at [dof@samplecityurl.gov](mailto:dof@samplecityurl.gov) or 000-000-0000.

### Overview of the Financial Statements

The City's financial report contains basic financial statements. Those financial statements present the City's finances at both an overall and a detailed level. The first two—the *government-wide financial statements*—cover the City's governmental activities and business-type activities (together, the *primary government*) and discretely presented component units. (See the diagram in Figure A-1.)

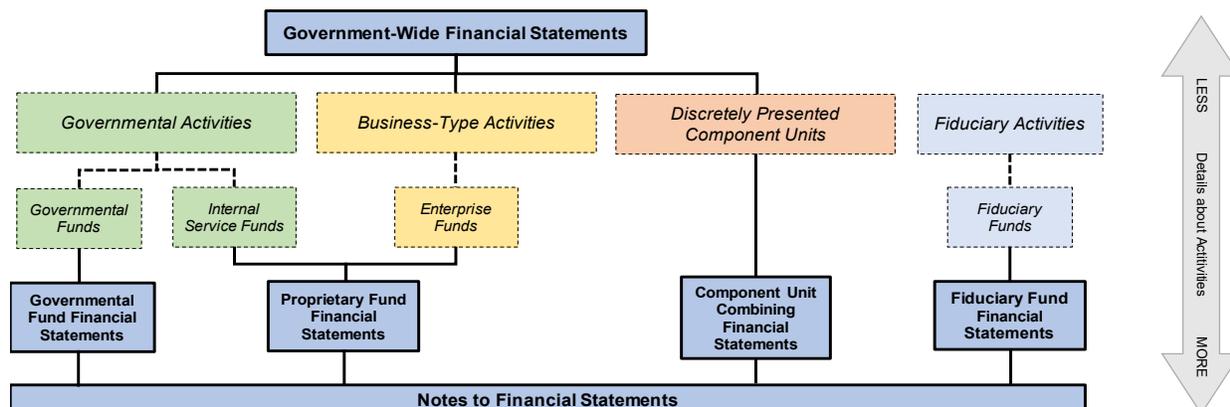
- *Governmental activities* comprise the City's most basic functions, such as public safety, culture and recreation, and social and economic development. Governmental activities primarily are financed by taxes paid by City residents and businesses and grants from the State of Example and the federal government.
- *Business-type activities* are City services primarily financed in whole or in part with charges to customers—electric utility, public buses, and municipal golf courses.
- *Discretely presented component units* are legally separate entities for which the City is financially accountable—most notably the Sample City Energy Authority and the Robert L. Antonio Airport. (To see their separately issued financial reports, visit [www.sampleenergyurl.gov](http://www.sampleenergyurl.gov) and [www.rlaairporturl.gov](http://www.rlaairporturl.gov).)

The remaining basic financial statements present the City's finances in greater detail and present fiduciary activities. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The City reports three groups of funds:

- *Governmental fund financial statements* report all of the governmental activities except those that involve providing services to City departments. In addition to the City's main operating fund—the general fund—those financial statements report a special revenue fund to track the use of a portion of the City's restricted sales tax for public safety and transportation, a debt service fund to record the repayment of outstanding bonds, and a capital projects fund to account for resources used to acquire transportation infrastructure and certain other long-lived assets.
- *Proprietary fund financial statements* report all of the business-type activities (*enterprise funds*) and the services provided to City departments (*internal service funds*).

- *Fiduciary fund financial statements* report resources for which the City acts as a trustee or custodian, including the City Public Safety Pension Plan trust fund. The resources in those funds do not belong to the City and cannot be used to provide services, which is why they are not included in the government-wide financial statements.

**Figure A-1. Contents of the City's Basic Financial Statements**



Lastly, the Energy Authority and the Airport (which are combined with nonmajor component units in a single column in the government-wide financial statements) are disaggregated in *combining financial statements* for discretely presented component units following the fund financial statements.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the City's finances as reported in the financial statements. The information in the notes is as important to understanding the City's finances as the information in the financial statements. The City uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

### **Types of Information in the Financial Statements**

All of the City's financial statements, except for the governmental fund financial statements, use the *economic resources measurement focus and accrual basis of accounting*. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements:

- *Assets*—resources the City controls, from short-term assets like cash to long-term assets like roads and bridges
- *Liabilities*—amounts the City owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions
- *Deferred outflows of resources* and *deferred inflows of resources*—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related

- *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a City building.

**Figure A-2. Types of Information Reported in the City’s Financial Statements**

	Financial Statements				Governmental Fund
	Government-Wide	Proprietary Fund	Fiduciary Fund	Component Unit	
<b>Types of assets and liabilities</b>	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
<b>Types of revenues/additions</b>	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
<b>Types of expenses/deductions/expenditures</b>	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
<b>Types of deferred outflows of resources and deferred inflows of resources</b>	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

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies, beginning on page XX.

## Analysis of the City's Finances

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%
<b>Total assets</b>	<b>2,694,628</b>	<b>2,542,479</b>	<b>672,901</b>	<b>666,640</b>	<b>3,367,529</b>	<b>3,209,119</b>	<b>4.9%</b>
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%
<b>Total liabilities</b>	<b>1,015,424</b>	<b>969,028</b>	<b>127,295</b>	<b>129,467</b>	<b>1,142,719</b>	<b>1,098,495</b>	<b>4.0%</b>
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%
<b>Total net position</b>	<b>\$ 1,733,811</b>	<b>\$ 1,616,147</b>	<b>\$ 548,396</b>	<b>\$ 539,077</b>	<b>\$ 2,282,207</b>	<b>\$ 2,155,224</b>	<b>5.9%</b>

Table A-1 shows that as of June 30, 20X5, the City's total net position—assets and deferred outflows minus liabilities and deferred inflows—was nearly \$2.3 billion, an increase of \$127.0 million or 5.9 percent compared with 20X4. This increase is primarily due to a \$109.6 million or 42.8 percent increase in unrestricted net position. Most of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities and business-type activities separately.

### Governmental activities

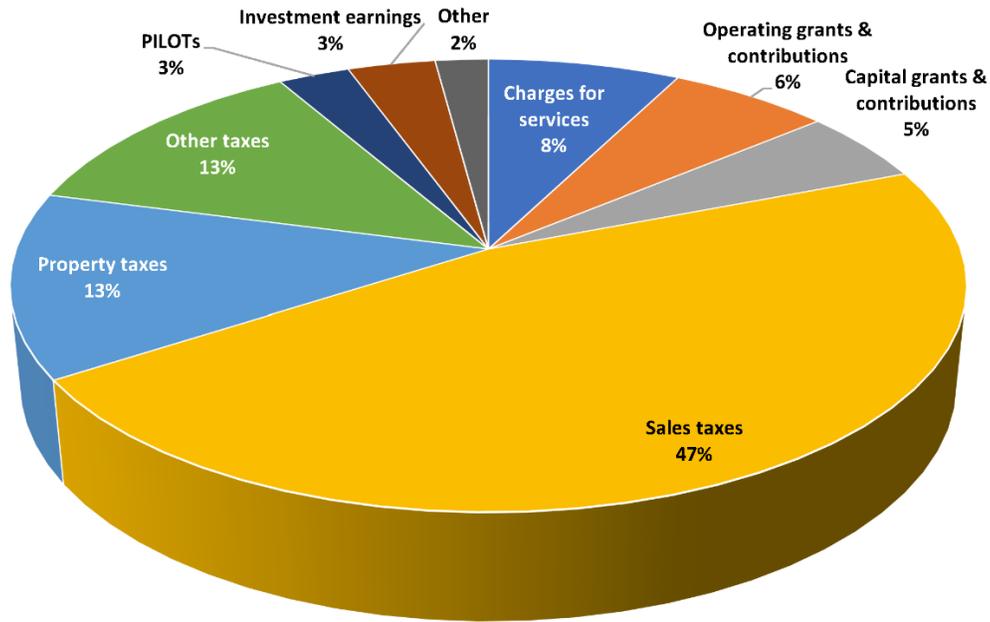
Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. The total net position of the City's governmental activities was over \$1.7 billion, an increase of \$117.7 million or 7.3 percent from 20X4. Various events contributed to this increase in net position; however, the six primary factors affecting the change in net position are as follows:

- (1) Increases in intergovernmental grant revenues, particularly related to capital assets
- (2) Growth in various revenues due to the strength of the national and local economies and a major court decision
- (3) A law that requires a portion of sales taxes to build up a financial emergency fund
- (4) Increases in expenses for certain programs and functions
- (5) Transfers to the business-type activities
- (6) Damage related to the March 20X5 flood.

**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	
<b>Revenues</b>							
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	279,567	278,136	-	-	279,567	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%
<b>Total revenues</b>	<b>597,841</b>	<b>539,633</b>	<b>67,232</b>	<b>63,204</b>	<b>665,073</b>	<b>602,837</b>	<b>10.3%</b>
<b>Expenses</b>							
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%
<b>Total expenses</b>	<b>453,681</b>	<b>397,463</b>	<b>76,909</b>	<b>73,531</b>	<b>530,590</b>	<b>470,994</b>	<b>12.7%</b>
Excess (deficiency) before unusual/infrequent 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%
<b>Change in net position</b>	<b>117,664</b>	<b>137,531</b>	<b>9,319</b>	<b>(5,688)</b>	<b>126,983</b>	<b>131,843</b>	<b>-3.7%</b>
Net position—beginning of period	1,616,147	1,478,616	539,077	544,765	2,155,224	2,023,381	6.5%
<b>Net position—end of period</b>	<b>\$ 1,733,811</b>	<b>\$ 1,616,147</b>	<b>\$ 548,396</b>	<b>\$ 539,077</b>	<b>\$ 2,282,207</b>	<b>\$ 2,155,224</b>	<b>5.9%</b>

**Figure A-3. Governmental Activities Revenues\* by Source**



\*Excludes unusual or infrequent revenues.

### ***Growth in intergovernmental grant revenues***

There were notable increases in 20X5 in both operating and capital grants and contributions. Capital grants and contributions, which account for 5.2 percent of overall revenues for governmental activities, more than doubled to \$30.9 million from 20X4 to 20X5. Most of that amount was a one-time \$22.0 million capital contribution from the federal government in the form of the land and facilities of former Army Base 559, which is located in Sample City and ceased operations in 20X0. The City is in the process of converting the base to a central public works and transportation garage and headquarters.

Operating grants and contributions, which account for 6.4 percent of overall revenues for governmental activities, increased 22.9 percent to \$38.2 million in 20X5. All of that growth came from an increase in public safety grants from both the State and federal governments, which totaled \$31.4 million or over 82 percent of the operating grant revenue. Most of the additional grant revenue was received as part of a federal program to improve local emergency services readiness to respond to a variety of emergency scenarios, including natural disasters, terrorist attacks, and medical crises.

### ***Increases in revenues due to economic growth***

The strength of the City and national economies has resulted in growth of several of the City's most significant revenue sources. Property taxes, which are 13.2 percent of the City's governmental activities revenue sources, rose 2.4 percent as a result of a similar percentage increase in assessed values; the City reassessed property values, which had not been updated

since 20X2. Increases in taxable retail sales compensated for the end of the temporary sales tax add-on to keep sales tax revenues steady from last year.

Other taxes include franchise taxes and use taxes, which are the City's next two largest revenue sources from taxes. Revenues from the franchise tax—which applies to a measure of a corporation's net worth—increased 23.2 percent as corporate values surged. Use tax revenues grew 27.0 percent in part because of the economy but more significantly because of a major court decision leading to the increased collection of use tax from out-of-state sellers.

Lastly, earnings on the City's investments, which were 3.5 percent of the governmental activities revenues, rose 170.9 percent from the prior year as local economic growth extended throughout all of 20X5 leading to more cash to invest. The value of the City's investments related to governmental activities increased 16.6 percent last year, accounting for the majority of the overall 11.7 percent increase in current assets.

### **Sales tax**

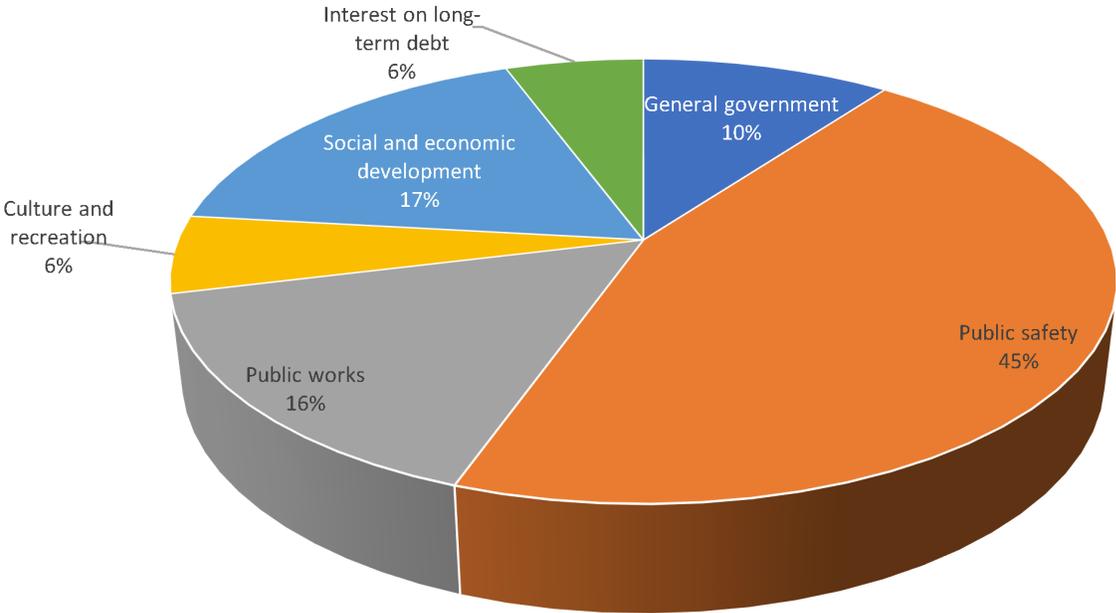
The largest single source of governmental activities revenue for the City is the local-option sales tax, which amounted to \$279.6 million in 20X5 or 46.8 percent of total revenue for the governmental activities. Sales tax revenue increased only 0.5 percent in 20X5 despite a 7.9 percent growth in taxable retail sales during the year, due to the expiration of a temporary 0.25 percent sales tax that financed the extension of a Highway 401 spur into downtown. That construction project was completed in 20X4.

The City sales tax rate of 3.40 percent has three components. The largest single portion, 1.50 percent, is restricted to paying for road and bridge construction and other infrastructure projects. Another 0.65 percent is restricted to public safety and to street, bridge, and other infrastructure maintenance. The remaining 1.25 percent provides unrestricted resources to support City services.

In 20X3, the City Council approved an ordinance to temporarily direct 0.09 percent of that 1.25 percent into the City's financial emergency reserve beginning in fiscal year 20X4. The related sales tax revenues will be set aside in the reserve until it reaches 10 percent of the City's adopted operating expense budget. Since the ordinance was passed, the reserve has grown from \$3.7 million to \$19.1 million, which represents 5.3 percent of the 20X6 adopted operating expense budget. Additions to the reserve of \$7.4 million in 20X5 are a part of the 38.4 percent decrease in governmental activities negative unrestricted net position.

**Growth in expenses**

**Figure A-4. Governmental Activities Expenses\* by Function**



\*Excludes unusual or infrequent expenses.

The increases in revenue were accompanied by a more rapid increase in the City’s costs of providing services. Governmental activities expenses rose 14.1 percent overall. Most notably, social and economic development expenses more than tripled to \$79.7 million in 20X5. As a result, social and economic development expenses represented 17.6 percent of total expenses (see Table A-2); by contrast, they were just 6.5 percent of expenses in 20X4. The increase in 20X5 was related entirely to the City’s contribution of \$55.3 million of infrastructure and facilities to several not-for-profit organizations. The transfer of those capital assets was part of a development program under which the City financed the construction or improvement of facilities that are within City borders.

The overall increase in governmental activities expenses for most City programs reflects, in part, salary and benefit increases under the current collective bargaining contract with nonuniformed City employees. The contract provided for raises of 2.0 to 4.0 percent in 20X5, depending on position.

Expenses for culture and recreation programs, at 5.6 percent of total expenses, increased 20.1 percent in 20X5. Aside from the contract-related increases in personnel costs (approximately half of the personnel costs were contract related), the expense increase in this area related primarily to the one-time cost of a feasibility study to assess the physical condition of pools, parks, playgrounds, and other recreation facilities and estimate the need for capital investment in those assets.

Interest on long-term debt for governmental activities, which approximates 5.6 percent of total expenses, also increased 20.1 percent to \$25.6 million in 20X5. That increase resulted, in part, from interest costs on the \$118.1 million tax-backed debt issuance during the year. It also was the result of a refunding of general obligation debt that initially increased interest costs but will reduce interest costs going forward. (Debt activity is discussed further below.)

By contrast, the function that comprises the largest portion of governmental activities expenses—public safety at 45.3 percent of total expenses—experienced a decline in expenses from 20X4 to 20X5 of 6.0 percent. Salary increases and a small rise in headcount of 1.2 percent added to the costs of police, fire, and emergency services. However, that was more than offset by the decrease in pension expenses associated with the growth in the value of the Public Safety Retirement Plan’s investments.

### ***Other changes in net position***

Total governmental activities revenues exceeded total expenses in 20X5 by \$144.2 million. That amount is greater than the \$117.7 million increase in net position for two reasons. First, resources were transferred from governmental activities to business-type activities (enterprise funds) for the purpose of financing capital projects for those activities. The transfer of \$19.0 million included \$6.5 million of cash and \$12.5 million of the proceeds of the tax-backed bonds. More than four-fifths of the transfer went to the Transit Authority.

Second, the City incurred \$10 million in costs related to recovery from the damage caused by catastrophic flooding that occurred in the City and neighboring communities in March 20X5, which was funded in part by \$2.5 million in grants from the State. It is unclear at present whether any additional amount of those costs will be recoverable through claims with the City’s insurer or the federal government. The flood-related grant revenues and expenses are shown separately from other revenues and expenses in Table A-2 and the government-wide statement of activities because they are infrequent costs; the City has not experienced rainfall of that magnitude in at least 50 years.

### **Governmental funds**

The City reports four major funds individually in the governmental fund financial statements. Those funds are the general fund, the public safety and transportation special revenue fund, the debt service fund, and the infrastructure capital projects fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the City’s current financial health are more apparent in the fund financial statements than in the government-wide financial statements. There were significant changes to three of the four major funds. Those three major funds are shown in Table A-3 and are discussed in more detail below.

**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
<b>Total Revenues</b>	<b>\$ 213,376</b>	<b>\$ 193,431</b>	<b>\$ 78,976</b>	<b>\$ 77,013</b>	<b>\$ 141,327</b>	<b>\$ 128,968</b>
<b>Total Expenditures</b>	<b>196,136</b>	<b>194,744</b>	<b>76,435</b>	<b>74,871</b>	<b>177,395</b>	<b>130,437</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>17,240</b>	<b>(1,313)</b>	<b>2,541</b>	<b>2,142</b>	<b>(36,068)</b>	<b>(1,469)</b>
<b>Other Financing Sources (Uses)</b>						
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)
<b>Total other financing sources (uses)</b>	<b>2,243</b>	<b>1,011</b>	<b>19</b>	<b>-</b>	<b>107,828</b>	<b>(2,580)</b>
<b>Unusual or Infrequent Item—Flood Damage</b>						
Grant revenue	2,500	-	-	-	-	-
Cleanup	(10,000)	-	-	-	-	-
<b>Total unusual or infrequent item</b>	<b>(7,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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
<b>Fund balances—end of period</b>	<b>\$ 66,992</b>	<b>\$ 55,009</b>	<b>\$ 68,289</b>	<b>\$ 65,729</b>	<b>\$ 620,310</b>	<b>\$ 548,550</b>

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

### **General fund**

The fund balance of the City's general fund increased by 21.8 percent. Excluding the effects of the flood damage, the general fund's fund balance would have been \$7.5 million greater. This increase in fund balance is attributable to (1) the 0.09 percent sales tax that has been set aside in a reserve as required by the ordinance passed in 20X3, (2) growth in revenues (previously discussed), and (3) a delay in planned increases in public safety expenditures as a result of the delay in the opening of new police station #453, offset by net flood damage expenditures.

### **Debt service fund**

The City's inflows from property taxes may be used only to repay outstanding general obligation bonds. The small increase in inflows from property taxes mentioned earlier was more than sufficient to cover debt service fund expenditures for principal and interest. Overall, fund balance in the debt service fund increased 3.9 percent.

### **Infrastructure capital projects fund**

Outlays for capital assets increased in 20X5 in the capital projects fund to the highest level in 10 years. The increase was the product of several major components of the city-wide highway and street improvement program ending this year and substantial progress being made on others. (Capital asset activity is discussed further below.) Despite those capital outlays and an additional transfer out to finance capital investments in other funds (principally the Transit Authority), the combination of sales tax revenues and tax-backed bond proceeds increased fund balance by 13.1 percent.

## Business-type activities and enterprise funds

The total net position of the City's business-type activities (which also are reported as major enterprise funds) increased in 20X5, though more modestly than that of the governmental activities. Business-type activities net position increased \$9.3 million or 1.7 percent to \$548.4 million from the prior year. The increase reflects the previously noted transfer of \$19.0 million from governmental activities. Absent the transfer, total net position would have declined by \$9.7 million, meaning expenses would have exceeded revenues for the year. In fact, unrestricted net position *declined* by 16.1 percent. Those results represent an improvement over 20X4, when the change in net position was a decrease of \$5.7 million.

