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Governmental Accounting Standards Series

Statement No. 37 of the
Governmental Accounting
Standards Board

**Basic Financial Statements—and
Management's Discussion and Analysis—
for State and Local Governments: Omnibus**

an amendment of GASB Statements No. 21 and No. 34



Governmental Accounting Standards Board
of the Financial Accounting Foundation

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Summary

This Statement amends Statement No. 21, *Accounting for Escheat Property*, and Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

The amendments to Statement 21 are necessary because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private-purpose trust fund under Statement 34. This Statement explains the effects of that change.

The amendments to Statement 34 either (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application or (2) modify other provisions that the Board believes may have unintended consequences in some circumstances.

The provisions *clarified* by this Statement include:

- *MD&A requirements.* Governments should confine the topics discussed in MD&A to those listed in paragraph 11 of Statement 34, rather than consider those topics as “minimum requirements.”
- *Modified approach.* Adopting the modified approach for infrastructure assets that have previously been depreciated is considered a change in an accounting estimate. The effect of the change is accounted for prospectively, rather than as a restatement of prior periods.
- *Program revenue classifications.* Fines and forfeitures should be included in the broad *charges for services* category. Also, additional guidance is provided to aid in determining to which function certain program revenues pertain.
- *Major fund criteria.* Major fund reporting requirements apply to a governmental or enterprise fund if the *same* element (for example, revenues) exceeds *both* the 10 and 5 percent criteria.

Modifications to the requirements of Statement 34 include:

- Eliminating the requirement to capitalize construction-period interest for governmental activities

- Changing the minimum level of detail required for business-type activities in the statement of activities from *segments* to *different identifiable activities*.

The provisions of this Statement should be simultaneously implemented with Statement 34. For governments that implemented Statement 34 prior to the issuance of this Statement, this Statement's requirements are effective for financial statements for periods beginning after June 15, 2000.

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.

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June 2001



Governmental Accounting Standards Board
of the Financial Accounting Foundation
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CONTENTS

	Paragraph Numbers
Introduction.....	1
Standards of Governmental Accounting and Financial Reporting	2–20
Scope and Applicability	2
Amendments to Statement 21	3
Accounting for Escheat Property	3
Amendments to Statement 34	4–19
Management’s Discussion and Analysis—Requirements	4–5
Elimination of Capitalization of Construction-Period Interest Requirement on Capital Assets Used In Governmental Activities	6–7
Change to the Modified Approach for Reporting Infrastructure	8–9
Statement of Activities—Level of Detail for Activities Accounted for in Enterprise Funds	10
Program Revenues—Identifying the Function/Activity to Which a Program Revenue Pertains	11–12
Program Revenues—Classification of Fines and Forfeitures	13
Definition of Enterprise Funds.....	14
Major Fund Criteria	15
Accounting for the Issuance of Debt in Governmental Funds.....	16
Definition of a Segment	17
Reporting Component Units	18
Budgetary Comparison Schedules	19
Effective Date and Transition	20
Appendix A: Background Information	21–22
Appendix B: Basis for Conclusions	23–69
Appendix C: Codification Instructions	70

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INTRODUCTION

1. Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, issued in June 1999, establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments. Since the release of that Statement and during development of the related *Guide to Implementation of GASB Statement 34 on Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (Implementation Guide), issued in April 2000, issues have been raised regarding specific provisions of that Statement and related provisions of Statement No. 21, *Accounting for Escheat Property*. This Statement addresses those issues.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability

2. This Statement supersedes paragraphs 4 and 6 of Statement 21 and paragraphs 39 and 49 of Statement 34. It amends paragraphs 3 and 5 of Statement 21 and paragraphs 11, 18, 25, 38, 48, 67, 76, 88, 122, 126, 131, 144, and 146 of Statement 34. This Statement applies to all state and local governmental entities.

Amendments to Statement 21

Accounting for Escheat Property

3. The first sentence of paragraph 3, all of paragraphs 4 and 6, and the first two sentences of paragraph 5 of Statement 21 are replaced by the following:

3. This Statement establishes standards to be used to report escheat¹ property transactions in the government-wide and fund financial statements.

4. Escheat property generally should be reported as an asset in the governmental or proprietary fund to which the property ultimately escheats. Escheat property held for individuals, private organizations, or another government should be reported in a private-purpose trust fund or an agency fund, as appropriate (or in the governmental or proprietary fund in which escheat property is otherwise reported, with a corresponding liability).

5. When escheat property is reported in governmental or proprietary funds, escheat revenue should be reduced and a governmental or proprietary fund liability reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants.

6. Escheat-related transactions reported in the government-wide financial statements should be measured using the economic resources measurement focus and the accrual basis of accounting. Escheat transactions reported in private-purpose trust funds or in agency funds should be excluded from the government-wide financial statements.

¹[Footnote 1 remains unchanged.]

Amendments to Statement 34

Management’s Discussion and Analysis—Requirements

4. The introductory sentences preceding subparagraph a in paragraph 11 of Statement 34 are replaced by the following, including the footnote:

MD&A requirements established by this Statement are discussed below in general rather than specific terms to encourage financial managers to effectively report only the most relevant information and to avoid “boilerplate” discussion. The

information presented should be confined to the topics discussed in a through h, below.^a

^aGovernments can provide additional details about the required topics in a through h. 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.

5. The second sentence in paragraph 11b is replaced by the following:

Governments should present the information needed to support their analysis of financial position and results of operations required in c, below, including the following elements, if relevant:

Elimination of Capitalization of Construction-Period Interest Requirement on Capital Assets Used in Governmental Activities

6. The second sentence of paragraph 18 is replaced by the following:

The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use.

7. Paragraph 146 is amended by deleting the third sentence and, in the fourth sentence, replacing *Finally* with *Similarly*.

Change to the Modified Approach for Reporting Infrastructure

8. The following footnote should be added at the end of paragraph 25:

^bA change from depreciation to the modified approach should be reported as a change in an accounting estimate.

9. The following should be added after the first sentence of paragraph 144:

However, in accordance with paragraph 25, footnote b, a change to the modified approach should be accounted for as a change in an accounting estimate and would not require restatement of prior periods.

Statement of Activities—Level of Detail for Activities Accounted for in Enterprise Funds

10. Paragraph 39 is superseded by the following:

At a minimum, the statement of activities should present:

- a. Activities accounted for in governmental funds by function,²⁷ as discussed in NCGA Statement 1, paragraph 112, to coincide with the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances
- b. Activities accounted for in enterprise funds by *different identifiable activities*.^c

²⁷[Footnote 27 remains unchanged.]

^cAn activity within an enterprise fund is *identifiable* if it has a specific revenue stream and related expenses and gains and losses that are accounted for separately. Determining whether an activity is *different* may require the use of professional judgment, but is generally based on the goods, services, or programs provided by an activity. For example, providing natural gas is different from supplying water or electricity, even though all three are regarded as “utility services.” On the other hand, separate identifiable water districts would not be considered “different” activities, even though they may serve different parts of the government. For higher education institutions reported in enterprise funds, the variety of activities common to those institutions—for example, food service, bookstore, residence halls, and student unions—generally would not be required to be reported separately. One consideration in contrasting the higher education situation with the utility example is the fact that gas, water, and electric utilities each deliver a different product or service. Gas distribution is not part of a water supply system, generation of electricity is not a component of a gas distribution system, and so on. In the higher education setting, the various activities might be considered supplemental or secondary to the delivery of the primary service—higher education.

Program Revenues—Identifying the Function/Activity to Which a Program Revenue Pertains

11. The following sentence should be added after the first sentence of paragraph 38:

Net (expense) revenue is sometimes referred to as the “net cost” of a function or program and represents the total expenses of the function or program less its program revenues—that is, charges or fees and fines that derive directly from the function or program and grants and contributions that are restricted to the function or program.

12. The last sentence of paragraph 48 is amended by adding a footnote, referenced at the word *categories*. An additional sentence, including a footnote, should be added at the end of that paragraph, as follows:

The statement of activities should separately report three categories^d of program revenues: (a) charges for services, (b) program-specific *operating* grants and contributions, and (c) program-specific *capital* grants and contributions. For identifying the function to which a program revenue pertains, the determining factor for *charges for services* is which function *generates*^e the revenue. For *grants and contributions*, the determining factor is the function to which the revenues are *restricted*.

^dMore than one column may be used to display components of a program revenue category. Governments may also provide more-descriptive category headings to better explain the range of program revenues reported therein (for example, *Operating grants, contributions, and restricted interest*).

^eIn some instances it may be difficult or impractical to identify a specific function that generates a program revenue. For example, in many jurisdictions fines could be attributed to either a public safety or judicial function. If the source of a program revenue is not clear, governments should adopt a classification policy for assigning those revenues and apply it consistently.

Program Revenues—Classification of Fines and Forfeitures

13. Paragraph 49 is superseded by the following:

49. *Charges for services* is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though they receive no *benefit*. Payments from other governments for goods or services—for example, when County A reimburses County B for boarding County A’s prisoners—also should be reported in this category.

Definition of Enterprise Funds

14. The following footnote should be added at the end of paragraph 67c:

^fThe primary focus of these criteria is on fees charged to external users.

Major Fund Criteria

15. In subparagraph a of paragraph 76, *corresponding total* is replaced by *corresponding element total*; subparagraph b is replaced by the following:

- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

Accounting for the Issuance of Debt in Governmental Funds

16. In paragraph 88, *proceeds* is replaced by *the face amount*.

Definition of a Segment

17. The second, third, and fourth sentences of paragraph 122 are replaced by the following. Subparagraph a is deleted and subparagraphs b through d are renumbered accordingly.

For purposes of this disclosure, a segment is an *identifiable activity* (or grouping of activities), as discussed in paragraph 39b, footnote c, reported as or within an enterprise fund or an other stand-alone entity that has one or more bonds or other debt instruments (such as certificates of participation) outstanding,⁴⁸ with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required[§] to be accounted for separately. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial information in the notes, including the elements in a through c below.

⁴⁸[Footnote 48 remains unchanged.]

[§]The requirement for separate accounting should be imposed by an external party. For example, accounting and reporting requirements commonly are set forth in bond indentures.

Reporting Component Units

18. The last sentence in paragraph 126 is replaced by the following:

The *aggregated total* component unit information, as discussed in paragraph 43 of Statement 14, should be the entity totals derived from the component units' statements of net assets and activities.⁵¹

⁵¹[Footnote 51 remains unchanged.]