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

	Public Utility		Transit Authority		Golf Courses	
	20X5	20X4	20X5	20X4	20X5	20X4
<b>Total operating revenues</b>	<b>\$ 41,286</b>	<b>\$ 37,033</b>	<b>\$ 18,669</b>	<b>\$ 18,406</b>	<b>\$ 2,665</b>	<b>\$ 2,838</b>
<b>Total operating expenses</b>	<b>40,777</b>	<b>39,959</b>	<b>25,378</b>	<b>25,255</b>	<b>7,433</b>	<b>5,676</b>
<b>Operating income (loss)</b>	<b>509</b>	<b>(2,926)</b>	<b>(6,709)</b>	<b>(6,849)</b>	<b>(4,768)</b>	<b>(2,838)</b>
<b>Noncapital Subsidies</b>						
Transfers in	-	-	2,090	3,502	110	2,203
Transfers out	(1,980)	-	-	-	-	-
<b>Total noncapital subsidies</b>	<b>(1,980)</b>	<b>-</b>	<b>2,090</b>	<b>3,502</b>	<b>110</b>	<b>2,203</b>
<b>Operating income (loss) and noncapital subsidies</b>	<b>(1,471)</b>	<b>(2,926)</b>	<b>(4,619)</b>	<b>(3,347)</b>	<b>(4,658)</b>	<b>(635)</b>
<b>Other Nonoperating Revenues (Expenses)</b>						
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
<b>Total other nonoperating revenues (expenses)</b>	<b>3,556</b>	<b>1,399</b>	<b>14,987</b>	<b>(431)</b>	<b>1,524</b>	<b>252</b>
<b>Increase (decrease) in fund net position</b>	<b>2,085</b>	<b>(1,527)</b>	<b>10,368</b>	<b>(3,778)</b>	<b>(3,134)</b>	<b>(383)</b>
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	<b>\$ 333,742</b>	<b>\$ 331,657</b>	<b>\$ 188,365</b>	<b>\$ 177,997</b>	<b>\$ 26,289</b>	<b>\$ 29,423</b>

Among the three enterprise funds, only the Public Utility had a positive financial performance from operations in 20X5. (See Table A-4.) Operating expenses for the Public Utility rose 2.0 percent, predominantly because of a significant increase in pension expense of \$2.8 million. Operating revenues, of which 99.3 percent were charges for services, outpaced expenses by rising 11.5 percent.

There was an increase in the net position of the Transit Authority due to the fact that it received the aforementioned transfer of \$15.4 million, which is restricted to investment in capital assets. Absent the operating subsidy, operating expenses exceeded operating revenues, which was primarily caused by opening six additional routes. In order to accommodate riders, the City also purchased two new buses that were originally planned to be purchased in 20X6 as part of the bus replacement program. Finally, ridership declined by nearly 3.0 percent in 20X5 as most public transit was cancelled for approximately six weeks as a result of significant flood damage on numerous routes making certain roads impassable. This resulted in an identical decrease in fare revenue of nearly 3.0 percent.

The net position of the Golf Courses decreased \$3.1 million. Despite lowering green fees and rental charges in order to attract more golfers, the number of rounds played dropped 8.8 percent. Part of the reason for the decline was a delayed spring opening for two of the three courses because of the flooding. Trends at the City's courses mirror a national decline in the number of people playing golf.

### **Significant capital asset and long-term financing activity**

The discussion thus far has only touched upon certain significant transactions and events during 20X5 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets—original cost minus accumulated depreciation—increased 3.2 percent over 20X4. However, that relatively small change does not completely capture the substantial amount of capital investment activity that occurred in 20X5.

The City's governmental activities had \$182.8 million in its beginning balance of construction in progress with another \$145.9 million in capital projects started during 20X5. Of those amounts, the City put \$127.4 million into operation during the year and, therefore, reclassified that amount to the other capital asset classifications of infrastructure and buildings and improvements. Additionally, the City contributed \$55.3 million of capital assets to not-for-profit organizations. This resulted in an ending balance of construction in progress of \$145.9 million. Many of the completed and ongoing capital projects are a part of the city-wide highway and street improvement program.

As previously noted, significant capital investments also are expected to be made as part of converting the former Army base to a city-wide public works and transportation garage and headquarters. The receipt of the base was reported as a \$22 million capital contribution, which increased both the land and buildings and improvement categories of the City's capital assets by \$15 million and \$7 million, respectively.

As discussed earlier, a portion of the sales tax is used to fund a reserve for road and bridge construction and other infrastructure projects, which provides financing on a pay-as-you-go basis.

In 20X3, voters approved a referendum authorizing the City to issue up to \$125 million of tax-backed bonds to pay for a city-wide capital program to reconstruct major routes, including adding lanes, upgrading street surfaces in the business district, and adding additional buses and bus routes serving the business district. The City issued \$118.1 million of those bonds in 20X5, which is the primary reason that governmental activities long-term liabilities increased 5.7 percent overall. Slightly more than half of the addition to long-term liabilities by those bonds was offset by a reduction in general obligation debt outstanding (which decreased 12.4 percent) due to a series of bond calls and refundings that continued in 20X5.

Total bonds and notes payable outstanding increased 8.0 percent to \$718.5 million in 20X5. The most prominent aspect of that change, as already mentioned, was the issuance of \$118.1 million of bonds backed by the City sales tax, under the authorization of the 20X3 voter referendum. Netted against the principal that was repaid during the year, that new issuance increased tax-backed bonds outstanding by 50.7 percent.

By contrast, the amount of general obligation bonds outstanding decreased 12.4 percent to \$385.6 million. Each year since 20X0, the City has engaged in bond calls and refundings of significant amounts of general obligation debt, which has had the effect of reducing annual debt payments. In 20X5, the City called and refunded \$32.2 million of general obligation bonds. Additionally, the City has not issued any new general obligation debt since fiscal year 20W9.

As of the end of 20X5, the City's bonds—both general obligation and tax-backed—continued to possess the highest available rating from the municipal bond ratings services. Because all of the City's debt is voter approved, none of its outstanding debt is subject to the state-imposed debt limit.

### **Currently known facts, decisions, or conditions**

The City is aware of five developments that will have an impact on the City's finances in the future and were therefore incorporated into next year's budget:

- (1) Public safety employee unions' new contract
- (2) Amendments to the City budget
- (3) Recent economic reports
- (4) Adoption of the State budget
- (5) Pension plan changes.

#### ***Public safety employee unions' new contract***

The collective bargaining agreement for uniformed police officers and firefighters expired at the end of fiscal year 20X5. On September 15, 20X5, the members of the public safety employee unions ratified a new four-year contract that is retroactive to the start of fiscal year 20X6. The key features of the contract are annual increases in base pay of 3.5 percent; increases in rank pay, shift premiums, and other add-ons averaging 2.5 percent; and a series of nonpensionable bonuses at the end of each calendar year. The contract also changes certain staffing rules that will allow the City more flexibility in deploying its uniformed employees and, as a result, is expected to reduce overtime spending. The City's Labor Relations Division budgeted an annual increase of \$4.1 million of expenses to the public safety function, net of reduced overtime costs, as a result of the contract.

#### ***Amendments to the City budget***

The first mid-year amendment to the City's operating budget addresses budgetary variances that are found in the actual results for the first quarter ending September 30, 20X5. The additional public safety expenses resulting from the new contract were a prominent aspect of the amendment, which was adopted by the City Council on November 1, 20X5. Use tax revenues for the first quarter were 4.6 percent below budget. Extrapolated for the full year, use taxes would fall short of the budget by \$1.9 million. The City Council decided to monitor ongoing tax receipts for further deterioration and to postpone consideration of a rate increase until the second mid-year modification. To potentially buffer the lost revenue, the City Council identified certain positions that are vacant or expected to become vacant that could be filled more slowly than originally planned and adjusted the department budgets accordingly.

### ***Recent economic reports***

The unemployment rate for the City has increased slightly for five consecutive months through September 20X5 (the most recent month for which data were available at the time this report was issued). Unemployment in May 20X5 was 2.7 percent. By September 20X5, unemployment had reached 3.4 percent.

Building permit applications were assumed in the adopted budget for fiscal year 20X6 to increase approximately 2.0 percent, a lower level than the average annual increase of 4.1 percent since 20W7. However, through the first quarter of fiscal year 20X6, applications were flat compared with the same period last year.

### ***Adoption of the State budget***

In May 20X5, the State adopted its operating budget for the fiscal year ending June 30, 20X6. The City's finances are affected by many parts of the State budget, though two provisions in particular may have a negative impact on the City's finances. First, the adopted State budget includes a plan to retain a quarter of a percentage point from the local-option sales tax imposed by counties and municipalities beginning in calendar year 20X6. The loss of that 0.25 percent from the City's sales tax is expected to reduce the City's revenue by approximately \$11.0 million in City fiscal year 20X6 and \$23.5 million in City fiscal year 20X7.

The other State budget provision is the winding down of a Department of Transportation grant program that provides resources for transportation and mass transit capital projects and subsequent maintenance. The City's Capital Improvement Plan anticipated that program would be a funding source for parts of the city-wide highway and street improvement program and the conversion of the Army base to a public works and transportation garage and headquarters. In total, the City budgeted \$28.7 million from that grant program through 20X9 based on the published long-term capital plan. The City still is budgeting to receive that amount through the end of the grant period.

### ***Pension plan changes***

The City provides pension benefits to its nonuniformed employees through the Municipal Employee Pension Plan, a cost-sharing defined benefit plan administered by the State of Example Retirement System. In April 20X5, the System announced that it was revising certain assumptions that factor into the measurement of the total pension liability for all participating governments in the plan, including lowering the long-term expected rate of return on plan investments (and, thereby, the discount rate) from 6.50 to 6.25 percent and utilizing updated mortality tables with longer life expectancies. The changes would be effective for State fiscal year 20X6.

It is expected that the change in the discount rate will increase the City's contractually required contribution for the fiscal year beginning July 1, 20X6. This amount is not yet determinable.

## Exhibit 2

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

This is an alternative presentation using a combining statement (Exhibit 12) in order not to reduce the readability of this statement.

Alternatively, the internal balances could be reported on separate lines as assets and liabilities.

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
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	256	(256)	-	-
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	<u>1,127,765</u>	<u>451,124</u>	<u>1,578,889</u>	<u>305,932</u>
Total assets	<u>2,694,628</u>	<u>672,901</u>	<u>3,367,529</u>	<u>618,598</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension-related items	88,021	2,817	90,838	4,615
OPEB-related items	506	95	601	78
Debt refundings	<u>1,375</u>	<u>1,082</u>	<u>2,457</u>	<u>9,452</u>
Total deferred outflows of resources	<u>89,902</u>	<u>3,994</u>	<u>93,896</u>	<u>14,145</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	39,728	8,793	48,521	11,725
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	84,069	622,968	168,359
Net pension liability	280,369	14,505	294,874	37,281
Net OPEB liability	2,901	483	3,384	2,081
Other	<u>34,934</u>	<u>314</u>	<u>35,248</u>	<u>415</u>
Total liabilities	<u>1,015,424</u>	<u>127,295</u>	<u>1,142,719</u>	<u>230,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension-related items	35,049	614	35,663	2,696
OPEB-related items	246	41	287	35
Debt refundings	<u>-</u>	<u>549</u>	<u>549</u>	<u>-</u>
Total deferred inflows of resources	<u>35,295</u>	<u>1,204</u>	<u>36,499</u>	<u>2,731</u>
<b>NET POSITION</b>				
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	<u>(187,759)</u>	<u>41,272</u>	<u>(146,487)</u>	<u>31,743</u>
Total net position	<u>\$ 1,733,811</u>	<u>\$ 548,396</u>	<u>\$ 2,282,207</u>	<u>\$ 399,473</u>

# Exhibit 3

**Sample City**  
**Statement of Activities**  
**for the Year Ended June 30, 20X5**  
*(amounts expressed in thousands)*

This is an alternative presentation using a combining statement (Exhibit 13) in order not to reduce the readability of this statement.

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-Type Activities			
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 46,059	\$ 22,500	\$ -	\$ -	\$ (23,559)		\$ (23,559)	
Public safety	205,416	8,688	31,395	-	(165,333)		(165,333)	
Public works	71,308	2,948	-	8,564	(59,796)		(59,796)	
Culture and recreation	25,631	2,868	-	-	(22,763)		(22,763)	
Social and economic development	79,701	8,297	6,768	22,321	(42,315)		(42,315)	
Interest on long-term debt	25,566	-	-	-	(25,566)		(25,566)	
Total governmental activities	453,681	45,301	38,163	30,885	(339,332)		(339,332)	
Business-type activities:								
Public utility	42,687	41,003	-	2,938		\$ 1,254	1,254	
Transit authority	25,826	18,636	-	-		(7,190)	(7,190)	
Golf courses	8,396	2,561	-	-		(5,835)	(5,835)	
Total business-type activities	76,909	62,200	-	2,938		(11,771)	(11,771)	
Total primary government	\$ 530,590	\$ 107,501	\$ 38,163	\$ 33,823	(339,332)	(11,771)	(351,103)	
<b>Total component units</b>	<b>\$ 111,018</b>	<b>\$ 72,991</b>	<b>\$ 16,503</b>	<b>\$ 12,902</b>				<b>\$ (8,622)</b>
General revenues:								
Taxes:								
Sales taxes					279,567	-	279,567	6,340
Property taxes					78,930	-	78,930	3,153
Franchise taxes					23,122	-	23,122	-
Use taxes					41,068	-	41,068	-
Hotel/motel taxes					7,870	-	7,870	-
Special assessment tax					2,880	-	2,880	-
Payments in lieu of taxes					16,869	-	16,869	-
Intergovernmental revenue					9,324	-	9,324	-
Investment earnings					20,667	1,674	22,341	3,034
Miscellaneous					3,195	420	3,615	-
Transfers					(18,996)	18,996	-	-
Unusual or infrequent item—flood damage:								
Grant revenues					2,500	-	2,500	-
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	<b>\$ 1,733,811</b>	<b>\$ 548,396</b>	<b>\$ 2,282,207</b>	<b>\$ 399,473</b>				

# Exhibit 4

**Sample City  
Balance Sheet  
Governmental Funds  
June 30, 20X5**

(amounts expressed in thousands)

See Exhibit 18 for an illustration of an optional combining statement of nonmajor funds.

	General Fund	Public Safety and Transportation Special Revenue Fund	Debt Service Fund	Infrastructure Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,520	\$ 3,506	\$ 20,693	\$ 192,230	\$ 5,588	\$ 232,537
Investments	29,912	1,971	47,037	436,943	12,700	528,563
Receivables, net	36,163	943	4,326	19,852	3,485	64,769
Due from other funds	748	-	-	-	-	748
Other assets	985	-	-	-	-	985
Total assets	<u>\$ 78,328</u>	<u>\$ 6,420</u>	<u>\$ 72,056</u>	<u>\$ 649,025</u>	<u>\$ 21,773</u>	<u>\$ 827,602</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 5,827	\$ 1,943	\$ -	\$ 28,715	\$ 2,274	\$ 38,759
Advances	175	-	-	-	418	593
Due to other funds	-	-	-	-	748	748
Total liabilities	<u>6,002</u>	<u>1,943</u>	<u>-</u>	<u>28,715</u>	<u>3,440</u>	<u>40,100</u>
Deferred inflows of resources:						
Unavailable revenue	5,334	-	3,767	-	-	9,101
Total deferred inflows of resources	<u>5,334</u>	<u>-</u>	<u>3,767</u>	<u>-</u>	<u>-</u>	<u>9,101</u>
Fund balances:						
Restricted for:						
Debt service	-	-	68,289	7,511	-	75,800
Capital projects	-	-	-	612,799	4,339	617,138
Other governmental purposes	-	4,477	-	-	8,049	12,526
Committed for:						
Medical services program	-	-	-	-	3,993	3,993
Economic development	10,798	-	-	-	1,875	12,673
Assigned to:						
Public safety	7,424	-	-	-	-	7,424
State grant program	-	-	-	-	970	970
Unassigned	48,770	-	-	-	(893)	47,877
Total fund balances	<u>66,992</u>	<u>4,477</u>	<u>68,289</u>	<u>620,310</u>	<u>18,333</u>	<u>778,401</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 78,328</u>	<u>\$ 6,420</u>	<u>\$ 72,056</u>	<u>\$ 649,025</u>	<u>\$ 21,773</u>	<u>\$ 827,602</u>

Alternatively, detail on fund balance can be presented in the notes to financial statements.

**Reconciliation to Amounts Reported for Governmental Activities in the Statement of Net Position**

Total fund balances	\$ 778,401
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, the underlying resources are not recognized currently in the funds.	1,833,664
Revenues recognized in the statement of activities were not available and are recognized as deferred inflows of resources:	
Grant revenues	5,334
Property tax revenues.	3,767
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	13,293
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(33,326)
Claims and judgments	(3,202)
Leases.	(10,599)
Bonds, unamortized premiums and discounts, and deferred inflows of resources related to bonds are not due and payable in the current period and, therefore, are not reported in the funds.	(629,273)
Some liabilities, deferred inflows of resources, and deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the funds.	(221,808)
Some liabilities, deferred inflows of resources, and deferred outflows of resources related to other postemployment benefits are not current financial resources and, therefore, are not reported in the funds.	(2,440)
Net position of governmental activities	<u>\$ 1,733,811</u>

The reconciliation could be presented on an accompanying page, as a continuation of the financial statement, rather than on the face of the statement. (See the separate reconciliation example in Exhibit 6.)

# Exhibit 5

Sample City  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
for the Year Ended June 30, 20X5  
(amounts expressed in thousands)

See Exhibit 19 for an illustration of an optional combining statement of nonmajor funds.

	General Fund	Public Safety and Transportation Special Revenue Fund	Debt Service Fund	Infrastructure Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Sales tax	\$ 104,142	\$ 51,442	\$ -	\$ 123,983	\$ -	\$ 279,567
Property tax	-	-	78,930	-	-	78,930
Franchise tax	22,706	-	-	-	416	23,122
Use tax	34,880	-	-	6,188	-	41,068
Hotel/motel tax	157	-	-	-	7,713	7,870
Special assessment tax	-	-	-	-	2,739	2,739
Payments in lieu of taxes	15,737	-	-	-	-	15,737
Intergovernmental	1,597	30,337	-	-	18,654	50,588
Charges for services	13,905	6,848	-	-	13,042	33,795
Licenses, permits, and fees	3,532	-	-	-	-	3,532
Fines and forfeitures	7,853	-	-	-	121	7,974
Investment earnings	6,792	2,295	-	11,028	325	20,440
Miscellaneous	2,075	-	46	128	273	2,522
Total revenues	<u>213,376</u>	<u>90,922</u>	<u>78,976</u>	<u>141,327</u>	<u>43,283</u>	<u>567,884</u>
<b>EXPENDITURES</b>						
Current:						
General government	29,097	15,083	-	2,168	66	46,414
Public safety	129,770	58,452	-	6,067	15,652	209,941
Public works	1,882	16,934	-	2,446	173	21,435
Culture and recreation	21,354	-	-	36	740	22,130
Social and economic development	11,614	-	-	-	13,787	25,401
Debt service:						
Principal	1,262	-	54,214	8,742	-	64,218
Interest and other charges	54	-	22,221	6,029	-	28,304
Capital outlay	1,103	-	-	151,907	5,034	158,044
Total expenditures	<u>196,136</u>	<u>90,469</u>	<u>76,435</u>	<u>177,395</u>	<u>35,452</u>	<u>575,887</u>
Excess (deficiency) of revenues over expenditures	<u>17,240</u>	<u>453</u>	<u>2,541</u>	<u>(36,068)</u>	<u>7,831</u>	<u>(8,003)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term debt issued	-	-	30,649	119,681	-	150,330
Premium on debt issued	-	-	1,600	6,249	-	7,849
Payment to bond refunding escrow agent	-	-	(32,230)	-	-	(32,230)
Proceeds from the sale of capital assets	275	-	-	-	-	275
Transfers in	2,630	-	-	192	1,303	4,125
Transfers out	(662)	-	-	(18,294)	(5,680)	(24,636)
Total other financing sources (uses)	<u>2,243</u>	<u>-</u>	<u>19</u>	<u>107,828</u>	<u>(4,377)</u>	<u>105,713</u>
<b>UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE</b>						
Grant revenues	2,500	-	-	-	-	2,500
Cleanup	(10,000)	-	-	-	-	(10,000)
Total unusual or infrequent item	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>
Net change in fund balances	11,983	453	2,560	71,760	3,454	90,210
Fund balances—beginning of period	55,009	4,024	65,729	548,550	14,879	688,191
Fund balances—end of period	<u>\$ 66,992</u>	<u>\$ 4,477</u>	<u>\$ 68,289</u>	<u>\$ 620,310</u>	<u>\$ 18,333</u>	<u>\$ 778,401</u>

# Exhibit 6

**Sample City**  
**Reconciliation of the**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities**  
**for the Year Ended June 30, 20X5**  
*(amounts expressed in thousands)*

Net change in fund balances—total governmental funds (Exhibit 5) \$ 90,210

Amounts reported for *governmental activities* in the statement of activities (Exhibit 3) are different because:

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 expense. This is the amount by which capital outlays (\$158,044) and capital contributions (\$28,094) exceeded depreciation (\$67,685) in the current period. 118,453

In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as other financing sources. Additionally, the City transferred assets to other entities in the current year. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold and transferred. (55,650)

Revenues in the statement of activities that are not due to convert to cash during the period of availability are not reported as revenues in the governmental funds. This is the amount by which deferred inflows of resources changed. 455

Bond proceeds provide an other financing source to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of leases and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments. (53,882)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds. This is the amount each of these expenses exceeded payments related to the liabilities during the year:

Compensated absences	1,339
Claims and judgments	(764)
Accrued interest expense	1,736
Premium on bond issuance	(7,849)
Pension	22,833
Other postemployment benefits related.	(123)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 906

Change in net position of governmental activities (Exhibit 3) \$ 117,664

The reconciliation could be presented on the face of the statement, rather than on a separate page. (See Exhibit 4.) However, using a separate page as a continuation of the financial statement provides more space for the preparer to explain the reconciling items. Alternatively, detailed explanations could be provided in the notes to financial statements if aggregated information in a summary reconciliation obscures the nature of the individual elements of reconciling items.