Budgetary Comparison Schedules

19. The last sentence in paragraph 131 is replaced by the following:

Notes to RSI should disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison, as discussed in NCGA Interpretation 6, paragraph 4, as amended by this Statement.⁵⁶

⁵⁶[Footnote 56 remains unchanged.]

Effective Date and Transition

20. This Statement should be implemented simultaneously with Statement 34. For governments that implemented Statement 34 prior to the issuance of this Statement, this Statement's requirements are effective for financial statements for periods beginning after June 15, 2000. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively, if practical, by restating financial statements for all prior periods presented. If restatement is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net assets, fund balances, or fund equity, as appropriate, for the earliest period restated. In the period this Statement is first applied, the financial statements should disclose the nature of

any restatement and its effect. Also, the reason for not restating prior periods presented should be explained.

**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:*

Tom L. Allen, *Chairman*
Cynthia B. Green
William W. Holder
Edward M. Klasny
Edward J. Mazur
Paul R. Reilly
Richard C. Tracy

Appendix A

BACKGROUND INFORMATION

History of the Project

21. The Board added this project to its technical agenda in March 2000 to provide guidance on certain financial reporting issues related to Statement 34. Some of those issues were identified by governments during early implementation of Statement 34; others arose during the preparation of the Statement 34 Implementation Guide, but they could not be fully addressed in that document, which is limited to clarifying, explaining, or elaborating on the standards in Statement 34. In some instances this Statement incorporates the substance of answers to certain questions in the Implementation Guide to raise the level of the guidance in the GAAP hierarchy.

22. In December 2000, the Board issued an Exposure Draft (ED), *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus*, which led to this Statement. The Board received fifty comment letters on the ED. The comments and suggestions made by respondents were considered by the Board in deliberating the final provisions in this Statement.

Appendix B

BASIS FOR CONCLUSIONS

23. This appendix summarizes factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of 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.

Accounting for Escheat Property

24. Statement 21 provided financial reporting guidance for governments that used expendable trust funds for reporting escheat property. Statement 34 significantly revises the fiduciary fund structure, including the elimination of expendable trust funds and the creation of *private-purpose trust funds*. The effect of the fiduciary fund restructuring on the escheat property reporting guidance in Statement 21 is documented only in the Codification instructions in Appendix D of Statement 34. Some uncertainty about specific escheat property accounting and reporting provisions arose, especially with regard to the implication that a *liability* should be reported when a private-purpose trust fund is used for amounts that are expected to be paid to claimants or heirs.

25. The Board believes that the uncertainty would be eliminated by clearly setting forth the revised escheat reporting requirements in the body of a standard. The Board agrees with those who suggested that the significant changes to the requirements of Statement 21, although required by Statement 34, were not clearly spelled out by specific provisions. By including the specific effects on escheat reporting in this Statement, the Board believes

that more constituents and governments will be aware of the changes that otherwise would not be highlighted until a revised Codification incorporating Statement 34 was issued.

26. Based on responses to the ED, the Board modified the ED proposal to clarify that, in some situations, an agency fund could be used to report amounts held for other governments as originally provided for in paragraph 4 of Statement 21. Determining which fiduciary fund type is appropriate should be based on the definitions in paragraphs 72 and 73 of Statement 34. Accordingly, an agency fund should be used only when the holding period is expected to be short.

Management’s Discussion and Analysis—Requirements

27. Paragraph 8 of Statement 34 states that MD&A is required supplementary information (RSI). RSI, by definition, is limited to the information required. However, paragraph 11 of that Statement (the introduction to the list of required contents) states that, “at a minimum, MD&A should include” a discussion of the topics that follow in subparagraphs a through h. The inference that can be drawn from the reference to *minimum* requirements is that governments can discuss *anything* in MD&A provided that the areas listed in a through h are addressed. The Board’s intent for the MD&A provisions of Statement 34 was to limit the contents to the specific areas listed in paragraph 11, but to impose no limitations—beyond the basic characteristics of information in financial reporting: understandability, reliability, relevance, timeliness, consistency, and comparability—on the *types* of information that could be presented in discussion of those required topics.

28. The Board has amended paragraph 11 to (a) eliminate the possible inference that the contents listed in that paragraph were *minimum* requirements and (b) specifically state that the topics discussed in MD&A should be confined to those listed in subparagraphs a through h. The Board believes that those modifications are consistent with the initial intent of the MD&A requirements and with the nature of RSI.

29. The Board has reaffirmed its decision that the contents of MD&A should be limited to the topics listed in subparagraphs 11a through h in Statement 34, rather than allow the scope of MD&A to expand without defined limits. A primary reason that MD&A is classified as RSI in Statement 34 is to ensure auditor association with it. By specifically defining the items that should be addressed in MD&A, the Board believes appropriate auditor association is achieved at a reasonable cost. To expand or remove the constraints may create situations where governments could include information that is not objective or does not lend itself to analysis consistent with GASB standards of financial reporting. The footnote this Statement adds to paragraph 11 of Statement 34 suggests that governments that want to include information that may be more subjective than would be appropriate for MD&A should do so in the letter of transmittal or in other forms of supplementary information.

Elimination of Capitalization of Construction-Period Interest Requirement on Capital Assets Used in Governmental Activities

30. Paragraph 17 of Statement 34 states that Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, apply to governmental activities *unless* they conflict with or contradict GASB pronouncements. When discussing the basis for the requirement in that paragraph, the Board did not

deliberate the pros and cons of *each* FASB pronouncement, but instead agreed that the entire body of standards (as summarized in subparagraphs 17a–c) should be considered for applicability. The Board continues to believe that any FASB pronouncement that conflicts with or contradicts GASB standards would be deemed inapplicable by the language in paragraph 17.

31. During the drafting of answers to certain questions in the Implementation Guide, it became clear that FASB Statement No. 34, *Capitalization of Interest Cost*, as amended, contradicts the provisions of paragraph 46 of GASB Statement 34 and, thus, should not be applied to governmental activities. However, capitalized interest and FASB Statement 34 are mentioned in paragraphs 18 and 146 of GASB Statement 34 with regard to costs that should be capitalized and to transition provisions, respectively.

32. The Board agreed to delete the specific references to capitalized interest because allocating construction-period interest expense to the cost of capital assets would be *contradictory* to the provision in paragraph 46 of GASB Statement 34 that states that interest on general long-term liabilities generally should be considered an indirect expense and thus not be allocated as a direct expense to functions or programs. The Board considered whether capitalizing construction-period interest changes the characteristics of the transaction; however, it concluded that a charge to a program/function in the form of depreciation, in substance, was still an allocation of interest. Therefore, because the Board did not intend to override the guidance in paragraph 17 of GASB Statement 34, it concluded that FASB Statement 34, as amended, should not be made applicable to governmental activities.

33. This Statement does not amend GASB Statement 34 to specifically identify FASB Statement 34 as conflicting with GASB standards, but rather includes that Statement with all other FASB pronouncements issued on or before November 30, 1989, that are subject to the applicability provisions of paragraph 17. The Board believes that singling out FASB Statement 34 as contradictory to GASB standards may give the impression that all other pronouncements issued on or before November 30, 1989, are not contradictory and would be applicable to governmental activities.

34. The Board has also amended paragraph 146 of GASB Statement 34 to eliminate the provision for prospective application of FASB Statement 34 to *governmental* activities. Because that Statement conflicts with GASB standards, it should not be applied to governmental activities.

35. The separate reporting requirements for interest expense in paragraph 46 of GASB Statement 34 do not apply to interest on enterprise funds' or business-type activities' debt. Interest expense on the debt of activities accounted for in enterprise funds is not required to be reported separately in the statement of activities and is thus included in the direct expenses of the respective activities. Paragraph 6 of Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, describes the applicability to enterprise funds of FASB pronouncements issued on or before November 30, 1989.

Change to the Modified Approach for Reporting Infrastructure

36. Paragraph 26 of Statement 34 requires that governments that fail to meet the ongoing requirements to use the modified approach should begin depreciating the network

or subsystem previously subject to the modified approach. Footnote 21 of Statement 34 provides that such a change is reported prospectively as a change in an accounting estimate. However, Statement 34 does not include guidance for the opposite situation—reporting a change from depreciation to the modified approach. That situation could arise when (a) business-type activities implement Statement 34, (b) infrastructure networks or subsystems are transferred from an enterprise fund to general capital assets, or (c) in the future, a government that has been depreciating infrastructure implements an asset management system and elects to use the modified approach.

37. The Board considered whether a change from depreciation to the modified approach should be accounted for as a change in an accounting estimate or as a change in accounting principle. A change in an accounting *estimate* would be accounted for prospectively with the carrying amount of the asset remaining the same. A change in accounting *principle* would be accounted for retroactively, and the carrying amount of the asset would be restated to remove previously recorded accumulated depreciation and previously capitalized preservation costs, if any.

38. The Board concluded that the change should be accounted for as a change in an accounting estimate. The change represents a commitment to maintain the asset at a specified level in the future—a level at which the life of the asset can be indefinite—rather than a reassessment of what method best represents the usage of the asset over its entire life. This conclusion is consistent with the guidance in Statement 34 regarding a change from the modified approach to depreciation. The conclusion is also consistent with the guidance in Accounting Principles Board (APB) Opinion No. 20, *Accounting Changes*. Paragraph 9 of Opinion 20 uses a change in depreciation methods as an example of a

change in an accounting principle. However, the Board believes that changing from depreciation to the modified approach is not equivalent to a change in a depreciation *method* but, rather, is comparable to a change in estimated service life, from finite to indefinite, which should be accounted for as a change in an accounting estimate, in accordance with paragraph 10 of Opinion 20.

39. Some respondents to the ED commented that the Board should also amend the transition provisions in paragraph 144 of Statement 34. They stated that an amendment is necessary to clarify that if a government changes to the modified approach (as a business-type activity or in an enterprise fund) as part of its overall implementation of Statement 34, that change should not be treated as an adjustment of prior periods. Paragraph 144 requires governments to *restate* beginning net assets/fund equity for adjustments made to comply with the requirements of Statement 34. Because the Board determined that this was a change in an accounting estimate, it agreed that paragraph 144 should be modified and it added the amendment in paragraph 9 of this Statement.