# Exhibit 7

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

See Exhibit 20 for an illustration of an optional combining statement of internal service funds.

	Enterprise Funds				Internal Service Funds
	Public Utility	Transit Authority	Golf Courses	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 37,374	\$ 31,510	\$ 9,818	\$ 78,702	\$ 20,593
Receivables, net	10,902	1,780	6	12,688	498
Due from other funds	1,745	-	-	1,745	256
Inventories	-	433	32	465	-
Prepaid expenses	-	846	22	868	-
Notes receivable	2,435	1,123	-	3,558	-
Other assets	-	-	-	-	1,048
Total current assets	<u>52,456</u>	<u>35,692</u>	<u>9,878</u>	<u>98,026</u>	<u>22,395</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable capital assets	93,844	26,307	5,601	125,752	5,356
Depreciable capital assets, net	265,860	151,834	33,430	451,124	6,359
Total noncurrent assets	<u>359,704</u>	<u>178,141</u>	<u>39,031</u>	<u>576,876</u>	<u>11,715</u>
Total assets	<u>412,160</u>	<u>213,833</u>	<u>48,909</u>	<u>674,902</u>	<u>34,110</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension-related items	2,817	-	-	2,817	1,061
OPEB-related items	95	-	-	95	42
Debt refundings	1,082	-	-	1,082	-
Total deferred outflows of resources	<u>3,994</u>	<u>-</u>	<u>-</u>	<u>3,994</u>	<u>1,103</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued expenses	4,575	3,962	256	8,793	969
Advances	102	14,706	-	14,808	-
Claims and judgments	-	-	-	-	4,933
Due to other funds	-	-	2,001	2,001	-
Compensated absences	593	-	-	593	-
Bonds payable	2,235	835	660	3,730	-
Total current liabilities	<u>7,505</u>	<u>19,503</u>	<u>2,917</u>	<u>29,925</u>	<u>5,902</u>
Noncurrent liabilities:					
Claims and judgments	-	-	-	-	9,125
Compensated absences	314	-	-	314	-
Bonds payable	59,900	5,965	18,204	84,069	-
Net pension liability	13,054	-	1,451	14,505	6,189
Net OPEB liability	435	-	48	483	220
Total noncurrent liabilities	<u>73,703</u>	<u>5,965</u>	<u>19,703</u>	<u>99,371</u>	<u>15,534</u>
Total liabilities	<u>81,208</u>	<u>25,468</u>	<u>22,620</u>	<u>129,296</u>	<u>21,436</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension-related items	614	-	-	614	461
OPEB-related items	41	-	-	41	23
Debt refundings	549	-	-	549	-
Total deferred inflows of resources	<u>1,204</u>	<u>-</u>	<u>-</u>	<u>1,204</u>	<u>484</u>
<b>NET POSITION</b>					
Net investment in capital assets	298,102	171,341	20,167	489,610	11,715
Restricted for:					
Debt service	1,345	-	-	1,345	-
Capital projects	14,834	-	-	14,834	-
Other purposes	-	-	1,335	1,335	-
Unrestricted	19,461	17,024	4,787	41,272	1,578
Total net position	<u>\$ 333,742</u>	<u>\$ 188,365</u>	<u>\$ 26,289</u>	<u>\$ 548,396</u>	<u>\$ 13,293</u>

# Exhibit 8

**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)*

See Exhibit 21 for an illustration of an optional combining statement of internal service funds.

	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Public Utility</b>	<b>Transit Authority</b>	<b>Golf Courses</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 41,003	\$ 18,636	\$ 2,561	\$ 62,200	\$ 42,523
Miscellaneous	283	33	104	420	78
Total operating revenues	<u>41,286</u>	<u>18,669</u>	<u>2,665</u>	<u>62,620</u>	<u>42,601</u>
<b>OPERATING EXPENSES</b>					
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	<u>40,777</u>	<u>25,378</u>	<u>7,433</u>	<u>73,588</u>	<u>44,540</u>
Operating income (loss)	<u>509</u>	<u>(6,709)</u>	<u>(4,768)</u>	<u>(10,968)</u>	<u>(1,939)</u>
<b>NONCAPITAL SUBSIDIES</b>					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,200	300
Transfers out	(1,980)	-	-	(1,980)	-
Total noncapital subsidies	<u>(1,980)</u>	<u>2,090</u>	<u>110</u>	<u>220</u>	<u>1,181</u>
Operating income (loss) and noncapital subsidies	<u>(1,471)</u>	<u>(4,619)</u>	<u>(4,658)</u>	<u>(10,748)</u>	<u>(758)</u>
<b>OTHER NONOPERATING REVENUES (EXPENSES)</b>					
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)	<u>3,556</u>	<u>14,987</u>	<u>1,524</u>	<u>20,067</u>	<u>1,664</u>
Increase (decrease) in fund net position	<u>2,085</u>	<u>10,368</u>	<u>(3,134)</u>	<u>9,319</u>	<u>906</u>
Fund net position—beginning of period	<u>331,657</u>	<u>177,997</u>	<u>29,423</u>	<u>539,077</u>	<u>12,387</u>
Fund net position—end of period	<u>\$ 333,742</u>	<u>\$ 188,365</u>	<u>\$ 26,289</u>	<u>\$ 548,396</u>	<u>\$ 13,293</u>

# Exhibit 9

**Sample City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Year Ended June 30, 20X5**  
*(amounts expressed in thousands)*

See Exhibit 22 for an illustration of an optional combining statement of internal service funds.

	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Public Utility</b>	<b>Transit Authority</b>	<b>Golf Courses</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 39,371	\$ 14,429	\$ 2,638	\$ 56,438	\$ 44,650
Payments to suppliers	(12,604)	(15,910)	(3,822)	(32,336)	(39,433)
Payments to employees	(14,465)	-	-	(14,465)	(5,099)
Net cash provided (used) by operating activities	<u>12,302</u>	<u>(1,481)</u>	<u>(1,184)</u>	<u>9,637</u>	<u>118</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating subsidies received—transfers in	-	2,090	110	2,200	300
Operating subsidies provided—transfers out	(1,980)	-	-	(1,980)	-
Proceeds from insurance reimbursements	-	-	-	-	525
Net cash provided (used) by noncapital financing activities	<u>(1,980)</u>	<u>2,090</u>	<u>110</u>	<u>220</u>	<u>825</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from disposition of capital assets	-	-	-	-	3
Cash received from developers for capital purposes	1,100	-	-	1,100	-
Transfers from other funds for capital additions	1,032	15,360	2,384	18,776	1,215
Purchases of capital assets	(10,176)	(20,892)	(847)	(31,915)	(1,052)
Principal paid on debt	(2,400)	(775)	(635)	(3,810)	-
Interest paid on debt	(1,864)	(454)	(965)	(3,283)	-
Net cash provided (used) by capital and related financing activities	<u>(12,308)</u>	<u>(6,761)</u>	<u>(63)</u>	<u>(19,132)</u>	<u>166</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	750	-	-	750	-
Interest and dividends	1,072	76	103	1,251	478
Net cash provided by investing activities	<u>1,822</u>	<u>76</u>	<u>103</u>	<u>2,001</u>	<u>478</u>
Net increase (decrease) in cash and cash equivalents	(164)	(6,076)	(1,034)	(7,274)	1,587
Balances—beginning of the period	37,538	37,586	10,852	85,976	19,006
Balances—end of the period	<u>\$ 37,374</u>	<u>\$ 31,510</u>	<u>\$ 9,818</u>	<u>\$ 78,702</u>	<u>\$ 20,593</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 509	\$ (6,709)	\$ (4,768)	\$ (10,968)	\$ (1,939)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	11,767	8,972	2,375	23,114	415
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Receivables, net	(1,760)	(11)	1,751	(20)	520
Inventory	-	(13)	(2)	(15)	-
Deferred outflows of resources	(864)	-	-	(864)	(79)
Accounts and other payables	5,028	(2,885)	(1,512)	631	1,124
Notes payable	(2,356)	(835)	972	(2,219)	-
Deferred inflows of resources	(22)	-	-	(22)	77
Net cash provided (used) by operating activities	<u>\$ 12,302</u>	<u>\$ (1,481)</u>	<u>\$ (1,184)</u>	<u>\$ 9,637</u>	<u>\$ 118</u>
<b>NONCASH TRANSACTIONS</b>					
Capital contributions of capital assets	\$ 2,938	\$ -	\$ -	\$ 2,938	\$ -
Appreciation of fair value of investments	\$ 2	\$ -	\$ -	\$ 2	\$ -

## Exhibit 10

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

	<b>Pension (and Other Employee Benefit) Trust Fund</b>	
	<b>City Public Safety Pension Plan</b>	<b>Custodial Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,496	\$ 6,515
Receivables:		
Interest and dividends	383	-
Contributions receivable	793	-
Total receivables	1,176	-
Investments:		
U.S. government obligations	44,753	-
Mutual funds	321,244	-
Fixed income	6,483	-
Corporate stocks	32,728	-
Alternative investments:		
Real estate funds	37,840	-
Timber	20,436	-
Foreign obligations	3,693	-
Total investments	467,177	-
Total assets	475,849	6,515
<b>LIABILITIES</b>		
Accounts payable	40	-
Benefits payable	975	-
Other	-	5,975
Total liabilities	1,015	5,975
<b>FIDUCIARY NET POSITION</b>		
Restricted for:		
Pensions	474,834	-
Other governments	-	540
Total net position	\$ 474,834	\$ 540

## Exhibit 11

**Sample City**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**for the Year Ended June 30, 20X5**  
*(amounts expressed in thousands)*

	<b>Pension (and Other Employee Benefit) Trust Fund</b>		<b>Custodial Fund</b>
	<b>City Public Safety Pension Plan</b>		<b>Fund</b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 19,251	\$	-
Plan members	8,065		-
Total contributions	<u>27,316</u>		<u>-</u>
Investment earnings:			
Investment earnings	19,637		-
Less investment costs	1,354		-
Net investment earnings	<u>18,283</u>		<u>-</u>
Collections of taxes for other governments	-		373,326
Escrow collections	-		20,329
Total additions	<u>45,599</u>		<u>393,655</u>
<b>DEDUCTIONS</b>			
Benefits	41,007		-
Refunds of contributions	902		-
Payments of taxes to other governments	-		373,326
Escrow payments	-		19,789
Administrative expenses	466		-
Total deductions	<u>42,375</u>		<u>393,115</u>
Net increase in fiduciary net position	3,224		540
Fiduciary net position—beginning of period	471,610		-
Fiduciary net position—end of period	<u>\$ 474,834</u>	\$	<u>540</u>

# Exhibit 12

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

This is an alternative presentation using a combining statement in order not to reduce the readability of Exhibit 2.

	<u>Energy Authority</u>	<u>Airport</u>	<u>Nonmajor Component Units</u>	<u>Total (See Exhibit 2)</u>
<b>ASSETS</b>				
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	45,262	305,932
Total assets	<u>31,389</u>	<u>468,159</u>	<u>119,050</u>	<u>618,598</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension-related items	814	2,404	1,397	4,615
OPEB-related items	42	-	36	78
Debt refundings	-	9,185	267	9,452
Total deferred outflows of resources	<u>856</u>	<u>11,589</u>	<u>1,700</u>	<u>14,145</u>
<b>LIABILITIES</b>				
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	6,195	168,359
Net pension liability	5,656	19,308	12,317	37,281
Net OPEB liability	57	1,837	187	2,081
Other	11	367	37	415
Total liabilities	<u>7,942</u>	<u>199,221</u>	<u>23,376</u>	<u>230,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension-related items	246	670	1,780	2,696
OPEB-related items	18	-	17	35
Total deferred inflows of resources	<u>264</u>	<u>670</u>	<u>1,797</u>	<u>2,731</u>
<b>NET POSITION</b>				
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	16,023	7,758	7,962	31,743
Total net position	<u>\$ 24,039</u>	<u>\$ 279,857</u>	<u>\$ 95,577</u>	<u>\$ 399,473</u>

# Exhibit 13

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

This is an alternative presentation using a combining statement in order not to reduce the readability of Exhibit 3.

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

## Exhibit 14

### Selected Notes to Financial Statements

#### Note 1—Illustrative Disclosure of Information about Capital Assets

Capital asset activity for the year ended June 30, 20X5, was as follows (in thousands):

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:†				
Land and improvements	\$ 544,021	\$ 27,652	\$ -	\$ 571,673
Construction in progress	182,756	145,861	(182,676)	145,941
Total capital assets not being depreciated	<u>726,777</u>	<u>173,513</u>	<u>(182,676)</u>	<u>717,614</u>
Depreciable capital assets:				
Infrastructure	3,448,611	106,388	(3,456)	3,551,543
Buildings and improvements	318,405	20,981	(111)	339,275
Vehicles and equipment	208,460	13,677	(1,099)	221,038
Leased vehicles and equipment	12,986	-	-	12,986
Total depreciable capital assets at historical cost	<u>3,988,462</u>	<u>141,046</u>	<u>(4,666)</u>	<u>4,124,842</u>
Less accumulated depreciation/amortization for:				
Infrastructure	(2,651,137)	(45,535)	3,360	(2,693,312)
Buildings and improvements	(146,913)	(8,134)	111	(154,936)
Vehicles and equipment	(133,953)	(13,134)	852	(146,235)
Leased vehicles and equipment	(1,297)	(1,297)	-	(2,594)
Total accumulated depreciation/amortization	<u>(2,933,300)</u>	<u>(68,100)*</u>	<u>4,323</u>	<u>(2,997,077)</u>
Depreciable capital assets, net	<u>1,055,162</u>	<u>72,946</u>	<u>(343)</u>	<u>1,127,765</u>
Governmental activities capital assets, net	<u>\$ 1,781,939</u>	<u>\$246,459</u>	<u>\$ (183,019)</u>	<u>\$ 1,845,379</u>

\*Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
General government	\$ 1,132
Public safety	9,298
Public works	51,284
Culture and recreation	4,958
Social and economic development	1,013
In addition, depreciation on capital assets held by the City's internal service funds (see Exhibit 8) is charged to the various functions based on their usage of the assets.	415
Total governmental activities depreciation/amortization expense	<u>\$ 68,100</u>

## Exhibit 14 (continued)

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated: †				
Land and improvements	\$ 98,517	\$ 171	\$ -	\$ 98,688
Construction in progress	7,131	25,172	(5,239)	27,064
Total capital assets not being depreciated	<u>105,648</u>	<u>25,343</u>	<u>(5,239)</u>	<u>125,752</u>
Depreciable capital assets:				
Buildings and improvements	402,184	7,150	-	409,334
Vehicles and equipment	352,443	6,743	(923)	358,263
Total depreciable capital assets at historical cost	<u>754,627</u>	<u>13,893</u>	<u>(923)</u>	<u>767,597</u>
Less accumulated depreciation for:				
Buildings and improvements	(139,837)	(11,347)	-	(151,184)
Vehicles and equipment	(154,438)	(11,767)	916	(165,289)
Total accumulated depreciation	<u>(294,275)</u>	<u>(23,114) *</u>	<u>916</u>	<u>(316,473)</u>
Other capital assets, net	460,352	(9,221)	(7)	451,124
Business-type activities capital assets, net	<u>\$ 566,000</u>	<u>\$ 16,122</u>	<u>\$ (5,246)</u>	<u>\$ 576,876</u>
*Depreciation expense was charged to functions as follows:				
Business-type activities:				
Public utility	\$ 11,767			
Transit authority	8,972			
Golf courses	2,375			
Total business-type activities depreciation expense	<u>\$ 23,114</u>			

†Capital assets that are not being depreciated, as discussed in paragraph 20 of Statement 34, are reported separately in this note. In addition, if this government were using the modified approach for infrastructure assets, there would be no accumulated depreciation or depreciation expense for those assets.

**Note:** Disclosures similar to those above for component units' balances and changes would be made in accordance with the guidelines set forth in paragraph 63 of Statement 14, as amended.

## Exhibit 14 (continued)

### Note 2—Illustrative Disclosure of Information about Long-Term Liabilities

Long-term liability activity for the year ended June 30, 20X5, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and notes payable:					
General obligation bonds	\$ 440,229	\$ 32,230	\$ (86,844)	\$ 385,615	\$ 76,371
Sales tax backed bonds	118,180	118,100	(8,450)	227,830	15,355
Premium/discount on issuance	14,795	7,849	(5,441)	17,203	23
Total bonds and notes payable	<u>573,204</u>	<u>158,179</u>	<u>(100,735)</u>	<u>630,648</u>	<u>91,749</u>
Other liabilities:					
Compensated absences	31,987	1,339 *	-	33,326	21,803
Claims and judgments	12,107	13,973	(8,820)	17,260	3,227
Net pension liability	290,766	-	(10,397)	280,369	-
Net OPEB liability	3,014	-	(113)	2,901	-
Leases	11,753	-	(1,154)	10,599	1,221
Total other liabilities	<u>349,627</u>	<u>15,312</u>	<u>(20,484)</u>	<u>344,455</u>	<u>26,251</u>
Governmental activities long-term liabilities	<u>\$ 922,831</u>	<u>\$ 173,491</u>	<u>\$ (121,219)</u>	<u>\$ 975,103</u>	<u>\$ 118,000</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and notes payable:					
Sales tax backed bonds	\$ 90,605	\$ -	\$ (3,810)	\$ 86,795	\$ 3,730
Premium/discount on issuance	1,183	-	(179)	1,004	-
Total bonds and notes payable	<u>91,788</u>	<u>-</u>	<u>(3,989)</u>	<u>87,799</u>	<u>3,730</u>
Other liabilities:					
Compensated absences	843	64 *	-	907	593
Net pension liability	11,388	3,117	-	14,505	-
Net OPEB liability	483	-	-	483	-
Total other liabilities	<u>12,714</u>	<u>3,181</u>	<u>-</u>	<u>15,895</u>	<u>593</u>
Business-type activities long-term liabilities	<u>\$ 104,502</u>	<u>\$ 3,181</u>	<u>\$ (3,989)</u>	<u>\$ 103,694</u>	<u>\$ 4,323</u>

\*The change in the compensated absences liability is presented as a net change.

### Note 3—Illustrative Disclosure of Information about Unusual or Infrequent Item

Sample City experienced a flood during March of 20X5 that was a catastrophic event outside the control of management. The City incurred expenses to clean up flood damage 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.

# Exhibit 15

**Required Supplementary Information**  
**Sample City**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Year Ended June 30, 20X5**  
*(amounts expressed in thousands)*

	<b>Budgeted Amounts</b>		<b>Variance with</b>	<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Original Budget— over (under) Final Budget</b>	<b>Budgetary (and GAAP) Basis</b>	<b>Final Budget— over (under) Actual Amounts</b>
<b>BUDGETARY REVENUES</b>					
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	-	6,792	1,692
Miscellaneous	3,313	3,313	-	2,075	(1,238)
<b>Total budgetary revenues</b>	<b>208,179</b>	<b>208,764</b>	<b>585</b>	<b>213,376</b>	<b>4,612</b>
<b>BUDGETARY EXPENDITURES</b>					
Current:					
General government	29,786	29,138	(648)	29,097	(41)
Public safety	132,479	129,953	(2,526)	129,770	(183)
Public works	3,297	3,263	(34)	1,882	(1,381)
Culture and recreation	22,086	22,075	(11)	21,354	(721)
Social and economic development	12,095	12,038	(57)	11,614	(424)
Debt Service:					
Principal	1,275	1,275	-	1,262	(13)
Interest and other charges	41	41	-	54	13
Capital outlay	1,105	1,105	-	1,103	(2)
<b>Total budgetary expenditures</b>	<b>202,164</b>	<b>198,888</b>	<b>(3,276)</b>	<b>196,136</b>	<b>(2,752)</b>
<b>Budgetary excess of revenues over expenditures</b>	<b>6,015</b>	<b>9,876</b>	<b>3,861</b>	<b>17,240</b>	<b>7,364</b>
<b>BUDGETARY OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	-	275	275
Transfers in	2,630	2,630	-	2,630	-
Transfers out	(1,871)	(2,713)	(842)	(662)	2,051
<b>Total budgetary other financing sources (uses)</b>	<b>759</b>	<b>(83)</b>	<b>(842)</b>	<b>2,243</b>	<b>2,326</b>
<b>UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE</b>					
Grant revenues	-	2,500	2,500	2,500	-
Cleanup	-	(10,000)	(10,000)	(10,000)	-
<b>Total</b>	<b>-</b>	<b>(7,500)</b>	<b>(7,500)</b>	<b>(7,500)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>6,774</b>	<b>2,293</b>	<b>(4,481)</b>	<b>11,983</b>	<b>9,690</b>
Budgetary fund balance—beginning of period	55,009	55,009	-	55,009	-
<b>Budgetary fund balance—end of period</b>	<b>\$ 61,783</b>	<b>\$ 57,302</b>	<b>\$ (4,481)</b>	<b>66,992</b>	<b>\$ 9,690</b>
<b>RECONCILIATION TO GAAP BASIS</b>					
Total fund balance GAAP basis				<b>\$ 66,992</b>	

# Exhibit 16

**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)*

	<u>Budgeted Amounts</u>		<u>Variance with Original Budget— over (under) Final Budget</u>	<u>Actual Amounts Budgetary (and GAAP) Basis</u>	<u>Variance with Final Budget— over (under) Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
<b>BUDGETARY REVENUES</b>					
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
	<u>88,195</u>	<u>88,195</u>	<u>-</u>	<u>90,922</u>	<u>2,727</u>
<b>BUDGETARY EXPENDITURES</b>					
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)
	<u>87,930</u>	<u>90,500</u>	<u>2,570</u>	<u>90,469</u>	<u>(31)</u>
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	<u>\$ 4,289</u>	<u>\$ 1,719</u>	<u>\$ 2,570</u>	<u>4,477</u>	<u>\$ 2,758</u>
<b>RECONCILIATION TO GAAP BASIS</b>					
Total fund balance GAAP basis				<u>\$ 4,477</u>	

# Exhibit 17

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

**Note A—Actual Budget Results**

	<b>General Fund over (under)</b>	<b>Public Safety and Transportation Fund over (under)</b>
<b>BUDGETARY REVENUES</b>		
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
<b>BUDGETARY EXPENDITURES</b>		
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)	\$ -
<b>UNUSUAL OR INFREQUENT ITEM</b>		
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)	-

**Note:** This explanation of significant differences is shown in a tabular format. Governments can show this information in other styles such as paragraph form if they choose.