Statement of Activities—Level of Detail for Activities Accounted for in Enterprise Funds

40. Paragraph 39 of Statement 34 established *segments* as the minimum level of detail required in the government-wide statement of activities for activities accounted for in enterprise funds. The Board’s intent in Statement 34 was to “disaggregate” enterprise funds that include more than one significant activity, such as a fund that accounts for both a water and an electric utility, and to require separate reporting of those activities, provided that the “identifiable activity” requirements in paragraph 122 of that Statement were met. During the drafting of the Implementation Guide, and as governments began to

implement the requirements of Statement 34, the Board began to question the use of “segments” as the required minimum level of detail for the statement of activities.

41. It became apparent that focusing on segments as the minimum requirement could result in either too much or too little detail being provided for business-type activities (BTA). To use segments, as defined in paragraph 122 of Statement 34, as the minimum level of display could result in fractured reporting for some activities. For example, public universities with several residence halls that qualify as *segments* would be required to report each one separately. In addition, if a city uses a single water enterprise fund to account for several water districts—each meeting the definition of a segment—the statement of activities would report each district separately rather than as the combined “Water” activity. On the other hand, too little detail may be provided to financial statement users because governments would be allowed to aggregate enterprise activities that do not meet the segment definition. For example, a major enterprise fund may have no revenue-backed debt or pledged revenues and therefore would not meet the definition of a segment. At the extreme, all nonsegment activities could be combined as “Other” under the BTA heading in the statement of activities.

42. The Board’s intention in establishing “segments” as the minimum requirement in the statement of activities was to identify *different activities* accounted for in a multipurpose fund (or included in the nonmajor funds aggregation) that should be reported separately in the statement of activities—for example, water and electric operations accounted for in a single fund, or parking facilities and golf course operations included in the nonmajor funds column. The Board considered the consequences discussed in the preceding paragraph and concluded that “different identifiable activities,” rather than segments,

should be established as the minimum level of detail. Thus, if a government has several significant different enterprise operations, each one would be reported separately in the government-wide statement of activities, regardless of whether those activities meet the segment definition in paragraph 122.

43. Several respondents commented that the proposed standard in the ED was not sufficiently clear to ensure consistent results across governments. Some expressed concerns specifically about higher education institutions. They suggested that the final Statement should be clarified to compare the variety of activities common to most institutions to the different types of utility operations discussed as an example in the ED. The Board agreed that a higher education institution situation should be added to the illustrative discussion in the standard. Ultimately, however, the Board believes that an absolute “bright line” cannot be established in the definition of *different identifiable activities*—some professional judgment may be necessary.

44. Some respondents commented that the level of detail proposed to be required in the statement of activities for activities accounted for in enterprise funds was more detailed than the functional categories required by Statement 34 for governmental activities. For example, if one compares the “public safety” functional category in governmental activities to “utility services” as a business-type activity, the difference in required minimum levels of detail becomes apparent. Certainly, police, fire, and code enforcement (typical public safety functional category components) are all different activities that provide different services, yet paragraph 39 of Statement 34 does not require them to be reported separately. By comparison, paragraph 10 of this Statement would indicate that water, gas, and electric utilities should be reported separately, rather than in a combined

“utility services” category. The objective is to present a level of detail that will provide useful information to meet the needs of the users of the financial statements. It is that objective that should guide the application of professional judgment.

45. The reasoning that led to the Board’s decision in Statement 34 to require functional categories as the minimum level of detail for governmental activities is discussed in paragraph 355 of the Basis for Conclusions. The Board would have preferred more detail than functional categories generally provide, but instead responded to the concerns voiced by many governments that they would be required to regroup and reclassify their fund-based data for the statement of activities. Accordingly, the Board established functional categories—the level of detail required in governmental fund financial statements—as the minimum requirement, but in paragraph 40 of Statement 34 encouraged governments to display more detail. The Board believes that the concerns about reporting governmental activities are not as significant for enterprise fund operations. Usually, “different identifiable activities” will be reported in separate enterprise funds and, if not, often would be subject to the segment disclosure requirements. Consequently, the Board believes that there is far less need to “regroup and reclassify” fund-based financial data for the statement of activities. In addition, the requirement to report *different identifiable activities* is consistent with the encouragement in paragraph 40 of Statement 34 to provide details for governmental activities beyond the minimum functional category requirements.

46. The Board has also clarified parts of paragraph 39 of Statement 34 to eliminate any potential implication that there should be a direct correlation between what is accounted for in governmental funds and what is reported as governmental activities. Even though that correlation may usually be present, it is not required. An activity accounted for in a

governmental fund may be reported as a business-type activity in the statement of activities—for example, the operations of a public golf course accounted for in a “Parks and Recreation” special revenue fund. Conversely, an activity accounted for in an enterprise fund (for example, public transit) may be reported as a governmental activity in the statement of activities.

Program Revenues—Identifying the Function or Activity to Which a Program Revenue Pertains

47. During early implementation, several governments asked for assistance in determining the appropriate function for certain program revenues—specifically, revenues that are raised by one function but are restricted for use in another. Lottery revenues that are required to be used for education programs are an example. It was thought by some that all revenues that were *restricted* to a program should be reported as program revenues of that program. In the ED, the Board attempted to eliminate the confusion by making an important distinction at the end of paragraph 48 of Statement 34. That distinction is that with regard to *charges for services*, the determining factor is which function *generates* the revenue, and for *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

48. The Board believes that some of the uncertainty could be attributed to a broad interpretation of the statement in paragraph 48 of Statement 34 that program revenues “reduce the net cost of the function to be financed by the government’s general revenues.” In most cases that characterization is accurate and needs no further elaboration. However, in certain instances, such as the lottery example referred to above, it may be unclear *which* program’s net cost is reduced. Despite the clarification provided in the ED, some

respondents commented that more clarity was needed. As a result, the Board added a discussion of “net cost” to paragraph 38 in Statement 34 to further emphasize the basic characteristic of program revenues. Other respondents asked the Board for additional guidance about the display and format requirements for program revenues, and for further clarification on how to classify certain program revenues if the program that generates the revenue is not clear. In response, the Board added footnotes d and e in paragraph 12 of this Statement.