# Exhibit 18

**Sample City**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 20X5**  
*(amounts expressed in thousands)*

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>		<u>Total Nonmajor Governmental Funds (See Exhibit 4)</u>
	<u>Federal and State Grants</u>	<u>Emergency Services</u>	<u>Economic Development</u>	<u>Parks Capital</u>	<u>Enhanced 911 Construction</u>	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 237	\$ 1,607	\$ 2,433	\$ 1,305	\$ 6	\$ 5,588
Investments	538	3,651	5,529	2,967	15	12,700
Receivables, net	1,593	991	855	46	-	3,485
Total assets	<u>\$ 2,368</u>	<u>\$ 6,249</u>	<u>\$ 8,817</u>	<u>\$ 4,318</u>	<u>\$ 21</u>	<u>\$ 21,773</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 1,106	\$ 392	\$ 776	\$ -	\$ -	\$ 2,274
Advances	292	-	126	-	-	418
Due to other funds	-	-	-	-	748	748
Total liabilities	<u>1,398</u>	<u>392</u>	<u>902</u>	<u>-</u>	<u>748</u>	<u>3,440</u>
Fund balances:						
Restricted for:						
Capital projects	-	-	-	4,318	21	4,339
Other governmental purposes	-	1,864	6,185	-	-	8,049
Committed for:						
Medical services program	-	3,993	-	-	-	3,993
Economic development	-	-	1,875	-	-	1,875
Assigned to:						
State grant program	970	-	-	-	-	970
Unassigned	-	-	(145)	-	(748)	(893)
Total fund balances	<u>970</u>	<u>5,857</u>	<u>7,915</u>	<u>4,318</u>	<u>(727)</u>	<u>18,333</u>
Total liabilities and fund balances	<u>\$ 2,368</u>	<u>\$ 6,249</u>	<u>\$ 8,817</u>	<u>\$ 4,318</u>	<u>\$ 21</u>	<u>\$ 21,773</u>

# Exhibit 19

**Sample City**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**for the Year Ended June 30, 20X5**  
*(amounts expressed in thousands)*

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>		<b>Total Nonmajor Governmental Funds (See Exhibit 5)</b>
	<u>Federal and State Grants</u>	<u>Emergency Services</u>	<u>Economic Development</u>	<u>Parks Capital</u>	<u>Enhanced 911 Construction</u>	
<b>REVENUES</b>						
Taxes:						
Franchise tax	\$ -	\$ -	\$ -	\$ 416	\$ -	\$ 416
Hotel/motel tax	-	-	7,713	-	-	7,713
Special assessment tax	-	-	2,739	-	-	2,739
Intergovernmental	17,770	33	323	-	528	18,654
Charges for services	-	10,652	2,390	-	-	13,042
Fines and forfeitures	-	-	121	-	-	121
Investment earnings	14	138	118	55	-	325
Miscellaneous	-	-	273	-	-	273
Total revenues	<u>17,784</u>	<u>10,823</u>	<u>13,677</u>	<u>471</u>	<u>528</u>	<u>43,283</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	66	-	-	66
Public safety	5,921	9,081	650	-	-	15,652
Public works	150	-	23	-	-	173
Culture and recreation	-	-	740	-	-	740
Social and economic development	8,233	-	5,554	-	-	13,787
Capital outlay	<u>3,180</u>	<u>699</u>	<u>539</u>	<u>237</u>	<u>379</u>	<u>5,034</u>
Total expenditures	<u>17,484</u>	<u>9,780</u>	<u>7,572</u>	<u>237</u>	<u>379</u>	<u>35,452</u>
Excess of revenues over expenditures	<u>300</u>	<u>1,043</u>	<u>6,105</u>	<u>234</u>	<u>149</u>	<u>7,831</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	943	-	360	-	-	1,303
Transfers out	<u>(442)</u>	<u>(650)</u>	<u>(4,588)</u>	<u>-</u>	<u>-</u>	<u>(5,680)</u>
Total other financing sources (uses)	<u>501</u>	<u>(650)</u>	<u>(4,228)</u>	<u>-</u>	<u>-</u>	<u>(4,377)</u>
Net change in fund balances	801	393	1,877	234	149	3,454
Fund balances—beginning of period	<u>169</u>	<u>5,464</u>	<u>6,038</u>	<u>4,084</u>	<u>(876)</u>	<u>14,879</u>
Fund balances—end of period	<u>\$ 970</u>	<u>\$ 5,857</u>	<u>\$ 7,915</u>	<u>\$ 4,318</u>	<u>\$ (727)</u>	<u>\$ 18,333</u>

## Exhibit 20

**Sample City**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 20X5**  
*(amounts expressed in thousands)*

	<u>Employee Insurance</u>	<u>Facilities and Equipment Management</u>	<u>Total (See Exhibit 7)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 18,180	\$ 2,413	\$ 20,593
Receivables, net	465	33	498
Due from other funds	256	-	256
Other assets	-	1,048	1,048
Total current assets	<u>18,901</u>	<u>3,494</u>	<u>22,395</u>
Noncurrent:			
Capital assets:			
Nondepreciable capital assets	-	5,356	5,356
Depreciable capital assets, net	19	6,340	6,359
Total noncurrent assets	<u>19</u>	<u>11,696</u>	<u>11,715</u>
Total assets	<u>18,920</u>	<u>15,190</u>	<u>34,110</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension-related items	79	982	1,061
OPEB-related items	<u>2</u>	<u>40</u>	<u>42</u>
Total deferred outflows of resources	<u>81</u>	<u>1,022</u>	<u>1,103</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	359	610	969
Claims and judgments	<u>3,127</u>	<u>1,806</u>	<u>4,933</u>
Total current liabilities	<u>3,486</u>	<u>2,416</u>	<u>5,902</u>
Noncurrent liabilities:			
Claims and judgments	8,954	171	9,125
Net pension liability	131	6,058	6,189
Net OPEB liability	<u>15</u>	<u>205</u>	<u>220</u>
Total noncurrent liabilities	<u>9,100</u>	<u>6,434</u>	<u>15,534</u>
Total liabilities	<u>12,586</u>	<u>8,850</u>	<u>21,436</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension-related items	12	449	461
OPEB-related items	<u>-</u>	<u>23</u>	<u>23</u>
Total deferred inflows of resources	<u>12</u>	<u>472</u>	<u>484</u>
<b>NET POSITION</b>			
Net investment in capital assets	19	11,696	11,715
Unrestricted	<u>6,384</u>	<u>(4,806)</u>	<u>1,578</u>
Total net position	<u>\$ 6,403</u>	<u>\$ 6,890</u>	<u>\$ 13,293</u>

## Exhibit 21

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

	<b>Employee Insurance</b>	<b>Facilities and Equipment Management</b>	<b>Total (See Exhibit 8)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 26,174	\$ 16,349	\$ 42,523
Miscellaneous	12	66	78
Total operating revenues	<u>26,186</u>	<u>16,415</u>	<u>42,601</u>
<b>OPERATING EXPENSES</b>			
Personnel services	146	5,640	5,786
Contractual services	394	3,723	4,117
Insurance claims and expenses	26,388	-	26,388
Depreciation	25	390	415
Other	-	7,834	7,834
Total operating expenses	<u>26,953</u>	<u>17,587</u>	<u>44,540</u>
Operating (loss)	<u>(767)</u>	<u>(1,172)</u>	<u>(1,939)</u>
<b>NONCAPITAL SUBSIDIES</b>			
Intergovernmental revenue	881	-	881
Transfers in	-	300	300
Total noncapital subsidies	<u>881</u>	<u>300</u>	<u>1,181</u>
Operating income (loss) and noncapital subsidies	<u>114</u>	<u>(872)</u>	<u>(758)</u>
<b>OTHER NONOPERATING REVENUES</b>			
Interest earnings	443	3	446
Gain from sale of capital assets	-	3	3
Transfers in—restricted for capital assets	-	1,215	1,215
Total other nonoperating revenues	<u>443</u>	<u>1,221</u>	<u>1,664</u>
Increase in fund net position	557	349	906
Fund net position—beginning of period	<u>5,846</u>	<u>6,541</u>	<u>12,387</u>
Fund net position—end of period	<u>\$ 6,403</u>	<u>\$ 6,890</u>	<u>\$ 13,293</u>

## Exhibit 22

**Sample City**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**for the Year Ended June 30, 20X5**  
*(amounts expressed in thousands)*

	<u>Employee Insurance</u>	<u>Facilities and Equipment Management</u>	<u>Total (See Exhibit 9)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 26,772	\$ 17,878	\$ 44,650
Payments to suppliers	(26,172)	(13,261)	(39,433)
Payments to employees	(106)	(4,993)	(5,099)
Net cash provided (used) by operating activities	<u>494</u>	<u>(376)</u>	<u>118</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies received—transfers in	-	300	300
Proceeds from insurance reimbursements	525	-	525
Net cash provided by noncapital financing activities	<u>525</u>	<u>300</u>	<u>825</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from disposition of capital assets	-	3	3
Transfers from other funds for capital additions	-	1,215	1,215
Purchases of capital assets	-	(1,052)	(1,052)
Net cash provided by capital and related financing activities	<u>-</u>	<u>166</u>	<u>166</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	475	3	478
Net cash provided by investing activities	<u>475</u>	<u>3</u>	<u>478</u>
Net increase in cash and cash equivalents	1,494	93	1,587
Balances—beginning of period	<u>16,686</u>	<u>2,320</u>	<u>19,006</u>
Balances—end of period	<u>\$ 18,180</u>	<u>\$ 2,413</u>	<u>\$ 20,593</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating loss	\$ (767)	\$ (1,172)	\$ (1,939)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	25	390	415
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Receivables, net	587	(67)	520
Deferred outflows of resources	(31)	(48)	(79)
Accounts and other payables	681	443	1,124
Deferred inflows of resources	(1)	78	77
Net cash provided (used) by operating activities	<u>\$ 494</u>	<u>\$ (376)</u>	<u>\$ 118</u>

## APPENDIX D: CODIFICATION INSTRUCTIONS

### ***Codification of Governmental Accounting and Financial Reporting Standards—June 2025 Update***

D1. The instructions that follow update the December 31, 2023 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), as amended by Statement No. 102, *Certain Risk Disclosures*, for the provisions of this Statement. Only the paragraph number of this Statement is listed if the paragraph will be cited in full in the Codification.

\* \* \*

[In all sections, update cross-references.]

\* \* \*

#### **1100—Summary Statement of Principles**

Sources: [Add GASBS 103.]

.111 [In the first sentence of subparagraph (c), replace *Budgetary comparisons should be presented* with *Budgetary comparison schedules should be presented as required supplementary information (RSI)* and delete the second sentence.]

.112 [Revise subparagraphs (c) and (e) as follows:]

- c. Proprietary fund revenues should be reported by major sources. Revenues and expenses should be distinguished as operating, noncapital subsidy, and other nonoperating.
- e. Contributions to term and permanent endowments, contributions to permanent fund principal, other capital contributions, unusual or infrequent items, and transfers between governmental and business-type activities should each be reported separately from, but in the same manner as, general revenues in the government-wide statement of activities. In the proprietary fund statement of revenues, expenses, and changes in fund net position, contributions to term and permanent endowments and capital contributions should be reported as part of other nonoperating revenues and expenses. In proprietary funds, transfers should be reported as noncapital subsidies or as other nonoperating revenues and expenses. In proprietary funds, unusual or infrequent items should be reported individually as the last presented flow of resources prior to the net change in resource flows. Transfers should be classified separately from revenues and expenditures in the governmental fund statement of revenues, expenditures, and changes in fund balances. Unusual or infrequent items should be reported separately after “other financing sources and uses” in the governmental fund statement of revenues, expenditures, and changes in fund balances.

[NCGAS 1, pp. 2–4, as amended by GASBS 6, ¶15, GASBS 14, ¶11, ¶19, ¶43, and ¶65, GASBS 34, ¶6, ¶15, and ¶69, GASBS 63, ¶8, GASBS 98, ¶4, and GASBS 103, ¶12; GASBS 14, ¶12 and ¶66, as amended by GASBS 61, ¶4; GASBS 34, ¶6, as amended by GASBS 84, ¶5 and GASBS 99, ¶30; GASBS 34, ¶14, ¶15, ¶21, ¶75, and ¶79; GASBS 34, ¶13, as amended by GASBS 63, ¶8 and GASBS 99, ¶30; GASBS 34, ¶16, as amended by GASBS 63, ¶7 and ¶8; GASBS 34, ¶18, as amended by GASBS 72, ¶79 and GASBS 89, ¶4; GASBS 34, ¶22, as amended by GASBS 81, ¶27; GASBS 34, ¶30, ¶80, ¶82, ¶108, and ¶125, as amended by GASBS 63, ¶8; GASBS 34, ¶53, as amended by GASBS 63, ¶8 and GASBS 101, ¶10; GASBS 34, ¶63, as amended by GASBS 84, ¶5 and ¶18; GASBS 34, ¶88, as amended by GASBS 103, ¶9; GASBS 34, ¶89, as amended by GASBS 103, ¶9 and ¶10; GASBS 34, ¶92, as amended by GASBS 63, ¶8 and GASBS 81, ¶27; GASBS 34, ¶100, as amended by GASBS 48, ¶21, GASBS 63, ¶8, GASBS 81, ¶24–¶28, and GASBS 103, ¶11–¶13; GASBS 34, ¶107, as amended by GASBS 67, ¶20, GASBS 73, ¶115 and ¶116, GASBS 74, ¶26, GASBS 81, ¶27, GASBS 84, ¶18 and ¶21, and GASBS 92, ¶8; GASBS 34, ¶112, as amended by GASBS 63, ¶8 and GASBS 103, ¶12; GASBS 34, ¶130, as amended by GASBS 41, ¶3 and GASBS 103, ¶16; GASBS 37, ¶10; GASBS 42, ¶9; GASBS 44; GASBS 51, ¶17; GASBS 54, ¶28; GASBS 84, ¶14 and ¶26; GASBS 84, ¶22, as amended by GASBS 92, ¶9; GASBS 103, ¶12 and ¶16]

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## 1400—Reporting Capital Assets

Sources: [Add GASBS 103.]

.143 [Replace *after nonoperating* with *as part of other nonoperating*.] [GASBS 6, ¶23, as amended by GASBS 34, ¶6 and ¶18; GASBS 34, ¶50 and ¶52; GASBS 34, ¶103, as amended by GASBS 63, ¶8 and GASBS 103, ¶12 and ¶13]

.144 [Replace *after nonoperating* with *as part of other nonoperating*; replace *Section 2200, paragraph .191* with *paragraphs .193 and .194 of Section 2200*; and update other cross-references for renumbering.] [GASBS 34, ¶18, as amended by GASBS 72, ¶79 and GASBS 81, ¶27; GASBS 34, ¶50 and ¶52; GASBS 34, ¶103, as amended by GASBS 63, ¶8 and GASBS 103, ¶12 and ¶13]

.163 [Replace *special item, or extraordinary item* with *or unusual or infrequent item* and replace *paragraphs .129–.134, .143–.150, .192, and .193* with *paragraphs .130–.135, .144–.151, .193, and .194*.] [GASBS 42, ¶17, as amended by GASBS 62, ¶45–¶49, GASBS 63, ¶8, and GASBS 103, ¶9, ¶10, ¶12, and ¶13; GASBS 103, ¶9, ¶10, ¶12, and ¶13]

.167 [In the first sentence, replace *extraordinary item* with *an unusual or infrequent item*; in the fourth sentence, replace *extraordinary item* with *unusual or infrequent item*.] [GASBS 42, ¶21, as amended by GASBS 103, ¶10]

.749-3 [In the question, replace *special item, or extraordinary item* with *or unusual or infrequent item*; in the answer, replace *special items or extraordinary items* with *unusual or infrequent items*.] [GASBIG 2015-1, QZ.42.14, as amended by GASBS 103, ¶10]

.749-4 [Replace *extraordinary items* with *unusual or infrequent items*.] [GASBIG 2019-1, Q4.8, as amended by GASBS 103, ¶10]

\* \* \*

## **1700—The Budget and Budgetary Accounting**

Sources: [Delete AICPA SLG 2002.]

.114 [In the first sentence, delete *basic financial statements or*.] [NCGAI 10, ¶11; GASBS 34, ¶6; GASBS 34, ¶130, as amended by GASBS 103, ¶16]

[Delete paragraph .801, including headings.]

\* \* \*

## **1800—Classification and Terminology**

Sources: [Add GASBS 103.]

[Revise subparagraphs (c) and (e) of Statements of Principle, “Transfer, Revenue, Expenditure, and Expense Account Classification,” as follows:]

- c. Proprietary fund revenues should be reported by major sources. Revenues and expenses should be distinguished as operating, noncapital subsidy, and other nonoperating.
- e. Contributions to term and permanent endowments, contributions to permanent fund principal, other capital contributions, unusual or infrequent items, and transfers between governmental and business-type activities should each be reported separately from, but in the same manner as, general revenues in the government-wide statement of activities. In the proprietary fund statement of revenues, expenses, and changes in fund net position, contributions to term and permanent endowments and capital contributions should be reported as part of other nonoperating revenues and expenses. In proprietary funds, transfers should be reported as noncapital subsidies or as other nonoperating revenues and expenses. In proprietary funds, unusual or infrequent items should be reported individually as the last presented flow of resources prior to the net change in resource flows. Transfers should be classified separately from revenues and expenditures in the governmental fund statement of revenues, expenditures, and changes in fund balances. Unusual or infrequent items should be reported separately after “other financing sources and uses” in the governmental fund statement of revenues, expenditures, and changes in fund balances.

[NCGAS 1, ¶99, as amended by GASBS 103, ¶12; GASBS 34, ¶6; GASBS 34, ¶53, as amended by GASBS 63, ¶8 and GASBS 103, ¶10; GASBS 34, ¶88, as amended by GASBS 103, ¶9; GASBS 34, ¶89, as amended by GASBS 103, ¶9 and ¶10; GASBS 34, ¶100, as amended by GASBS 48, ¶21, GASBS 63, ¶8, and GASBS 103, ¶11–¶13; GASBS 34, ¶112, as amended by GASBS 63, ¶8 and GASBS 103, ¶12; GASBS 37, ¶10; GASBS 103, ¶10 and ¶12]

.102 [In subparagraph b(1), replace the last sentence with the following:] In proprietary funds, transfers should be reported as noncapital subsidies or as other nonoperating revenues and expenses as discussed in paragraphs .113 and .114 of Section P80. [GASBS 34, ¶112, as amended by GASBS 63, ¶8, GASBS 100, ¶9, and GASBS 103, ¶12; GASBS 100, ¶9]

.130 [Revise as follows:] Sales of capital assets (unless the sale meets the criteria for reporting as an unusual or infrequent item, as defined in paragraph .146) should be reported as other financing sources in governmental funds. [GASBS 34, ¶88, as amended by GASBS 103, ¶9]

.139 [Replace *as discussed in Section P80, beginning in paragraph .113* with *as discussed in paragraph .115 of Section P80, as well as separately report noncapital subsidies (a type of nonoperating revenue and expense)*.] [GASBS 34, ¶100, as amended by GASBS 63, ¶8 and GASBS 103, ¶11; GASBS 103, ¶11]

.142 [Replace *special or extraordinary* with *unusual or infrequent*; replace *paragraphs .146 and .147* with *paragraph .146*.] [GASBS 34, ¶41, as amended by GASBS 103, ¶9]

[In heading before paragraph .145, replace *Special and Extraordinary Items, and Transfers* with *Transfers, and Unusual or Infrequent Items*.]

.145 [Revise the first sentence as follows:] Contributions to term and permanent endowments, contributions to permanent fund principal, transfers (defined in paragraph .102) between governmental and business-type activities, and unusual or infrequent items (defined in paragraph .146) should each be reported separately from, but in the same manner as, general revenues. [GASBS 34, ¶53, as amended by GASBS 63, ¶8 and GASBS 103, ¶9 and ¶10]

[In heading before paragraph .146, replace *Extraordinary and Special* with *Unusual or Infrequent*.]

[Replace paragraphs .146 and .147 with the following:]

.146–.147 [GASBS 103, ¶9–¶10]

.148 [Revise as follows:] Judgment is required to determine which items should be segregated in the flows statement<sup>18</sup> for the effects of events or transactions that are unusual or infrequent items. An event or transaction should be presumed to be an ordinary and usual activity of the government, unless the evidence clearly supports its classification as an unusual or infrequent item as defined in paragraph .149. [GASBS 62, ¶45, as amended by GASBS 103, ¶9 and ¶10]

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<sup>18</sup>[Insert current footnote 18.].

.149 [Revise the first two sentences as follows:] 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: [GASBS 62, ¶46, as amended by GASBS 103, ¶9]

.152 In the first sentence, replace *extraordinary items* with *unusual or infrequent items*; replace *or may* with *and may*; and revise the sentences after the lettered list as follows:] In rare situations,

an event or transaction may occur that clearly meets one or both criteria specified in paragraph .149 and, thus, gives rise to an unusual or infrequent gain or loss that includes one or more of the gains or losses enumerated above. In these circumstances, gains or losses such as (a) and (c) above, should be reported as an unusual or infrequent item if they are a direct result of a major casualty (such as an earthquake) or a prohibition under a newly enacted law or regulation that clearly meets one or both criteria specified in paragraph .149. However, any portion of such losses that would have resulted from a valuation of assets on a going-concern basis should not be reported as an unusual or infrequent item. [GASBS 62, ¶149, as amended by GASBS 103, ¶9]

[In the heading before paragraph .153, replace *Extraordinary and Special* with *Unusual or Infrequent*.]

.153 [Revise as follows:] In governmental fund statements of revenues, expenditures, and changes in fund balances, unusual or infrequent items (defined in paragraph .146) should be reported individually after “other financing sources and uses.” If more than one occurs during the same period, unusual or infrequent items should be reported individually within an “unusual or infrequent items” classification. Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted. (Because other financing sources and uses, rather than *gains* or *losses*, are reported for debt refundings in governmental funds, these transactions should not be reported as unusual or infrequent items in governmental funds.) Unusual or infrequent items in the proprietary fund statement of revenues, expenses, and changes in fund net position should be reported individually as the last presented flow of resources prior to the net change in resource flows. Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted. [GASBS 34, ¶89, as amended by GASBS 103, ¶9 and ¶10; GASBS 34, ¶100, as amended by GASBS 63, ¶8 and GASBS 103, ¶10; GASBS 103, ¶10]

.601 [Delete the Question and Response and all associated headings.]

.703-17 [Revise the answer as follows:] The amount would be reported in the same fashion as other sales to outsiders—that is, as a direct expense or as a general revenue—or if “unusual or infrequent,” as an unusual or infrequent item. [GASBIG 2015-1, Q7.47.22, as amended by GASBS 103, ¶9 and ¶10]

[In heading .728, replace *Special and Extraordinary Items, and Transfers* with *Transfers, and Unusual or Infrequent Items*.]

[In heading .729, replace *Extraordinary and Special* with *Unusual or Infrequent*.]

[Delete Questions .729-1 and .729-2.]

[In heading .730, replace *Extraordinary and Special* with *Unusual or Infrequent*.]

.730-1 [Replace *special and extraordinary* and *extraordinary and special* with *unusual or infrequent*.] [GASBIG 2015-1, Q7.67.1, as amended by GASBS 103, ¶9 and ¶10]

.730-2 [Replace *a special or extraordinary, a special, and an extraordinary or special* with *an unusual or infrequent*; replace *no extraordinary or special* with *no unusual or infrequent*.] [GASBIG 2015-1, Q7.67.2, as amended by GASBS 103, ¶9]

[Delete Question .730-3.]

.737-1 [Revise the second sentence of the question as follows:] (See paragraphs .142, .194, and .196 of Section 2200, for example.) [GASBIG 2015-1, Q7.24.6, as amended by GASBS 103, ¶11–¶13]

\* \* \*

## **2100—Defining the Financial Reporting Entity**

.501 [Revise the definition of Discrete presentation (discretely presented) as follows:] The method of reporting financial data of component units in columns and rows separate from the financial data of the primary government. An integral part of this method of presentation is that major component unit supporting information is required to be presented separately in the reporting entity's statements of net position and activities if it does not reduce the readability of the statements. If presenting each major component unit separately in the reporting entity's statements of net position and activities reduces the readability of the statements, combining statements of major component units should be included in the reporting entity's basic financial statements after the fund financial statements. [2600.107] [GASBS 14, ¶131, as amended by GASBS 34, ¶6 and ¶126, GASBS 63, ¶8, and GASBS 103, ¶15; GASBS 34, ¶14]

.719-1 [Replace .705-2–.705-9 with .705-2–.705-4.]

\* \* \*

## **2200—Annual Comprehensive Financial Report**

Sources: [Add GASBS 103.]

.101 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .110–.204* with *paragraphs .111–.206*; and update other cross-references for renumbering.] [NCGAS 1, ¶135 and ¶139, as amended by GASBS 14 and GASBS 34, ¶80 and ¶82; GASBS 14, ¶11, ¶19, ¶44, and ¶50; GASBS 34, ¶6, as amended by GASBS 103, ¶4–¶10 and ¶12–¶14; GASBS 34, ¶15, ¶126, and fn36; GASBS 103, ¶4–¶14 and ¶16]

.102 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .110–.156* with *paragraphs .111–.157*; replace *paragraphs .157–.200* with *paragraphs .158–.202*; and replace *paragraphs .205–.207* with *paragraphs .207–.209*.] [GASBS 34, ¶6, as amended by GASBS 84, ¶5, GASBS 99, ¶30, and GASBS 103, ¶4–¶10 and ¶12–¶14; GASBS 103, ¶4–¶14 and ¶16]

[Replace paragraphs .106–.109, including footnotes, with new paragraphs .106–.110 as follows; renumber subsequent paragraphs and footnotes.]

.106–.110 [GASBS 103, ¶4–¶8, including GASBS 103, fn2–fn8]

.127 [Replace *special and extraordinary items, and transfers* with *transfers, and unusual or infrequent items*.] [GASBS 34, ¶38, as amended by GASBS 63, ¶8 and GASBS 103, ¶10; GASBS 37, ¶11]

.130 [Replace *special or extraordinary items* with *unusual or infrequent items*; replace paragraphs .143 and .144 with paragraph .144.] [GASBS 34, ¶41, as amended by GASBS 103, ¶9]

[In the heading before paragraph .142, replace *Special and Extraordinary Items, and Transfers* with *Transfers, and Unusual or Infrequent Items*.]

.142 [Revise the first sentence as follows:] Contributions to term and permanent endowments, contributions to permanent fund principal, transfers (defined in paragraph .102 of Section 1800) between governmental and business-type activities, and unusual or infrequent items (defined in paragraph .144 of this section) should each be reported separately from, but in the same manner as, general revenues. [GASBS 34, ¶53, as amended by GASBS 63, ¶8 and GASBS 103, ¶9 and ¶10]

.143 [In the table, replace *Special items* with *Unusual or infrequent items*; switch the line for transfers with the line for unusual or infrequent items; and replace *special items, and transfers* with *transfers, and unusual or infrequent items*.] [GASBS 34, ¶54, as amended by GASBS 63, ¶8 and GASBS 103, ¶10]

[Replace renumbered paragraphs .144 and .145, including the heading before paragraph .144, as follows:]

#### ***Unusual or Infrequent Items***

.144 Unusual or infrequent items are transactions and other events that are unusual in nature or infrequent in occurrence. Paragraphs .146–.150 of this section define the terms *unusual in nature* and *infrequency of occurrence*. [GASBS 103, ¶9]

.145 [GASBS 103, ¶10]

.146 [Revise as follows:] Judgment is required to determine which items should be segregated in the flows statement<sup>28</sup> for the effects of events or transactions that are unusual or infrequent items. An event or transaction should be presumed to not be usual or infrequent activity of the government, unless the evidence clearly supports its classification as an unusual or infrequent item as defined in paragraph .147. [GASBS 62, ¶45, as amended by GASBS 103, ¶9 and ¶10]

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<sup>28</sup>[Insert renumbered footnote 28.]

.147 [Revise the first two sentences as follows:] 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: [GASBS 62, ¶46, as amended by GASBS 103, ¶9]

.150 [In the first sentence, replace *extraordinary items* with *unusual or infrequent items*; replace *or may* with *and may*; and revise the sentences after the lettered list as follows:] In rare situations, an event or transaction may occur that clearly meets one or both criteria specified in paragraph .147 and, thus, gives rise to an unusual or infrequent gain or loss that includes one or more of the gains or losses enumerated above. In these circumstances, gains or losses such as (a) and (c) above, should be reported as an unusual or infrequent item if they are a direct result of a major casualty (such as an earthquake) or a prohibition under a newly enacted law or regulation that clearly meets one or both criteria specified in paragraph .147. However, any portion of such losses that would have resulted from a valuation of assets on a going-concern basis should not be reported as an unusual or infrequent item. [GASBS 62, ¶49, as amended by GASBS 103, ¶9]

.151 [Replace *special or extraordinary* with *unusual or infrequent*; replace *extraordinary or special* with *unusual or infrequent*.] [GASBS 62, ¶50, as amended by GASBS 100, ¶25–¶28 and GASBS 103, ¶9; GASBS 100, ¶25–¶28]

[Revise footnote 31 as follows:] Excluding revenues and expenditures/expenses reported as unusual or infrequent items, which are defined in paragraph .144 of this section. [GASBS 34, fn37, as amended by GASBS 103, ¶9]

.166 [Replace *Special and extraordinary items (detailed)* with *Unusual or infrequent items (detailed)*.] [GASBS 34, ¶86, as amended by GASBS 103, ¶10; GASBS 103, ¶10]

.168 [Replace *(unless the sale meets the criteria, as defined in paragraph .144, for reporting as a special item)* with *(unless the sale meets the criteria for reporting as an unusual or infrequent item, as defined in paragraph .144)*.] [GASBS 34, ¶88, as amended by GASBS 37, ¶16 and GASBS 103, ¶9]

[In the heading before paragraph .169, replace *Special and Extraordinary* with *Unusual or Infrequent*.]

.169 [Revise as follows:] Unusual or infrequent items (defined in paragraph .144) should be reported individually after “other financing sources and uses.” If more than one occurs during the same period, unusual or infrequent items should be reported individually within an “unusual or infrequent items” classification. Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted. (Because other financing sources and uses, rather than *gains* or *losses*, are reported for debt refundings in governmental funds, these transactions should not be reported as unusual or infrequent items in governmental funds.) [GASBS 34, ¶89, as amended by GASBS 103, ¶9 and ¶10; GASBS 103, ¶10]

.192 [Revise as follows:] The operating statement for proprietary funds is the statement of revenues, expenses, and changes in fund net position. Revenues should be reported by major source.<sup>46</sup> This statement also should distinguish between operating and nonoperating revenues

and expenses (as discussed in paragraph .194), as well as separately report noncapital subsidies (a type of nonoperating revenue and expense). Governments should present inflows and outflows related to unusual or infrequent items individually as the last presented flow(s) of resources prior to the net change in resource flows in the proprietary fund statement of resource flows. Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted. [GASBS 34, ¶100, as amended by GASBS 48, ¶21, GASBS 63, ¶8, and GASBS 103, ¶11; GASBS 103, ¶10 and ¶11]

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<sup>46</sup>[Insert renumbered footnote 46.]

.193 [Revise as follows:] The statement of revenues, expenses, and changes in fund net position should present the following information in the order shown, using the all-inclusive format indicated:

Operating revenues (detailed)

Total operating revenues

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

Each caption, subtotal, and total shown in the format above should be presented, as applicable. [GASBS 103, ¶12]

[Replace renumbered paragraph .194, including heading and current footnote 45, with new paragraphs .194–.195, as follows; renumber subsequent paragraphs and footnotes.]

**Definitions of Operating Revenues and Expenses and of Nonoperating Revenues and Expenses**

.194 [GASBS 103, ¶13]

**> Definition of Subsidies**

.195 [GASBS 103, ¶14]

.196 [Delete the second sentence.] [GASBS 34, ¶103, as amended by GASBS 63, ¶8 and GASBS 103, ¶12 and ¶13]

.207 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*.] [GASBS 34, ¶6, as amended by GASBS 103, ¶4–¶8; GASBS 34, ¶129, as amended by GASBS 67, ¶32–¶34, GASBS 68, ¶46, ¶47, ¶81, ¶82, ¶114, ¶115, and ¶117, GASBS 73, ¶45, ¶46, ¶66, ¶93, ¶94, ¶96, ¶115, and ¶116, GASBS 74, ¶36–¶38 and ¶59, GASBS 75, ¶57, ¶97, ¶134, ¶137, ¶170, ¶191, ¶218, and ¶221, and GASBS 103, ¶4–¶8]

.208 [In the first sentence, replace *Budgetary comparisons should be presented* with *Budgetary comparison schedules should be presented as RSI*; delete the second sentence, including current footnote 51, and renumber subsequent footnotes; and replace the last two sentences before subparagraph (a) with the following:] Separate columns for the variances between (a) original and final budget amounts and (b) final budget amounts and actual results are required to be presented. An explanation of significant variations between original and final budget amounts and final budget amounts and actual results also is required to be presented in notes to RSI. [GASBS 34, ¶130, as amended by GASBS 41, ¶3 and GASBS 103, ¶16; GASBS 103, ¶16]

.209 [Delete current footnote 54 and renumber subsequent footnotes.]

.211 [Replace the first two sentences with the following:] Paragraph .108 of Section 2600 discusses reporting requirements for major component units. As discussed in paragraph .106 of Section 2600, the data presented for each component unit in the combining statements generally should be the entity totals derived from the component units' statements of net position and activities.<sup>55</sup>

[GASBS 14, ¶50; GASBS 34, ¶126, as amended by GASBS 63, ¶8; GASBS 37, ¶18; GASBS 103, ¶15]

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<sup>55</sup>[Insert renumbered footnote 55; replace *this disclosure should be taken from the information provided in* with *this information should be taken from*.] [GASBS 34, fn51, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶15]

.217 [Replace the second and third sentences with the following:] Governments should present each major component unit<sup>56</sup> separately in the reporting entity's statements of net position and activities if it does not reduce the readability of the statements. If presenting each major component unit separately in the reporting entity's statements of net position and activities reduces the readability of the statements, combining statements of major component units<sup>57</sup> should be included in the reporting entity's basic financial statements after the fund financial statements. The *aggregated total* component unit information, as discussed in paragraph .106 of Section 2600, should be the entity totals derived from the component units' statements of net position and activities.<sup>58</sup>

[GASBS 34, ¶126, as amended by GASBS 63, ¶8, and GASBS 103, ¶15; GASBS 37, ¶18; GASBS 103, ¶15]

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<sup>56</sup>[Insert renumbered footnote 56.]

<sup>57</sup>[Insert renumbered footnote 57.]

<sup>58</sup>[Insert renumbered footnote 58; replace *this disclosure should be taken from the information provided in* with *this information should be taken from.*] [GASBS 34, fn51, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶15]

[Delete current paragraph .216 and current footnote 60; renumber subsequent paragraph.]

.218 [Revise as follows:] Notes to financial statements should disclose, for each major component unit, the nature and amount of significant transactions with the primary government and other component units. [GASBS 34, ¶128, as amended by GASBS 103, ¶15]

.601 [Delete *and the additional unplanned outflows of resources incurred in response to a coronavirus disease.*] [GASBTB 2020-1, ¶2, as amended by GASBS 103, ¶13]

[In paragraph .601, revise the questions and responses as follows:]

[In the headings, replace *Question 1* with *Question*; in the first paragraph of the response to current Question 1, replace *paragraph .193* with *paragraph .194*, replace *in Question 1* with *in the question*, and revise the sources as follows:] GASBTB 2020-1, ¶14, as amended by GASBS 103, ¶13

[Delete Question 2 and its response.]

.703-1 [Revise the sources as follows:] GASBIG 2015-1, Q7.5.1, as amended by GASBS 98, ¶4 and GASBS 103, ¶4

.704-1 [Replace *paragraph .109h* with *paragraph .110e.*] [GASBIG 2015-1, Q7.5.2, as amended by GASBS 98, ¶4, GASBS 103, ¶8 and fn3, and GASBIG 2016-1, Q5.10]

.704-2 [Replace the first sentence with the following:] Paragraph .109 of this section states that a decision to discuss component units should be based on the individual component unit's relationship to the primary government. [GASBIG 2015-1, Q7.5.3, as amended by GASBS 103, ¶7]

.704-4 [Replace *paragraph .109* with *paragraph .110.*] [GASBIG 2015-1, Q7.5.6, as amended by GASBS 103, ¶8]

.704-5 [Replace *paragraph .109* with *paragraph .110*; replace *subparagraphs a–h* with *subparagraphs a–e*; and replace *paragraph .109h* with *paragraph .110e.*] [GASBIG 2015-1, Q7.5.7, as amended by GASBS 103, ¶8]

[Delete Question .704-6; renumber subsequent questions.]

.704-6 [Revise the question as follows; in the answer, replace *paragraph .109a* with *paragraph .110a* and replace *readers* with *users.*] Paragraph .110a of this section requires MD&A to provide information about significant differences in the type of information the financial statements

provide. How might governments meet this requirement? [GASBIG 2015-1, Q7.5.9, as amended by GASBS 103, ¶8]

.704-7 [Replace *paragraph .109b* with *paragraph .110b*.] [GASBIG 2015-1, Q7.5.10, as amended by GASBS 103, ¶5 and ¶8]

[Delete current Question .704-9; renumber subsequent questions.]

.704-8 [Replace *paragraph .109f* with *paragraph .110d(2)*.] [GASBIG 2015-1, Q7.5.12, as amended by GASBS 103, ¶8]

.704-9 [Replace *paragraph .109h* with *paragraph .110e*; replace *of the auditor's report with the financial statements are issued*; and replace *or results of operations* with *or that are expected to produce significant differences from current period results of operations*.] [GASBIG 2015-1, Q7.5.13, as amended by GASBS 103, ¶8 and fn2]

.704-10 [Replace *paragraph .109h* with *paragraph .110e*; replace *or results of operations* with *or that are expected to produce significant differences from current period results of operations*; and replace *paragraph .109c* with *paragraph .110c(1)*.] [GASBIG 2015-1, Q7.5.14, as amended by GASBS 103, ¶8]

.704-11 [Replace *paragraph .109a* with *paragraph .110a*; replace *a brief discussion of with an overview of*.] [GASBIG 2015-1, Q7.84.1, as amended by GASBS 84, ¶5 and GASBS 103, ¶8]

.712-1 [Revise the second sentence of the question as follows:] (See paragraphs .142, .194, and .196 of this section, for example.) [GASBIG 2015-1, Q7.24.6, as amended by GASBS 103, ¶11–¶13]

.714-7 [Replace *special and extraordinary* with *unusual or infrequent*.] [GASBIG 2015-1, Q7.45.1, as amended by GASBS 103, ¶9 and ¶11]

.716-16 [Insert *meeting the definition of a subsidy* after the first use of *grant*; replace *as nonoperating revenue* with *in the noncapital subsidy classification* and italicize *noncapital subsidy*; replace *as a capital contribution* with *in the other nonoperating revenue classification* and italicize *other nonoperating revenue*; and replace *paragraph .192* with *paragraph .193*.] [GASBIG 2015-1, Q7.72.8, as amended by GASBS 103, ¶12]

[In heading .719, replace *Special and Extraordinary Items, and Transfers* with *Transfers, and Unusual or Infrequent Items*.]

[Replace heading .721 with the following:]

**.721 Unusual or Infrequent Items**

No questions assigned.

[Delete Questions .721-1 and .721-2.]

.725-16 [Revise the answer as follows:] The amount would be reported in the same fashion as other sales to outsiders—that is, as a direct expense or as a general revenue—or if “unusual or infrequent,” as an unusual or infrequent item. [GASBIG 2015-1, Q7.47.22, as amended by GASBS 103, ¶9 and ¶10]

.729-2 [In the second bullet in the answer, delete the parentheses and delete *or notes*; in the first bullet in the answer, replace the second sentence with the following:] Governments meet the major *component unit* reporting requirements of Section 2600 by using multiple columns and rows in the government-wide financial statements or by including combining statements in the basic financial statements. [GASBIG 2015-1, Q7.4.4, as amended by GASBS 103, ¶15]

[Revise Question .729-20 as follows:]

.729-20 Q—For determining major enterprise funds, should the analysis of revenues and expenses include nonoperating revenues and expenses and unusual or infrequent items?

A—Nonoperating revenues and expenses, although required to be reported separately from operating revenues and expenses, are indicators of the significance of the activities accounted for in individual funds and should be included in determining major enterprise funds. However, footnote 31 of this section specifically excludes unusual or infrequent items from the major fund determination.