49. To demonstrate the application of the “net cost” concept, the lottery/education situation mentioned in paragraph 47 provides a useful example. Despite a requirement to apply program revenues of the lottery function to the expenses of the education function, those revenues *derive from* the lottery and reduce its net cost. In essence, some or all of the lottery revenues in excess of its own program costs contribute to the resources that will be used to finance the net cost of the education function. As the discussion implies, the education function’s “net cost” is its total expenses less its program revenues—that is, charges, fees, or fines that derive directly from it and grants and contributions that are restricted to it. Despite the fact that the lottery revenues are used to finance the education function, those revenues do not derive directly from the education function and therefore are not its program revenues.

Program Revenues—Classification of Fines and Forfeitures

50. During early implementation of Statement 34, several governments expressed concern about a perceived inconsistency in the classification of fines and forfeitures with *charges for services*, based on the answer to question 118 of the Implementation Guide. Paragraph 49 of Statement 34 states that charges for services include revenues based on

exchange or exchange-like transactions. Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, classifies fines and forfeitures as *nonexchange* revenues; therefore, question 118 creates the perceived inconsistency by stating that fines and forfeitures should be reported with charges for services.

51. The Board believes that there are two reasons readers of paragraph 49 were concerned about the position taken in the Implementation Guide to report fines and forfeitures with charges for services. First, the opening sentence of the paragraph states that charges for services *include* revenues based on exchange or exchange-like transactions. Some readers interpreted that sentence to mean that charges for services *are* revenues based on exchange or exchange-like transactions. However, *include* was not intended to mean *are limited to*. Nevertheless, Statement 33 explicitly includes fines and forfeitures in the imposed *nonexchange* revenue category, causing some to conclude that the two sources of guidance are in conflict. Second, the examples given in paragraph 49 all relate to charges for goods, services, or privileges that *benefit* those who pay the charges. It is commonly perceived that fines and forfeitures do not benefit those who pay fines or forfeit resources. For these reasons, fines and forfeitures may appear not to qualify for this category.

52. The Board believes that fines and forfeitures are derived directly from programs and, therefore, should be classified as program revenues—consistent with the “net cost” definition incorporated into paragraph 38 of Statement 34. Because the Board does not believe that the financial statement presentation would be enhanced with the creation of a requirement for an *additional category* of program revenues, it has concluded that the

charges for services category possesses similar characteristics and would be the most appropriate classification for fines and forfeitures.

53. The Board has amended paragraph 49 of Statement 34 to minimize the likelihood that financial statement preparers will infer that the *charges for services* program revenue category is limited to revenues arising from exchange or exchange-like transactions. The Board has also added a specific “fines” example to remove any uncertainty for those who are influenced by the nonexchange classification of fines and forfeitures in Statement 33, and to clarify that receiving *benefit* is not a necessary feature of charges for services.

54. In addressing the classification of fines and forfeitures, the Board considered that the requirement in Statement 34 to report program revenues in *three categories* should not impose a *three-column* limitation on displaying those revenues. Thus, a government may present significant components of program revenue categories in separate columns under the category heading. For example, if fines and forfeitures are significant, a government may choose to present a separate column for fines and forfeitures under the *Charges for Services* heading, or retitle the single column to be more descriptive—for example, *Charges for Services, Fees, Fines, and Forfeitures*.

Definition of Enterprise Funds

55. Paragraph 67c of Statement 34 requires an activity to use enterprise fund accounting and reporting principles if the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Some have suggested that this criterion could be met by certain activities currently accounted for in internal service funds.

56. The Board did not intend for the enterprise fund criteria to be applied to activities accounted for in internal service funds. Paragraph 67 of Statement 34 begins by stating that “enterprise funds may be used to report any activity for which *a fee is charged to external users* for goods or services” (emphasis added). However, in subparagraphs a, b, and c, the references to “fees” do not repeat the *external users* aspect. The Board believed that it was understood that the “fees” referred to in a, b, and c focused primarily on those charged to external users as described at the beginning of the paragraph. However, in the interest of clarification, the Board has added a footnote reference to “external users” at the end of paragraph 67.

Major Fund Criteria

57. Paragraph 76 of Statement 34 establishes criteria to determine which governmental and enterprise funds, at a minimum, should be reported as major funds. Some have interpreted the provisions in that paragraph as a requirement for major fund reporting if a fund meets the 10 percent criterion for one element (assets, for example) and the 5 percent criterion for another (revenues, for example). As a result, it may appear that paragraph 76 *requires* more funds to be reported as major funds than was intended when the criteria were developed. The intent of the Board in establishing the major fund percentages was that the 10 and 5 percent criteria represent two steps in a single test rather than two separate tests. That is, if a fund has an element that exceeds the 10 percent mark, *that same element* should also exceed the 5 percent cutoff for it to be subject to the major fund reporting requirements.