[GASBIG 2015-1, Q7.56.10, as amended by GASBS 103, ¶9, ¶11, and ¶12]

.729-24 [Replace the second paragraph of the answer with the following:] In the governmental fund operating statements, transfers in and transfers out are not included in the major fund calculation (revenues and expenditures) and do not affect the major funds determination because they are reported as other financing sources (uses). In the proprietary fund operating statements, transfers in and transfers out are reported as nonoperating revenues and expenses and, therefore, do affect the major funds determination. Interfund services provided and used are not distinguished from other revenues or expenditures/expenses. [GASBIG 2015-1, Q7.56.14, as amended by GASBS 103, ¶12–¶14]

[Revise heading .738 as follows:]

### **.738 Unusual or Infrequent Items**

.738-1 [Replace *special and extraordinary* and *extraordinary and special* with *unusual or infrequent*.] [GASBIG 2015-1, Q7.67.1, as amended by GASBS 103, ¶9 and ¶10]

.738-2 [Replace *a special or extraordinary*, *a special*, and *an extraordinary or special* with *an unusual or infrequent*; replace *no extraordinary or special* with *no unusual or infrequent*.] [GASBIG 2015-1, Q7.67.2, as amended by GASBS 103, ¶9]

[Delete Question .738-3.]

.739-1 [In the first sentence of the answer, replace *last section* with *other nonoperating revenues and expenses section*.] [GASBIG 2015-1, Q7.74.4, as amended by GASBS 103, ¶12]

.751-1 [Replace .191–.195 with .192–.197; update other cross-references for renumbering.] [GASBIG 2015-1, Q7.29.5, as amended by GASBS 103, ¶¶10–¶14]

.751-3 [Replace .192 with .193.] [GASBIG 2015-1, Q7.72.4, as amended by GASBS 103, ¶12]

.751-4 [Insert *meeting the definition of a subsidy* after the first use of *grant*; replace *as nonoperating revenue* with *in the noncapital subsidy classification* and italicize *noncapital subsidy*; replace *as a capital contribution* with *in the other nonoperating revenue classification* and italicize *other nonoperating revenue*; and replace *paragraph .192* with *paragraph .193*.] [GASBIG 2015-1, Q7.72.8, as amended by GASBS 103, ¶12]

.751-5 [Replace *should not report the transaction as an operating expense* with *should report the transaction as an other nonoperating expense*.] [GASBIG 2015-1, Q7.72.9, as amended by GASBS 103, ¶12]

[Revise heading .752 as follows:]

**.752 Definitions of Operating Revenues and Expenses and of Nonoperating Revenues and Expenses**

[Delete Question .752-1; renumber subsequent questions.]

.752-1 [In the question, replace *operating* with *operating revenues, noncapital subsidies*, and revise the answer as follows:] Appropriations meet the definition of a subsidy. Appropriations for noncapital-related purposes should be reported as noncapital subsidies. Appropriations for capital-related purposes should be reported as other nonoperating revenues and expenses. [GASBIG 2015-1, Q7.73.2, as amended by GASBS 103, ¶¶12–¶14]

.752-2 [Replace *Footnote 45 of this section provides that* with *Consistent with paragraph .194 of this section*.] [GASBIG 2015-1, Q7.73.3, as amended by GASBS 103, ¶13]

[Delete original Question .752-4; renumber subsequent questions.]

[Delete original Questions .752-6 and .752-7.]

[Insert new heading .753 and text as follows; renumber subsequent headings and questions.]

**> .753 Definition of Subsidies**

No questions assigned.

.754-3 [Replace *a separate item after* with *other*.] [GASBIG 2015-1, Q7.74.3, as amended by GASBS 103, ¶12 and ¶13]

.754-4 [In the first sentence of the answer, replace *last section* with *other nonoperating revenues and expenses section*.] [GASBIG 2015-1, Q7.74.4, as amended by GASBS 103, ¶12]

.764-1 [Replace *as RSI or in the basic financial statements* with *in RSI*.] [GASBIG 2015-1, Q4.36.1, as amended by GASBS 103, ¶16]

.764-3 [Replace *disclosure* with *presentation*.] [GASBIG 2015-1, Q7.91.1, as amended by GASBS 103, ¶16]

.764-5 [Revise the sources as follows:] GASBIG 2015-1, Q7.91.3, as amended by GASBS 98, ¶4 and GASBS 103, ¶16

.764-6 [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.91.4, as amended by GASBS 103, ¶16]

.764-7 [Delete the first sentence of the question and replace *that schedule* with *the budgetary comparison schedule*. In the second sentence of the answer, replace *By definition* with *Budgetary comparisons are presented in RSI, and by definition*.] [GASBIG 2015-1, Q7.91.5, as amended by GASBS 103, ¶16]

.764-8 [Delete the first sentence of the question and replace *that schedule* with *the budgetary comparison schedule*. Insert the following after the first sentence of the answer:] Budgetary comparisons are presented in RSI, and by definition, the information presented in RSI is limited to that which is required. [GASBIG 2015-1, Q7.91.6, as amended by GASBS 103, ¶16]

[Delete original Questions .763-9, .763-10, and .763-14; renumber subsequent questions.]

.764-12 [Delete *in the basic statements or as RSI*.] [GASBIG 2015-1, Q7.91.13, as amended by GASBS 103, ¶16]

.764-13 [Revise the sources as follows:] GASBIG 2015-1, Q7.91.14, as amended by GASBS 103, ¶16

[Revise Question .764-17 as follows:]

.764-17 Q—Paragraph .209 of this section requires disclosure in notes to RSI of excesses of expenditures over appropriations in the general fund and each major special revenue fund that has a legally adopted annual budget. Is disclosure in notes to RSI required for similar excesses in other governmental funds?

A—No. However, paragraph .106h of Section 2300 requires disclosure of significant violations of finance-related legal and contractual provisions in notes to the basic financial statements. Therefore, disclosure in notes to the basic financial statements of the excess of expenditures over appropriations is required for *any* fund, including nonmajor special revenue funds, capital projects funds, or debt service funds, *if the overexpenditure constitutes a significant violation of finance-related legal and contractual provisions*. In addition, paragraph .106h requires governments to disclose in notes to financial statements actions taken to address such violations.

[GASBIG 2015-1, Q7.93.1, as amended by GASBS 103, ¶16]

[Revise Question .764-18 as follows:]

.764-18 Q—Should *material* violations of budgetary spending limitations (excess of expenditures over appropriations) be disclosed in notes to RSI?

A—Paragraph .209 of this section states that notes to RSI should disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison. In addition, if the excess is considered to be a significant violation of finance-related legal provisions, a disclosure in notes to the basic financial statements is required. (See also Question .764-17 in this section.)

[GASBIG 2015-1, Q7.93.2, as amended by GASBS 103, ¶16]

.801 [Replace *Nonoperating revenues generally should* with *Noncapital subsidies*.] [AICPA SLG 2002, ¶6.73 and ¶12.70, as amended by GASBS 103, ¶13 and ¶14]

\* \* \*

## **2250—Additional Financial Reporting Considerations**

.116 [Replace *Section 2200, paragraph .109*, with *Paragraph .110 of Section 2200* and replace *financial position or results of operations* with *financial position (net position) or that are expected to produce significant differences from current period results of operations (revenues, expenses, and other changes in net position)*.] [GASBS 56, ¶15, as amended by GASBS 103, ¶8]

.120 [Replace *Section 2200, paragraph .109*, with *paragraph .110 of Section 2200* and replace *financial position or results of operations* with *financial position (net position) or that are expected to produce significant differences from current period results of operations (revenues, expenses, and other changes in net position)*.] [GASBS 56, ¶19, as amended by GASBS 103, ¶8]

\* \* \*

## **2300—Notes to Financial Statements**

Sources: [Add GASBS 103.]

.106 [Delete footnote 2 and subparagraph a(10); renumber subsequent footnotes and subparagraphs.]

.107 [Delete renumbered footnote 3 and subparagraph (d); renumber subsequent footnotes and subparagraphs; and revise current subparagraphs (cc) and (uu) as follows:]

- cc. The program or function or identifiable activity to which an unusual or infrequent item is related, if applicable, and whether that item was within the control of management. (See Section 2200, paragraphs .145 and .169.)
- uu. Current-period adjustments to an unusual or infrequent item that was reported in a prior period. (See Section 2200, paragraph .151.)

[NCGAI 6, ¶5, as amended; GASBS 34, ¶46, ¶77, and fn41; GASBS 34, ¶89, as amended by GASBS 103, ¶10; GASBS 38, ¶13, as amended by GASBS 63, ¶8; GASBS 42, ¶17, as amended by GASBS 62, ¶45–¶49 and GASBS 63, ¶8; GASBS 46, ¶6, as amended by GASBS 63, ¶8;

GASBS 54, ¶23–¶27 and ¶32; GASBS 56, ¶4–¶7 and ¶16–¶19; GASBS 62, ¶33, ¶44, ¶52, ¶116, ¶170, ¶171, ¶187, ¶210, ¶330, ¶384, ¶429, ¶473, ¶474, ¶493, ¶494, and ¶500; GASBS 62, ¶50, as amended by GASBS 103, ¶9; GASBS 62, ¶280, as amended by GASBS 99, ¶28; GASBS 63, ¶13 and ¶14; GASBS 69, ¶55–¶58; GASBS 70, ¶14–¶17; GASBS 72, ¶80–¶82; GASBS 74, ¶34 and ¶35; GASBS 77, ¶5–¶10; GASBS 94, ¶35, ¶36, and ¶57–¶59; GASBS 96, ¶60 and ¶61; GASBS 99, ¶28; GASBS 100, ¶17, ¶18, ¶21, ¶23, ¶24, ¶27–¶30, and ¶32–¶34]

.703-2 [Replace *paragraph .109a* with *paragraph .110a*; replace *a brief discussion of* with *an overview of*.] [GASBIG 2015-1, Q7.84.1, as amended by GASBS 84, ¶5 and GASBS 103, ¶8]

[Delete paragraph .802, including heading.]

\* \* \*

## 2400—Budgetary Reporting

Sources: [Add GASBS 103.]

[Delete the note that follows the See Also references.]

[In the Statement of Principle, “Budgetary Reporting,” replace *Budgetary comparisons should be presented* with *Budgetary comparison schedules should be presented as required supplementary information (RSI)* and delete the second sentence.] [GASBS 34, ¶130, as amended by GASBS 41, ¶3 and GASBS 103, ¶16; GASBS 103, ¶16]

.102 [In the first sentence, replace *Budgetary comparisons should be presented* with *Budgetary comparison schedules should be presented as RSI*; delete the second sentence, including footnote 1, and renumber subsequent footnotes; and replace the last two sentences before subparagraph (a) with the following:] Separate columns for the variances between (a) original and final budget amounts and (b) final budget amounts and actual results are required to be presented. An explanation of significant variations between original and final budget amounts and final budget amounts and actual results also is required to be presented in notes to RSI. [GASBS 34, ¶130, as amended by GASBS 41, ¶3 and GASBS 103, ¶16; GASBS 103, ¶16]

.103 [Delete original footnote 5.] [NCGAI 6, ¶5; GASBS 34, ¶131, as amended by GASBS 37, ¶19; GASBS 37, ¶19, as amended by GASBS 103, ¶16]

.108 [Delete *financial statement* from the first sentence; at the end of the sentence before the lettered list, add *presented in RSI*.] [NCGAI 10, ¶11; GASBS 34, ¶6; GASBS 34, ¶130, as amended by GASBS 103, ¶16]

.109 [Delete original footnote 6.]

.121 [Delete original footnote 7.]

.702-1 [Replace *disclosure* with *presentation*.] [GASBIG 2015-1, Q7.91.1, as amended by GASBS 103, ¶16]

.702-3 [Revise the sources as follows:] GASBIG 2015-1, Q7.91.3, as amended by GASBS 98, ¶14 and GASBS 103, ¶16

.702-4 [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.91.4, as amended by GASBS 103, ¶16]

.702-5 [Delete the first sentence of the question and replace *that schedule* with *the budgetary comparison schedule*. In the second sentence of the answer, replace *By definition* with *Budgetary comparisons are presented in RSI, and by definition*.] [GASBIG 2015-1, Q7.91.5, as amended by GASBS 103, ¶16]

.702-6 [Delete the first sentence of the question and replace *that schedule* with *the budgetary comparison schedule*. Insert the following after the first sentence of the answer:] Budgetary comparisons are presented in RSI, and by definition, the information presented in RSI is limited to that which is required. [GASBIG 2015-1, Q7.91.6, as amended by GASBS 103, ¶16]

[Delete Questions .702-7 and .702-8; renumber subsequent questions.]

.702-8 [Revise the sources as follows:] GASBIG 2015-1, Q7.91.10, as amended by GASBS 103, ¶16

[Delete current Question .702-12; renumber subsequent questions.]

.702-10 [Delete *in the basic statements or as RSI*.] [GASBIG 2015-1, Q7.91.13, as amended by GASBS 103, ¶16]

.702-11 [Revise the sources as follows:] GASBIG 2015-1, Q7.91.14, as amended by GASBS 103, ¶16

[Revise Question .702-15 as follows:]

.702-15 Q—Paragraph .103 of this section requires disclosure in notes to RSI of excesses of expenditures over appropriations in the general fund and each major special revenue fund that has a legally adopted annual budget. Is disclosure in notes to RSI required for similar excesses in other governmental funds?

A—No. However, paragraph .106h of Section 2300 requires disclosure of significant violations of finance-related legal and contractual provisions in notes to the basic financial statements. Therefore, disclosure in notes to the basic financial statements of the excess of expenditures over appropriations is required for *any* fund, including nonmajor special revenue funds, capital projects funds, or debt service funds, *if the overexpenditure constitutes a significant violation of finance-related legal and contractual provisions*. In addition, paragraph .106h requires governments to disclose in notes to financial statements actions taken to address such violations.

[GASBIG 2015-1, Q7.93.1, as amended by GASBS 103, ¶16]

[Revise Question .702-16 as follows:]

.702-16 Q—Should *material* violations of budgetary spending limitations (excess of expenditures over appropriations) be disclosed in notes to RSI?

A—Paragraph .103 of this section states that notes to RSI should disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison. In addition, if the excess is considered to be a significant violation of finance-related legal provisions, a disclosure in notes to the basic financial statements is required. (See also Question .702-15 in this section.)

[GASBIG 2015-1, Q7.93.2, as amended by GASBS 103, ¶16]

[Delete Question .709-1.]

.711-1 [Replace *as RSI or in the basic financial statements* with *in RSI*.] [GASBIG 2015-1, Q4.36.1, as amended by GASBS 103, ¶16]

.711-2 [Replace *disclosure* with *presentation*.] [GASBIG 2015-1, Q7.91.1, as amended by GASBS 103, ¶16]

[Delete paragraph .801, including headings.]

\* \* \*

## **2450—Cash Flows Statements**

Sources: [Add GASBS 103.]

[In footnote 5, replace *net position* with *fund net position* in the first sentence and revise the second sentence as follows:] Paragraphs .194 and .195 of Section 2200 define operating revenues and expenses. [GASBS 34, ¶100, as amended by GASBS 63, ¶8 and GASBS 103, ¶13 and ¶14; GASBS 103, ¶12–¶14]

.707-3 [Revise the question and the first two sentences of the answer as follows:]

Q—How should rent income be presented in the statement of cash flows?

A—The basic question is whether rent income meets the classification criteria of the noncapital financing category, the capital and related financing category, or the investing activities category.

[GASBIG 2016-1, Q4.9, as amended by GASBS 103, ¶13]

.707-6 [Revise the answer as follows:] Miscellaneous cash flows should be included in the operating activities category unless the cash flows specifically meet the definition of the noncapital financing, capital and related financing, or investing activities category. [GASBIG 2015-1, Q2.20.5, as amended by GASBS 103, ¶13]

[Delete current Question .708-2; renumber subsequent questions.]

[Delete current Question .711-6; renumber subsequent questions.]

.711-6 [Delete the second sentence of the answer.] [GASBIG 2015-1, Q2.21.3, as amended by GASBS 103, ¶13]

.711-7 [Replace *As discussed in Question .711-6 in this section, regardless* with *Regardless*.] [GASBIG 2015-1, Q2.21.4, as amended by GASBS 103, ¶13]

\* \* \*

## **2500—Segment Information**

Sources: [Add GASBS 103.]

.101 [Replace subparagraph (b) with the following:]

- b. Condensed statement of revenues, expenses, and changes in net position:
- (1) Operating revenues (by major source)
  - (2) Operating expenses—identifying depreciation (including any amortization) separately
  - (3) Operating income (loss)
  - (4) Noncapital subsidies (detailed)
  - (5) Operating income (loss) and noncapital subsidies
  - (6) Other nonoperating revenues and expenses (detailed)
  - (7) Unusual or infrequent items (detailed)
  - (8) Increase (decrease) in net position
  - (9) Net position—beginning of period
  - (10) Net position—end of period.

[GASBS 34, ¶122, as amended by GASBS 37, ¶17, GASBS 63, ¶7 and ¶8, and GASBS 103, ¶12]

.102 [Replace *paragraphs .126–.156* with *paragraphs .127–.157*.] [GASBS 34, ¶123, as amended by GASBS 84, ¶14 and GASBS 103, ¶9 and ¶10; GASBS 103, ¶9 and ¶10]

\* \* \*

## **2600—Reporting Entity and Component Unit Presentation and Disclosure**

Sources: [Add GASBS 103.]

.105 [Replace *paragraphs .107–.111* with *paragraphs .107–.110*; and update other cross-references for renumbering.]

.108 [Replace the fourth sentence with the following:] In basic financial statements, governments should present each major component unit separately in the reporting entity's statements of net

position and activities if it does not reduce the readability of the statements. If presenting each major component unit separately in the reporting entity's statements of net position and activities reduces the readability of the statements, combining statements of major component units should be included in the reporting entity's basic financial statements after the fund financial statements. [GASBS 14, ¶51, as amended by GASBS 34, fn50, GASBS 61, ¶7, GASBS 63, ¶8, and GASBS 103, ¶15; GASBS 34, ¶126, as amended by GASBS 63, ¶8 and GASBS 103, ¶15; GASBS 34, fn49, as amended by GASBS 84, ¶5; GASBS 34, fn50; GASBS 103, ¶15]

[Delete paragraph .109, including footnotes 3 and 4; renumber subsequent paragraphs and footnotes.]

.109 [Insert current paragraph .111; replace *The data* with *As discussed in paragraph .106 of this section, the data* and replace *this disclosure should be taken from the information presented in* with *this information should be taken from.*] [GASBS 14, ¶50, as amended by GASBS 98, ¶4; GASBS 34, ¶126, as amended by GASBS 63, ¶8; GASBS 34, fn51, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶15; GASBS 37, ¶18]

.110 [Revise current paragraph .110 as follows:] Notes to financial statements should disclose, for each major component unit, the nature and amount of significant transactions with the primary government and other component units. [GASBS 34, ¶128, as amended by GASBS 103, ¶15]

.114 [Replace *the notes to the financial statements* with *notes to financial statements*; replace subparagraph (b) with the following:]

- b. Condensed statement of revenues, expenses, and changes in net position:
  - (1) Operating revenues (by major source)
  - (2) Operating expenses—identifying depreciation (including any amortization) separately
  - (3) Operating income (loss)
  - (4) Noncapital subsidies (detailed)
  - (5) Operating income (loss) and noncapital subsidies
  - (6) Other nonoperating revenues (expenses)—with separate reporting of major revenues and expenses
  - (7) Unusual or infrequent items (detailed)
  - (8) Increase (decrease) in net position
  - (9) Net position—beginning of period
  - (10) Net position—end of period.

[GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, GASBS 85, ¶4, and GASBS 103, ¶12]

.704-4 [Revise the answer as follows:] A government that presents its component units in more than one column may segregate the component units using any method that it chooses. The provisions in paragraphs .107, .108, and .110 of this section regarding the mechanics of discrete presentation are intended to provide guidance regarding the presentation of major component units. Paragraph .108 requires governments to present major component units separately in the government-wide statements if it does not reduce the readability of the statements. In addition, component units could be presented based on functional groupings, whether component units

are governmental or business type, or whether the primary government is financially accountable based on fiscal dependency and a financial benefit or burden relationship. However, segregating component units into functional groupings in the government-wide statements does not relieve the government of the major component unit reporting responsibility in combining statements. [GASBIG 2015-1, Q4.28.4, as amended by GASBS 103, ¶15]

.704-6 [Revise the answer as follows:] Paragraph .105 of this section requires component unit information to be displayed in the reporting entity's government-wide statements. Paragraph .108 of this section requires major component unit information to be presented separately in the reporting entity's statements of net position and activities if it does not reduce the readability of the statements. Presentation in combining statements is not applicable because the major component unit reporting requirements are met by discrete presentation in the government-wide statements. [GASBIG 2015-1, Q4.28.9, as amended by GASBS 103, ¶15]

.704-8 [Replace .111 of this section with .109 of this section.]

.704-10 [Replace .111 with .109.]

704-13 [Revise the sources as follows:] GASBIG 2015-1, Q4.33.3, as amended by GASBS 103, ¶9–¶14

.704-15 [Replace *as RSI or in the basic financial statements* with *in RSI*.] [GASBIG 2015-1, Q4.36.1, as amended by GASBS 103, ¶16]

.705-2 [Revise the answer as follows:] A government that presents its component units in more than one column may segregate the component units using any method that it chooses. The provisions in paragraphs .107–.109 of this section regarding the mechanics of discrete presentation are intended to provide guidance regarding the presentation of major component units. Paragraph .108 requires governments to present major component units separately in the government-wide statements if it does not reduce the readability of the statements. In addition, component units could be presented based on functional groupings, whether component units are governmental or business type, or whether the primary government is financially accountable based on fiscal dependency and a financial benefit or burden relationship. However, segregating component units into functional groupings in the government-wide statements does not relieve the government of the major component unit reporting responsibility in combining statements. [GASBIG 2015-1, Q4.28.4, as amended by GASBS 103, ¶15]

[Delete Question .705-3; renumber subsequent questions.]

.705-4 [Replace *net position* with *fund net position*; add the following at the end of the first sentence in the question:] because it is not feasible to present each major component unit separately in the reporting entity's statements of net position and activities [GASBIG 2015-1, Q4.28.20, as amended by GASBS 103, ¶11 and ¶15]

.705-5 [In the second bullet in the answer, delete the parentheses and delete *or notes*; in the first bullet in the answer, replace the second sentence with the following:] Governments meet the major *component unit* reporting requirements of this section by using multiple columns and rows

in the government-wide financial statements or by including combining statements in the basic financial statements. [GASBIG 2015-1, Q7.4.4, as amended by GASBS 103, ¶15]

[Delete current Questions .705-6–.705-9.]

[Delete Question .711-2; renumber subsequent question.]

\* \* \*

## **2800—Statistical Section**

Sources: [Add GASBS 103.]

.103 [Replace *paragraph .108 of Section 2200* with *paragraph .109 of Section 2200*.] [GASBS 44, ¶4, as amended by GASBS 103, ¶7]

.109 [Revise subparagraph (a) as follows:] Governments engaged only in business-type activities or only in business-type and fiduciary activities should present revenues by major source for their business-type activities, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses, in the statistical section of their separately issued financial reports. [GASBS 44, ¶10, as amended by GASBS 63, ¶8, GASBS 73, ¶115 and ¶116, GASBS 74, ¶3, ¶58, and ¶59, GASBS 84, ¶14, and GASBS 103, ¶17; GASBS 103, ¶17]

.110 [Revise the sources as follows:] GASBS 44, ¶11, as amended by GASBS 63, ¶8; GASBS 103, ¶10 and ¶17

.707-2 [Remove the quotation marks from the second sentence of the answer and revise the sources as follows:] GASBIG 2015-1, Q9.7.3, as amended by GASBS 103, ¶10 and ¶17]

[Delete Question .707-5; renumber subsequent questions.]

.707-5 [Revise the sources as follows:] GASBIG 2015-1, Q9.8.2, as amended by GASBS 103, ¶17

\* \* \*

## **C50—Claims and Judgments**

Sources: [Add GASBS 103.]

.121 [Replace the third and fourth sentences with the following:] Claims that meet the definition of unusual or infrequent items, as discussed in paragraph .144 of Section 2200, should be presented individually as the last presented flow of resources prior to the net change in resource flows in the statement of activities. Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted. In addition, governments should disclose in notes to financial statements the program, function, or identifiable activity to which an unusual or

infrequent item is related, if applicable, and whether that item was within the control of management. [GASBS 34, ¶41, as amended by GASBS 62, ¶45–¶49 and GASBS 103, ¶9 and ¶10; GASBS 103, ¶10]

\* \* \*

## **I50—Investments**

.116 [In subparagraph (c), replace *extraordinary items* with *unusual or infrequent items*; in subparagraph (d), replace *special and extraordinary items* with *unusual or infrequent items* and replace *paragraphs .143 and .145–.150* with *paragraphs .144 and .146–.151*.] [GASBS 62, ¶209, as amended by GASBS 63, ¶8, GASBS 69, ¶39, GASBS 100, ¶4–¶39, and GASBS 103, ¶9 and ¶10]

\* \* \*

## **J50—Accounting for Participation in Joint Ventures and Jointly Governed Organizations**

.112 [Replace *Section 2600, paragraphs .105–.117* with *paragraphs .105–.114 of Section 2600*; replace *.128* with *.129*.] [GASBS 14, ¶78, as amended by GASBS 34, ¶32 and ¶98, GASBS 61, ¶12, and GASBS 63, ¶8; GASBS 103, ¶15]

\* \* \*

## **L20—Leases**

[Delete Questions .715-4 and .715-5.]

\* \* \*

## **N50—Nonexchange Transactions**

.140 [Replace *paragraphs .135–.141 and paragraphs .191–.194* with *paragraphs .136–.142 and paragraphs .192–.196*.]

.715-2 [Delete *nonoperating* and add the following at the end of the answer:] Furthermore, recipient governments that report their activities in a proprietary fund should report Pell Grants as operating revenues. [GASBIG 2015-1, Q7.72.10, as amended by GASBS 84, ¶5 and GASBS 103, ¶13 and ¶14]

\* \* \*

## **P40—Pollution Remediation Obligations**

.121 [Replace *special item, or extraordinary* with *or an unusual or infrequent*.] [GASBS 49, ¶23, as amended by GASBS 63, ¶8 and GASBS 103, ¶9, ¶10, ¶12, and ¶13]

\* \* \*

## **P80—Proprietary Fund Accounting and Financial Reporting**

Sources: [Add GASBS 103.]

[Revise footnote 5 as follows:] Excluding revenues and expenditures/expenses reported as unusual or infrequent items, which are defined in paragraph .144 of Section 2200. [GASBS 34, fn37, as amended by GASBS 103, ¶9]

.113 [Revise as follows:] The operating statement for proprietary funds is the statement of revenues, expenses, and changes in fund net position. Revenues should be reported by major source.<sup>6</sup> This statement also should distinguish between operating and nonoperating revenues and expenses (as discussed in paragraph .115), as well as separately report noncapital subsidies (a type of nonoperating revenue and expense). Governments should present inflows and outflows related to unusual or infrequent items individually as the last presented flow(s) of resources prior to the net change in resource flows in the proprietary fund statement of resource flows. Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted. [GASBS 34, ¶100, as amended by GASBS 48, ¶21, GASBS 63, ¶8, and GASBS 103, ¶11; GASBS 103, ¶10 and ¶11]

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<sup>6</sup>[Insert current footnote 6.]

[Replace paragraphs .114–.115, including headings and footnote with new paragraphs .114–.116 as follows and renumber subsequent paragraphs and footnotes.]

.114 [GASBS 103, ¶12]

### ***Definitions of Operating Revenues and Expenses and of Nonoperating Revenues and Expenses***

.115 [GASBS 103, ¶13]

#### **Definition of Subsidies**

.116 [GASBS 103, ¶14]

[Revise the heading before paragraph .117 as follows:]

## **Reporting Capital Contributions and Additions to Permanent and Term Endowments**

.117 [Delete the second sentence.] [GASBS 34, ¶103, as amended by GASBS 63, ¶8 and GASBS 103, ¶12 and ¶13]

.601 [In the first paragraph of the response, replace *paragraph .193* with *paragraph .194*, replace *in Question 1* with *in the question*, and revise the sources as follows:] GASBTB 2020-1, ¶14, as amended by GASBS 103, ¶13

[Revise Question .704-12 as follows:]

.704-12 Q—For determining major enterprise funds, should the analysis of revenues and expenses include nonoperating revenues and expenses and unusual or infrequent items?

A—Nonoperating revenues and expenses, although required to be reported separately from operating revenues and expenses, are indicators of the significance of the activities accounted for in individual funds and should be included in determining major enterprise funds. However, footnote 5 of this section specifically excludes unusual or infrequent items from the major fund determination.

[GASBIG 2015-1, Q7.56.10, as amended by GASBS 103, ¶9, ¶11, and ¶12]

.704-16 [Replace the second paragraph of the answer with the following.] In the governmental fund operating statements, transfers in and transfers out are not included in the major fund calculation (revenues and expenditures) and do not affect the major funds determination because they are reported as other financing sources (uses). In the proprietary fund operating statements, transfers in and transfers out are reported as nonoperating revenues and expenses and, therefore, do affect the major funds determination. Interfund services provided and used are not distinguished from other revenues or expenditures/expenses. [GASBIG 2015-1, Q7.56.14, as amended by GASBS 103, ¶12–¶14]

.709-1 [Replace .113–.116 with .108 and .113–.117; update other cross-references for renumbering.] [GASBIG 2015-1, Q7.29.5, as amended by GASBS 103, ¶10–¶14]

.709-3 [Retain the reference to *paragraph .114* (update to new paragraph .114).] [GASBIG 2015-1, Q7.72.4, as amended by GASBS 103, ¶12]

[Delete Question .709-4; renumber subsequent questions.]

.709-4 [Insert *meeting the definition of a subsidy* after the first use of *grant*; replace *as nonoperating revenue* with *in the noncapital subsidy classification* and italicize *noncapital subsidy*; replace *as a capital contribution* with *in the other nonoperating revenue classification* and italicize *other nonoperating revenue*; and retain the reference to *paragraph .114* (update to new paragraph .114).] [GASBIG 2015-1, Q7.72.8, as amended by GASBS 103, ¶12]

[Revise heading .710 as follows:]

**.710 Definitions of Operating Revenues and Expenses and of Nonoperating Revenues and Expenses**

[Delete Question .710-1; renumber subsequent questions.]

.710-1 [In the question, replace *operating* with *operating revenues, noncapital subsidies*, and revise the answer as follows:] Appropriations meet the definition of a subsidy. Appropriations for noncapital-related purposes should be reported as noncapital subsidies. Appropriations for capital-related purposes should be reported as other nonoperating revenues and expenses. [GASBIG 2015-1, Q7.73.2, as amended by GASBS 103, ¶12–¶14]

.710-2 [Replace *Footnote 7 of this section provides that* with *Consistent with paragraph .115 of this section,*] [GASBIG 2015-1, Q7.73.3, as amended by GASBS 103, ¶13]

[Delete current Question .710-4 and renumber subsequent question.]

[Insert new heading .711 and text as follows and renumber subsequent heading and questions.]

**.711 Definition of Subsidies**

No questions assigned.

[Revise heading .712 as follows:]

**.712 Reporting Capital Contributions and Additions to Permanent and Term Endowments**

.712-3 [Replace *a separate item after* with *other*.] [GASBIG 2015-1, Q7.74.3, as amended by GASBS 103, ¶12 and ¶13]

.712-4 [In the first sentence of the answer, replace *last section* with *other nonoperating revenues and expenses section*.] [GASBIG 2015-1, Q7.74.4, as amended by GASBS 103, ¶12]

\* \* \*

**T25—Termination Benefits**

.112 [Replace *a special* with *an unusual or infrequent*.] [GASBS 47, ¶16; GASBS 69, ¶54, as amended by GASBS 103, ¶9 and ¶10]

\* \* \*

**Bn5—Bankruptcies**

.111 [Replace *extraordinary* with *unusual or infrequent*.] [GASBS 58, ¶12, as amended by GASBS 103, ¶9 and ¶10]

.113 [Replace *extraordinary* with *unusual or infrequent*.] [GASBS 58, ¶14, as amended by GASBS 103, ¶9 and ¶10]

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## Ca5—Cable Television Systems

Sources: [Add GASBS 103.]

.104 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19; GASBS 103, ¶4–¶8 and ¶10–¶14]

.105 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9; GASBS 103, ¶4–¶8 and ¶10–¶14]

.106 [Replace , *discussed in Section 2200*, with *in paragraphs .106–.218 of Section 2200*.] [GASBS 34, ¶135, as amended by GASBS 103, ¶4–¶10 and ¶12–¶15; GASBS 103, ¶4–¶16]

.107 [Replace *special and extraordinary items, transfers* with *transfers, unusual or infrequent items*.] [GASBS 34, ¶136, as amended by GASBS 63, ¶8 and GASBS 103, ¶10]

\* \* \*

## Co5—Colleges and Universities

Sources: [Add GASBS 103.]

.103 [Replace *paragraphs .106–.217* with *paragraphs .106–.218*.] [GASBS 34, ¶135, as amended by GASBS 103, ¶4–¶10 and ¶12–¶15; GASBS 103, ¶4–¶16]

.104 [Replace *special and extraordinary items, transfers* with *transfers, unusual or infrequent items*.] [GASBS 34, ¶136, as amended by GASBS 63, ¶8 and GASBS 103, ¶10]

.106 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19; GASBS 103, ¶4–¶8 and ¶10–¶14]

.107 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9; GASBS 103, ¶4–¶8 and ¶10–¶14]

.111 [Replace *the notes to the financial statements* with *notes to financial statements*; replace subparagraph (b) with the following:]

- b. Condensed statement of revenues, expenses, and changes in net position:
- (1) Operating revenues (by major source)
  - (2) Operating expenses—identifying depreciation (including any amortization) separately
  - (3) Operating income (loss)
  - (4) Noncapital subsidies (detailed)
  - (5) Operating income (loss) and noncapital subsidies
  - (6) Other nonoperating revenues and expenses (detailed)
  - (7) Unusual or infrequent items (detailed)
  - (8) Increase (decrease) in net position
  - (9) Net position—beginning of period
  - (10) Net position—end of period

[GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, GASBS 85, ¶4, and GASBS 103, ¶12]

.702-1 [Delete *nonoperating* and add the following at the end of the answer:] Furthermore, recipient governments that report their activities in a proprietary fund should report Pell Grants as operating revenues. [GASBIG 2015-1, Q7.72.10, as amended by GASBS 84, ¶5 and GASBS 103, ¶13 and ¶14]

[Delete Question .702-3.]

.703-2 [Replace *at a minimum by function* with *at a minimum by function or identifiable activity, as appropriate*; replace *paragraph .109b(9)* with *paragraph .110b(9)*; and replace *paragraphs .106–.109* with *paragraphs .106–.110*.] [GASBIG 2015-1, Q7.72.5, as amended by GASBS 103, ¶4–¶8]

\* \* \*

## **Co10—Combinations and Disposals of Operations**

.137 [Replace *a special* with *an unusual or infrequent*.] [GASBS 69, ¶40, as amended by GASBS 103, ¶9]

.140 [Replace *a special* with *an unusual or infrequent*.] [GASBS 69, ¶43, as amended by GASBS 100, ¶9 and GASBS 103, ¶9; GASBS 100, ¶9 and ¶10]

.142 [Replace *a special* with *an unusual or infrequent*.] [GASBS 69, ¶45, as amended by GASBS 103, ¶9]

.144 [Replace *a special* with *an unusual or infrequent*.] [GASBS 69, ¶47, as amended by GASBS 103, ¶9]

.148 [Replace *a special* with *an unusual or infrequent*.] [GASBS 69, ¶50, as amended by GASBS 103, ¶9]

.149 [Replace *a special* with *an unusual or infrequent*.] [GASBS 69, ¶51, as amended by GASBS 103, ¶9]

.152 [Replace *a special* with *an unusual or infrequent* and replace *The special* with *The unusual or infrequent*.] [GASBS 69, ¶54, as amended by GASBS 103, ¶9]

\* \* \*

## Ho5—Hospitals and Other Healthcare Providers

Sources: [Add GASBS 103.]

.104 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19; GASBS 103, ¶4–¶8 and ¶10–¶14]

.105 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9; GASBS 103, ¶4–¶8 and ¶10–¶14]

.106 [Replace *Section 2200* with *paragraphs .106–.218 of Section 2200*.] [GASBS 34, ¶135, as amended by GASBS 103, ¶4–¶10 and ¶12–¶15; GASBS 103, ¶4–¶16]

.107 [Replace *special and extraordinary items, transfers* with *transfers, unusual or infrequent items*.] [GASBS 34, ¶136, as amended by GASBS 63, ¶8 and GASBS 103, ¶10]

.112 [Replace *the notes to the financial statements* with *notes to financial statements*; replace subparagraph (b) with the following:]

- b. Condensed statement of revenues, expenses, and changes in net position:
  - (1) Operating revenues (by major source)
  - (2) Operating expenses—identifying depreciation (including any amortization) separately
  - (3) Operating income (loss)

- (4) Noncapital subsidies (detailed)
- (5) Operating income (loss) and noncapital subsidies
- (6) Other nonoperating revenues and expenses (detailed)
- (7) Unusual or infrequent items (detailed)
- (8) Increase (decrease) in net position
- (9) Net position—beginning of period
- (10) Net position—end of period

[GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, GASBS 85, ¶4, and GASBS 103, ¶12]

.602 [In the first paragraph of the response, replace *paragraph .193* with *paragraph .194*, replace *in Question 1* with *in the question*, and revise the sources as follows:] GASBTB 2020-1, ¶14, as amended by GASBS 103, ¶13

\* \* \*

### **In3—Insurance Entities—Other Than Public Entity Risk Pools**

Sources: [Add GASBS 103.]

.104 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19; GASBS 103, ¶4–¶8 and ¶10–¶14]

.105 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9; GASBS 103, ¶4–¶8 and ¶10–¶14]

.106 [Replace , *discussed in Section 2200*, with *in paragraphs .106–.218 of Section 2200*.] [GASBS 34, ¶135, as amended by GASBS 103, ¶4–¶10 and ¶12–¶15; GASBS 103, ¶4–¶16]

.107 [Replace *special and extraordinary items, transfers* with *transfers, unusual or infrequent items*.] [GASBS 34, ¶136, as amended by GASBS 63, ¶8 and GASBS 103, ¶10]

\* \* \*

### **In5—Investment Pools (External)**

Sources: [Add GASBS 103.]

.103 [Revise the sources as follows:] GASBS 31, ¶17, as amended by GASBS 63, ¶8; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 72, ¶80–¶82; GASBS 84, ¶20 and ¶23; GASBS 103, ¶4–¶8

\* \* \*

### **Pe5—Pension Plans Administered Through Trusts That Meet Specified Criteria—Defined Benefit**

.701-22 [Revise the sources as follows:] GASBIG 2015-1, Q5.64.3, as amended by GASBS 84, ¶14–¶20 and ¶22–¶25, GASBS 103, ¶4–¶8, GASBIG 2016-1, Q5.7, and GASBIG 2017-1, Q5.12

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### **Po20—Public Entity Risk Pools**

Sources: [Add GASBS 103.]

.114 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19; GASBS 103, ¶4–¶8 and ¶10–¶14]

.720-6 [Revise the sources as follows:] GASBIG 2015-1, Q3.27.5, as amended by GASBS 103, ¶4–¶8

\* \* \*

### **Po50—Postemployment Benefit Plans (Other Than Pension Plans) Administered Through Trusts That Meet Specified Criteria—Defined Benefit**

.701-16 [Revise the sources as follows:] GASBIG 2017-2, Q4.16, as amended by GASBS 84, ¶14–¶20 and ¶22–¶25, and GASBS 103, ¶4–¶8

\* \* \*

### **Re10—Regulated Operations**

Sources: [Add GASBS 103.]

.124 [Replace *a special or extraordinary* with *an unusual or infrequent*; replace Section 2200, paragraphs .143 and .149 with paragraphs .144 and .150 of Section 2200.] [GASBS 62, ¶498, as amended by GASBS 63, ¶8 and GASBS 103, ¶9]

\* \* \*

## Sp20—Special-Purpose Governments

Sources: [Add GASBS 103.]

.110 [Replace *, discussed in Section 2200, “Annual Comprehensive Financial Report,”* with *in paragraphs .106–.218 of Section 2200.*] [GASBS 34, ¶135, as amended by GASBS 103, ¶4–¶10 and ¶12–¶15; GASBS 103, ¶4–¶16]

.111 [Replace *special and extraordinary items, transfers* with *transfers, unusual or infrequent items.*] [GASBS 34, ¶136, as amended by GASBS 63, ¶8 and GASBS 103, ¶10]

.113 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19; GASBS 103, ¶4–¶8 and ¶10–¶14]

.114 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9; GASBS 103, ¶4–¶8 and ¶10–¶14]

.115 [Replace *paragraphs .106–.109* with *paragraphs .106–.110* and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 84, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9; GASBS 103, ¶4–¶8]

.116 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9; GASBS 103, ¶4–¶8 and ¶10–¶14]

.123 [Replace *the notes to the financial statements* with *notes to financial statements*; replace subparagraph (b) with the following:]

b. Condensed statement of revenues, expenses, and changes in net position:

- (1) Operating revenues (by major source)
- (2) Operating expenses—identifying depreciation (including any amortization) separately
- (3) Operating income (loss)
- (4) Noncapital subsidies (detailed)
- (5) Operating income (loss) and noncapital subsidies
- (6) Other nonoperating revenues and expenses (detailed)
- (7) Unusual or infrequent items (detailed)
- (8) Increase (decrease) in net position
- (9) Net position—beginning of period
- (10) Net position—end of period.

[GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, GASBS 85, ¶4, and GASBS 103, ¶12]

.706-2 [Replace *paragraphs .170–.196* with *paragraphs .171–.198* and update other cross-references for renumbering.] [GASBIG 2015-1, Q7.97.2, as amended by GASBS 84, ¶19 and GASBS 103, ¶10–¶14]

.707-1 [Revise the sources as follows:] GASBIG 2015-1, Q5.64.3, as amended by GASBS 84, ¶14–¶20 and ¶22–¶25, GASBS 103, ¶4–¶8, GASBIG 2016-1, Q5.7, and GASBIG 2017-1, Q5.12

\* \* \*

## Ut5—Utilities

Sources: [Add GASBS 103.]