58. The issue of whether *different* elements could meet the 10 and 5 percent criteria and invoke the major fund reporting requirements is addressed in the Implementation Guide.

The Board believes that misinterpretation of the requirement would not be widespread, and that it likely will be rare that a fund would be deemed major *solely* because one element met *only* the 10 percent test and a different element surpassed *only* the 5 percent criterion. Nevertheless, the Board believes that clarifying paragraph 76 of Statement 34 would eliminate any ambiguity. As a result, part b of paragraph 76 is amended to clarify that the *same element* that meets the 10 percent criterion should also meet the 5 percent test to trigger the requirement to report an individual governmental or enterprise fund as a major fund.

Accounting for the Issuance of Debt in Governmental Funds

59. Paragraph 87 of Statement 34 requires that debt issuance costs paid out of debt proceeds, such as underwriter fees, should be reported as expenditures. Paragraph 88 of that Statement states that items that should be reported as other financing sources and uses include proceeds of long-term debt and issuance premiums or discounts. Taken literally, the requirements in those paragraphs cannot be applied as intended. Debt proceeds are generally regarded as a *net* amount—the face amount of debt issued, adjusted for premiums or discounts, and reduced by issuance costs deducted from proceeds. Thus, to report *net* proceeds *and* premiums, discounts, and deductions would double the effect of the difference between the face amount of the debt issued and the actual proceeds received by the issuing government.

60. The question of how to report debt proceeds, premiums, discounts, and issuance costs is addressed in the Implementation Guide. The Board believes that the guidance set forth in the Guide should be incorporated into the standard to clarify the requirements and,

accordingly, has amended paragraph 88 of Statement 34 to refer to the *face amount* of debt issued, rather than debt *proceeds*.

Definition of a Segment

61. Paragraph 122 of Statement 34 requires segment disclosures for *identifiable activities* if related expenses, gains and losses, assets, and liabilities “can be identified.” Some governments have interpreted that provision as a *requirement* to separately identify expenses, revenues, assets, and liabilities for a particular activity, even if the accounting system does not provide that information.

62. The Board’s reasoning underlying the “separate accounting” aspect of the segment definition in paragraph 122 was that a government maintains detailed accounts for a “debt-financed” activity because it is *required* to do so, and if it is required to do so, it is because external parties (usually through a bond covenant) want that information to be reported. Thus, the Board defined *identifiable activity* and established the segment disclosure requirement based on the notion that users needed that information and that the government produced it.

63. Some governments, with considerable effort, *can identify* assets, liabilities, and expenses for activities with pledged revenues—but they are not required to do so, and consequently do not maintain their accounting records at that level of detail. For many governments, “cross-collateralization” is common, with several pledged facility revenues packaged for a single debt issue, or some facility revenues pledged to support more than one issue. Thus, the separate accounting that the Board envisioned may not exist—but it could be developed. The Board did not intend for governments to identify and report

separate amounts for assets, liabilities, revenues, and expenses for activities that they are not otherwise required to account for separately. The objective was to provide separate financial statement information for *identifiable activities* that were combined in a single major enterprise fund or included in the nonmajor funds aggregation.

64. The Board has amended paragraph 122 of Statement 34 to clarify that the revenues, expenses, assets, and liabilities pertaining to the pledged facilities “are required to be separately accounted for,” rather than the less-precise “can be identified.” A requirement to separately account for *some* (for example, only revenues and expenses), but not all, of the elements listed in paragraph 122, however, does not meet the criteria to require segment disclosures. An additional amendment has been made to acknowledge that a segment is not limited to a single activity, but rather can be a “grouping” of activities to take into account “cross-collateralization,” provided that the *grouping* satisfies the criteria in paragraph 122.

Reporting Component Units

65. Paragraph 126 of Statement 34 requires that the *aggregated total* component unit information should be taken from the total columns in the component units’ statements of net assets and activities. However, neither Statement 14 nor Statement 34 requires a reporting entity total column to be displayed. Therefore, if a component unit has component units of its own and does not display a reporting entity total column, the only *total column* required for purposes of applying paragraph 126 is the component unit’s total primary government column. Thus, the question of whether the Board intended to include only a component unit’s primary government transactions in the reporting entity’s financial statements has arisen.

66. The question of what component unit information should be included in a reporting entity's financial statements was addressed in the Implementation Guide. The Board concluded that the answer in the Guide should be incorporated into this standard to eliminate any uncertainty. The Board has amended paragraph 126 of Statement 34 to refer to "the totals" from the component unit's statements of net assets and activities, rather than "total columns." Statement 34 does not amend the requirement in paragraph 43 of Statement 14; that paragraph states that the component unit financial data that are incorporated into a reporting entity's financial statements should include the data from all of its component units. Therefore, the data that should be taken from the component unit's financial statements are the amounts that *would be* in its entity total column if one had been presented. The amendment to paragraph 126 also clarifies that the requirement to use the component units' aggregated totals is not limited to the combining statement approach.

Budgetary Comparison Schedules

67. Paragraph 131 of Statement 34 establishes disclosure requirements for a budgetary comparison presented as RSI. That paragraph refers to *any* excess of expenditures over appropriations in *individual funds*. Some have questioned whether the disclosure is limited to only those funds presented in the budgetary comparison.