.104 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19; GASBS 103, ¶4–¶8 and ¶10–¶14]

.105 [Replace *paragraphs .106–.109* with *paragraphs .106–.110*; replace *paragraphs .170–.196* with *paragraphs .171–.198*; and update other cross-references for renumbering.] [GASBS 34, ¶129; GASBS 34, ¶138, as amended by GASBS 63, ¶8, GASBS 84, ¶14, and GASBS 103, ¶4–¶8 and ¶12–¶14; GASBS 34, ¶139, as amended by GASBS 63, ¶8 and GASBS 103, ¶4–¶8; GASBS 62, ¶3, ¶23–¶43, and ¶501; GASBS 63, ¶7; GASBS 84, ¶19, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9; GASBS 103, ¶4–¶8 and ¶10–¶14]

.106 [Replace , *discussed in Section 2200*, with *in paragraphs .106–.218 of Section 2200*.] [GASBS 34, ¶135, as amended by GASBS 103, ¶4–¶10 and ¶12–¶15; GASBS 103, ¶4–¶16]

.107 [Replace *special and extraordinary items, transfers* with *transfers, unusual or infrequent items*.] [GASBS 34, ¶136, as amended by GASBS 63, ¶8 and GASBS 103, ¶10]

.112 [Replace *the notes to the financial statements* with *notes to financial statements*; replace subparagraph (b) with the following:]

- b. Condensed statement of revenues, expenses, and changes in net position:
- (1) Operating revenues (by major source)
  - (2) Operating expenses—identifying depreciation (including any amortization) separately
  - (3) Operating income (loss)
  - (4) Noncapital subsidies (detailed)
  - (5) Operating income (loss) and noncapital subsidies
  - (6) Other nonoperating revenues and expenses (detailed)
  - (7) Unusual or infrequent items (detailed)
  - (8) Increase (decrease) in net position
  - (9) Net position—beginning of period
  - (10) Net position—end of period.

[GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, GASBS 85, ¶4, and GASBS 103, ¶12]

\* \* \*

## ***Comprehensive Implementation Guide—June 2025 Update***

D2. The instructions that follow update the December 31, 2023 *Comprehensive Implementation Guide* for the provisions of this Statement.

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[In all chapters, update cross-references and replace all questions and answers that are deleted in accordance with the instructions in this paragraph with *[Question number not used]*.]

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2.18.2. [Revise the answer as follows:] Yes. The operating activities category of the statement of cash flows includes the cash receipts and payments associated with the transactions and other events presented as operating revenues and expenses in the statement of revenues, expenses, and changes in fund net position. [GASBIG 2015-1, Q2.18.2, as amended by GASBS 103, ¶13]

2.20.1. [Revise the question and the first two sentences of the answer as follows:]

Q—How should rent income be presented in the statement of cash flows?

A—The basic question is whether rent income meets the classification criteria of the noncapital financing category, the capital and related financing category, or the investing activities category.

[GASBIG 2016-1, Q4.9, as amended by GASBS 103, ¶13]

2.20.5. [Revise the answer as follows:] Miscellaneous cash flows should be included in the operating activities category unless the cash flows specifically meet the definition of the noncapital financing, capital and related financing, or investing activities category. [GASBIG 2015-1, Q2.20.5, as amended by GASBS 103, ¶13]

[Delete Question 2.21.2.]

2.21.3. [Delete the second sentence of the answer.] [GASBIG 2015-1, Q2.21.3, as amended by GASBS 103, ¶13]

2.21.4. [Replace *As discussed in Question 2.21.2, regardless* with *Regardless*.] [GASBIG 2015-1, Q2.21.4, as amended by GASBS 103, ¶13]

3.27.5. [Replace *Statement 34 requires* with *Statement 34 and Statement 103 require*.] [GASBIG 2015-1, Q3.27.5, as amended by GASBS 103, ¶4–¶8]

4.28.4. [Revise the answer as follows:] A government that presents its component units in more than one column may segregate the component units using any method that it chooses. The provisions in paragraphs 44, 50, and 51 of Statement 14, as amended, and paragraph 15 of Statement 103 regarding the mechanics of discrete presentation, are intended to provide guidance regarding the presentation of major component units. Paragraph 15 of Statement 103 requires governments to present major component units separately in the government-wide statements if it does not reduce the readability of the statements. In addition, component units could be presented based on functional groupings, whether component units are governmental or business type, or whether the primary government is financially accountable based on fiscal dependency and a financial benefit or burden relationship. However, segregating component units into functional groupings in the government-wide statements does not relieve the government of the major component unit reporting responsibility in combining statements. [GASBIG 2015-1, Q4.28.4, as amended by GASBS 103, ¶15]

4.28.9. [Revise the answer as follows:] Paragraph 125 of Statement 34, as amended, requires component unit information to be displayed in the reporting entity's government-wide statements. Paragraph 15 of Statement 103 requires major component unit information to be presented separately in the reporting entity's statements of net position and activities if it does not reduce the readability of the statements. Presentation in combining statements is not applicable because the major component unit reporting requirements are met by discrete presentation in the government-wide statements. [GASBIG 2015-1, Q4.28.9, as amended by GASBS 103, ¶15]

[Delete Question 4.28.16.]

4.28.20. [Replace *net position* with *fund net position*; replace *paragraph 126 of Statement 34, as amended* with *paragraph 15 of Statement 103 because it is not feasible to present each major component unit separately in the reporting entity's statements of net position and activities*.] [GASBIG 2015-1, Q4.28.20, as amended by GASBS 103, ¶11 and ¶15]

[Delete Questions 4.28.21–4.28.23 and 4.28.25.]

4.33.3. [Replace *Statement 34, as amended* with *Statement 34, as amended, or Statement 103.*] [GASBIG 2015-1, Q4.33.3, as amended by GASBS 103, ¶¶9–¶14]

4.36.1. [Replace *as RSI or in the basic financial statements* with *in RSI*; replace *Paragraph 130 of Statement 34, as amended, clearly limits* with *Paragraph 130 of Statement 34, as amended, and paragraph 16 of Statement 103 clearly limit.*] [GASBIG 2015-1, Q4.36.1, as amended by GASBS 103, ¶16]

[Delete Question 4.39.2.]

5.64.3. [Replace *and Statement 84* with *Statement 84, and Statement 103* and replace *paragraphs 139–141, as amended* with *paragraphs 139–141 of Statement 34, as amended, and paragraphs 4–8 of Statement 103.*] [GASBIG 2015-1, Q5.64.3, as amended by GASBS 84, ¶¶14–¶20 and ¶22–¶25, GASBS 103, ¶4–¶8, GASBIG 2016-1, Q5.7, and GASBIG 2017-1, Q5.12]

7.4.4. [In the second bullet in the answer, delete the parentheses and delete *or notes*; in the first bullet in the answer, replace the second sentence with the following:] Governments meet the major *component unit* reporting requirements of Statement 14, as amended, by using multiple columns and rows in the government-wide financial statements or by including combining statements in the basic financial statements. [GASBIG 2015-1, Q7.4.4, as amended by GASBS 103, ¶15]

7.5.1. [Replace *Paragraph 8 of Statement 34* with *Paragraph 4 of Statement 103.*] [GASBIG 2015-1, Q7.5.1, as amended by GASBS 98, ¶4 and GASBS 103, ¶4]

7.5.2. [Replace *Footnote 7 of Statement 34* with *Footnote 3 of Statement 103* and replace *paragraph 11h of Statement 34, as amended,* with *paragraph 8e of Statement 103.*] [GASBIG 2015-1, Q7.5.2, as amended by GASBS 98, ¶4, GASBS 103, ¶8 and fn3, and GASBIG 2016-1, Q5.10]

7.5.3. [Replace the first sentence with the following:] Paragraph 7 of Statement 103 states that a decision to discuss component units should be based on the individual component unit's relationship to the primary government. [GASBIG 2015-1, Q7.5.3, as amended by GASBS 103, ¶7]

7.5.6. [Replace *paragraph 11 of Statement 34, as amended, and paragraph 11, as amended,* with *paragraph 8 of Statement 103.*] [GASBIG 2015-1, Q7.5.6, as amended by GASBS 103, ¶8]

7.5.7. [Replace *Paragraph 11 of Statement 34, as amended,* with *Paragraph 8 of Statement 103*; replace *subparagraphs a–h* and *subparagraphs a–h, as amended* with *subparagraphs a–e*; replace *paragraph 11* and *paragraph 11, as amended* with *paragraph 8*; and replace *paragraph 11h* with *paragraph 8e.*] [GASBIG 2015-1, Q7.5.7, as amended by GASBS 103, ¶8]

[Delete Question 7.5.8.]

7.5.9. [In the answer, replace *paragraph 11a* with *paragraph 8a* and replace *readers* with *users*; revise the question as follows:] Paragraph 8a of Statement 103 requires MD&A to provide information about significant differences in the type of information the financial statements

provide. How might governments meet this requirement? [GASBIG 2015-1, Q7.5.9, as amended by GASBS 103, ¶8]

7.5.10. [Replace *Paragraph 9 of Statement 34* with *Paragraph 5 of Statement 103*; replace *paragraph 11b* with *paragraph 8b*; and replace *Paragraph 9* with *Paragraph 5*.] [GASBIG 2015-1, Q7.5.10, as amended by GASBS 103, ¶5 and ¶8]

[Delete Question 7.5.11.]

7.5.12. [Replace *Paragraph 11f of Statement 34* with *Paragraph 8d(2) of Statement 103*.] [GASBIG 2015-1, Q7.5.12, as amended by GASBS 103, ¶8]

7.5.13. [Replace *paragraph 11h of Statement 34* with *paragraph 8e of Statement 103*; replace *footnote 6 to paragraph 8 of Statement 34* with *footnote 2 of Statement 103*; replace *of the auditor's report with the financial statements are issued*; and replace *or results of operations with or that are expected to produce significant differences from current period results of operations*.] [GASBIG 2015-1, Q7.5.13, as amended by GASBS 103, ¶8 and fn2]

7.5.14. [Replace *Paragraph 11h of Statement 34, as amended*, with *Paragraph 8e of Statement 103*; replace *or results of operations with or that are expected to produce significant differences from current period results of operations*; replace *Paragraph 11c of Statement 34* with *Paragraph 8c(1) of Statement 103*; and replace *paragraph 11h* with *paragraph 8e*.] [GASBIG 2015-1, Q7.5.14, as amended by GASBS 103, ¶8]

7.24.6. [Revise the second sentence of the question as follows:] (See paragraphs 53 and 103 of Statement 34, as amended, and paragraph 13 of Statement 103, for example.) [GASBIG 2015-1, Q7.24.6, as amended by GASBS 103, ¶11–¶13]

7.29.5. [Replace *paragraphs 100–104 of Statement 34, as amended* with *paragraphs 100, 103, and 104 of Statement 34, as amended*, and *paragraphs 10–14 of Statement 103*.] [GASBIG 2015-1, Q7.29.5, as amended by GASBS 103, ¶10–¶14]

7.36.1. [Replace *as RSI or in the basic financial statements* with *in RSI*.] [GASBIG 2015-1, Q4.36.1, as amended by GASBS 103, ¶16]

[Revise heading 7.43 as follows:]

#### **7.43 Unusual or Infrequent Items**

7.45.1. [Insert *and paragraph 11 of Statement 103* after *Paragraph 100 of Statement 34, as amended*, and replace *special and extraordinary* with *unusual or infrequent*.] [GASBIG 2015-1, Q7.45.1, as amended by GASBS 103, ¶9 and ¶11]

7.47.22. [Revise the answer as follows:] The amount would be reported in the same fashion as other sales to outsiders—that is, as a direct expense or as a general revenue—or if “unusual or infrequent,” as an unusual or infrequent item. [GASBIG 2015-1, Q7.47.22, as amended by GASBS 103, ¶9 and ¶10]

[Revise Question 7.56.10 as follows:]

7.56.10. Q—For determining major enterprise funds, should the analysis of revenues and expenses include nonoperating revenues and expenses and unusual or infrequent items?

A—Nonoperating revenues and expenses, although required to be reported separately from operating revenues and expenses, are indicators of the significance of the activities accounted for in individual funds and should be included in determining major enterprise funds. However, footnote 37 of Statement 34, as amended, specifically excludes unusual or infrequent items from the major fund determination.

[GASBIG 2015-1, Q7.56.10, as amended by GASBS 103, ¶9, ¶11, and ¶12]

7.56.14. [Replace the second paragraph of the answer with the following:] In the governmental fund operating statements, transfers in and transfers out are not included in the major fund calculation (revenues and expenditures) and do not affect the major funds determination because they are reported as other financing sources (uses). In the proprietary fund operating statements, transfers in and transfers out are reported as nonoperating revenues and expenses and, therefore, do affect the major funds determination. Interfund services provided and used are not distinguished from other revenues or expenditures/expenses. [GASBIG 2015-1, Q7.56.14, as amended by GASBS 103, ¶12–¶14]

[Revise heading 7.67 as follows:]

#### **7.67 Unusual or Infrequent Items**

[Revise Questions 7.67.1 and 7.67.2 as follows:]

7.67.1. [Replace *special and extraordinary* and *extraordinary and special* with *unusual or infrequent*.] [GASBIG 2015-1, Q7.67.1, as amended by GASBS 103, ¶9 and ¶10]

7.67.2. [Replace *a special or extraordinary*, *a special*, and *an extraordinary or special* with *an unusual or infrequent*; replace *no extraordinary or special* with *no unusual or infrequent*.] [GASBIG 2015-1, Q7.67.2, as amended by GASBS 103, ¶9]

7.72.4. [Replace *Paragraph 101 of Statement 34, as amended*, with *Paragraph 12 of Statement 103*.] [GASBIG 2015-1, Q7.72.4, as amended by GASBS 103, ¶12]

7.72.5. [Replace *paragraph 11b(7) of Statement 34* with *paragraph 8b(9) of Statement 103*; replace *at a minimum by function* with *at a minimum by function or identifiable activity, as appropriate*; and replace *paragraph 138a of Statement 34, as amended, indicates that paragraphs 8–11, as amended*, with *paragraph 138a of Statement 34, as amended, indicates that paragraphs 4–8 of Statement 103*.] [GASBIG 2015-1, Q7.72.5, as amended by GASBS 103, ¶4–¶8]

[Delete Question 7.72.6.]

7.72.8. [Insert *meeting the definition of a subsidy* after the first use of *grant*; replace *as nonoperating revenue* with *in the noncapital subsidy classification* and italicize *noncapital subsidy*;

replace as a *capital contribution* with *in the other nonoperating revenue classification* and italicize *other nonoperating revenue*; and replace *paragraph 101 of Statement 34, as amended*, with *paragraph 12 of Statement 103*.] [GASBIG 2015-1, Q7.72.8, as amended by GASBS 103, ¶12]

7.72.9. [Replace *should not report the transaction as an operating expense* with *should report the transaction as an other nonoperating expense*.] [GASBIG 2015-1, Q7.72.9, as amended by GASBS 103, ¶12]

7.72.10. [Delete *nonoperating* and add the following at the end of the answer:] Furthermore, recipient governments that report their activities in a proprietary fund should report Pell Grants as operating revenues. [GASBIG 2015-1, Q7.72.10, as amended by GASBS 84, ¶5 and GASBS 103, ¶13 and ¶14]

[Revise heading 7.73 as follows:]

### **7.73 Definitions of Operating Revenues and Expenses and of Nonoperating Revenues and Expenses**

[Delete Question 7.73.1.]

7.73.2. [In the question, replace *operating* with *operating revenues, noncapital subsidies*, and revise the answer as follows:] Appropriations meet the definition of a subsidy. Appropriations for noncapital-related purposes should be reported as noncapital subsidies. Appropriations for capital-related purposes should be reported as other nonoperating revenues and expenses. [GASBIG 2015-1, Q7.73.2, as amended by GASBS 103, ¶12–¶14]

7.73.3. [Replace *Footnote 42 of Statement 34 provides that* with *Consistent with paragraph 13 of Statement 103*.] [GASBIG 2015-1, Q7.73.3, as amended by GASBS 103, ¶13]

[Delete Questions 7.73.4, 7.73.6, and 7.73.7.]

7.74.3. [Replace *a separate item after* with *other*.] [GASBIG 2015-1, Q7.74.3, as amended by GASBS 103, ¶12 and ¶13]

7.74.4. [In the first sentence of the answer, replace *last section* with *other nonoperating revenues and expenses section*.] [GASBIG 2015-1, Q7.74.4, as amended by GASBS 103, ¶12]

7.84.1. [Replace *paragraph 11a of that Statement* and *paragraph 11a* with *paragraph 8a of Statement 103* and replace *a brief discussion of* with *an overview of*.] [GASBIG 2015-1, Q7.84.1, as amended by GASBS 84, ¶5 and GASBS 103, ¶8]

7.91.1. [Replace *disclosure* with *presentation*.] [GASBIG 2015-1, Q7.91.1, as amended by GASBS 103, ¶16]

7.91.3. [In the question, replace *Statement 34, as amended*, with *Statement 34, as amended, and paragraph 16 of Statement 103*; and in the answer, replace *Statement 34, as amended*, with *Statement 34, as amended, and Statement 103*.] [GASBIG 2015-1, Q7.91.3, as amended by GASBS 98, ¶4 and GASBS 103, ¶16]

7.91.4. [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.91.4, as amended by GASBS 103, ¶16]

7.91.5. [Delete the first sentence of the question; replace *that schedule* with *the budgetary comparison schedule*; in the second sentence of the answer, replace *By definition* with *Budgetary comparisons are presented in RSI, and by definition*; and replace *Paragraph 130 of Statement 34, as amended, sets* with *Paragraph 130 of Statement 34, as amended, and paragraph 16 of Statement 103 set.*] [GASBIG 2015-1, Q7.91.5, as amended by GASBS 103, ¶16]

7.91.6. [Delete the first sentence of the question; replace *Paragraph 130 of Statement 34, as amended, clearly limits* with *Paragraph 130 of Statement 34, as amended, and paragraph 16 of Statement 103, clearly limit*; and replace *that schedule* with *the budgetary comparison schedule*. Insert the following after the first sentence of the answer:] Budgetary comparisons are presented in RSI, and by definition, the information presented in RSI is limited to that which is required. [GASBIG 2015-1, Q7.91.6, as amended by GASBS 103, ¶16]

[Delete Questions 7.91.7 and 7.91.8.]

7.91.10. [Replace *requirement in paragraph 130 of Statement 34, as amended*, with *requirements in paragraph 130 of Statement 34, as amended, and paragraph 16 of Statement 103.*] [GASBIG 2015-1, Q7.91.10, as amended by GASBS 103, ¶16]

[Delete Question 7.91.12.]

7.91.13. [Replace *Paragraph 130 of Statement 34, as amended, states* with *Paragraph 130 of Statement 34, as amended, and paragraph 16 of Statement 103 state*; and delete *in the basic statements or as RSI.*] [GASBIG 2015-1, Q7.91.13, as amended by GASBS 103, ¶16]

7.91.14. [Replace *paragraph 130 of Statement 34, as amended*, with *paragraph 130 of Statement 34, as amended, and paragraph 16 of Statement 103*, and revise the sources as follows:] GASBIG 2015-1, Q7.91.14, as amended by GASBS 103, ¶16

[Revise Question 7.93.1 as follows:]

7.93.1. Q—Statement 34, paragraph 131, as amended, requires disclosure in notes to RSI of excesses of expenditures over appropriations in the general fund and each major special revenue fund that has a legally adopted annual budget. Is disclosure in notes to RSI required for similar excesses in other governmental funds?

A—No. However, NCGA Interpretation 6, paragraph 4, as amended, requires disclosure of significant violations of finance-related legal and contractual provisions in notes to the basic financial statements. Therefore, disclosure in notes to the basic financial statements of the excess of expenditures over appropriations is required for *any* fund, including nonmajor special revenue funds, capital projects funds, or debt service funds, *if the overexpenditure constitutes a significant violation of finance-related legal and contractual provisions*. In addition, Statement 38, paragraph 9, requires governments to disclose in notes to financial statements actions taken to address such violations.

[GASBIG 2015-1, Q7.93.1, as amended by GASBS 103, ¶16]

[Revise Question 7.93.2 as follows:]

7.93.2. Q—Should *material* violations of budgetary spending limitations (excess of expenditures over appropriations) be disclosed in notes to RSI?

A—Paragraph 131 of Statement 34, as amended, states that notes to RSI should disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison. In addition, if the excess is considered to be a significant violation of finance-related legal provisions, a disclosure in notes to the basic financial statements is required. (See also Question 7.93.1.)

[GASBIG 2015-1, Q7.93.2, as amended by GASBS 103, ¶16]

7.97.2. [Replace *and paragraph 19 of Statement 84* with *paragraph 19 of Statement 84, and paragraphs 10–14 of Statement 103.*] [GASBIG 2015-1, Q7.97.2, as amended by GASBS 84, ¶19 and GASBS 103, ¶10–¶14]

8.97.2. [Replace *and Statement 84* with *Statement 84, and Statement 103* and replace *paragraphs 139–141, as amended, with paragraphs 139–141 of Statement 34, as amended, and paragraphs 4–8 of Statement 103.*] [GASBIG 2017-2, Q4.16, as amended by GASBS 84, ¶14–¶20 and ¶22–¶25 and GASBS 103, ¶4–¶8]

9.7.3. [Replace the second sentence of the answer with the following:] Paragraph 11 of Statement 44, as amended, sets the required level of detail for information about changes in net position at the level required by paragraph 10 of Statement 44, as amended, by Statement 34, as amended, and by paragraphs 10 and 17 of Statement 103. [GASBIG 2015-1, Q9.7.3, as amended by GASBS 103, ¶10 and ¶17]

[Delete Question 9.8.1.]

9.8.2. [Replace *paragraphs 10 and 10a of the Statement, as amended* with *paragraph 10 of Statement 44, as amended, and paragraph 17 of Statement 103.*] [GASBIG 2015-1, Q9.8.2, as amended by GASBS 103, ¶17]

Z.42.14. [In the question, replace *special item, or extraordinary item* with *or unusual or infrequent item*; in the answer, replace *special items or extraordinary items* with *unusual or infrequent items.*] [GASBIG 2015-1, QZ.42.14, as amended by GASBS 103, ¶10]

Z.42.15. [Replace *extraordinary items* with *unusual or infrequent items.*] [GASBIG 2019-1, Q4.8, as amended by GASBS 103, ¶10]