68. The requirement to disclose excesses of expenditures over appropriations is provided to cover the situations where an excess may not be apparent from the budgetary comparison itself. Variance columns are not required, and if the comparison has numerous lines or is presented at a different level of detail than the legal level of control, or if the variances are small, excesses may not be apparent. The requirement in Statement

34 to disclose “*any* excess of expenditures over appropriations in individual funds” was carried forward from existing standards.

69. The Board believes that *notes to RSI*, by definition, are limited to providing additional information about the contents of RSI and should not refer to information presented elsewhere in the financial report. Consequently, the Board believes it is necessary to clarify that the disclosure requirement in paragraph 131 of Statement 34 applies only to the funds presented in the budgetary comparison schedule in RSI.

Appendix C

CODIFICATION INSTRUCTIONS

70. The sections that follow reflect revisions to the Codification instructions to Statement 34. Only the paragraph number of this Statement is listed if the paragraph will be cited in full in the Codification.

[Revise Statement 34 Codification instructions in the following sections:]

SUMMARY STATEMENT OF PRINCIPLES

SECTION 1100

Sources: [Add the following:] GASB Statement 37

.106 [Revise the second sentence as follows:] The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use.

.112e [Revise subparagraph e as follows:] At a minimum, the statement of activities should present:

- (1) Activities accounted for in governmental funds by function, as discussed in Section 1800, paragraph .117, to coincide with the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances
- (2) Activities accounted for in enterprise funds by *different identifiable activities*.

[NCGAS 1, pp. 2–4, as amended by GASBS 6, ¶15 and GASBS 34, ¶6, ¶15, and ¶82; GASBS 14, ¶11, ¶12, ¶19, ¶43, ¶65, and ¶66; GASBS 34, ¶6, ¶13, ¶15, ¶16, ¶18, ¶21, ¶22, ¶53, ¶63, ¶75, ¶79, ¶80, ¶82, ¶88, ¶92, ¶100, ¶107, ¶112, and ¶125; GASBS 37, ¶6 and ¶10]

* * *

FUND ACCOUNTING

SECTION 1300

Sources: [Add the following:] GASB Statement 37

.109 [Add the following footnote at the end of subparagraph c and renumber subsequent footnotes:]

⁶The focus of these criteria is on fees charged to external users. [GASBS 37, ¶14]

* * *

REPORTING CAPITAL ASSETS

SECTION 1400

Sources: [Add the following:] GASB Statement 37

[Revise the Statement of Principle as follows:]

Valuation of Capital Assets

[Revise the second sentence as follows:] The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. [GASBS 34, ¶18; GASBS 37, ¶6]

.102 [Revise the second sentence as follows:] The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. [GASBS 34, ¶18; GASBS 37, ¶6]

.107 [Insert the following footnote at the end of the paragraph and renumber subsequent footnotes:]

⁶A change from depreciation to the modified approach should be reported as a change in an accounting estimate. [GASBS 37, ¶8]

* * *

REPORTING LIABILITIES

SECTION 1500

.110 [Revise the third and fourth sentences as follows:] Proceeds of long-term debt issues not recorded as fund liabilities—for example, the face amount of bonds or notes expended through capital projects or debt service funds—normally should be reflected as “Other Financing Sources” in the operating statement of the recipient fund. Such amounts should be reported in captions such as “Bonds Issued” or “Long-Term Notes Issued.” [NCGAS 1, ¶107 and ¶108; GASBS 34, ¶82; GASBS 34, ¶88, as amended by GASBS 37, ¶16; GASBI 1, ¶10, ¶12, and ¶13]

* * *

CLASSIFICATION AND TERMINOLOGY

SECTION 1800

Sources: [Add the following:] GASB Statement 37

[Revise the Statement of Principle as follows:]

[Replace subparagraph e as follows:]

At a minimum, the statement of activities should present:

- (1) Activities accounted for in governmental funds by function, as discussed in paragraph .117, to coincide with the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances
- (2) Activities accounted for in enterprise funds by *different identifiable activities*.

[NCGAS 1, ¶99; GASBS 34, ¶6, ¶53, ¶88, ¶100, and ¶112; GASBS 37, ¶10]

.108 [Revise as follows:] Proceeds of long-term debt issues not recorded as fund liabilities—for example, the face amount of bonds or notes expended through capital projects or debt service funds—normally should be reflected as "Other Financing Sources" in the operating statement of the recipient fund. Such amounts should be reported in captions such as "Bonds Issued" or "Long-Term Notes Issued." [No changes to rest of paragraph.] [NCGAS 1, ¶108; GASBS 6, ¶19; GASBS 34, ¶88, as amended by GASBS 37, ¶16]

.109 [Revise first sentence as follows:] For current and advance refundings resulting in defeasance of general long-term debt, the face amount of the new debt should be reported as an “other financing source—refunding bonds” in the fund receiving the proceeds. [GASBS 7, ¶8, as amended by GASBS 34, ¶82 and ¶88; GASBS 37, ¶16]

.123 [Replace paragraph as follows:] At a minimum, the statement of activities should present:

- a. Activities accounted for in governmental funds by function,² as discussed in paragraph .117, to coincide with the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances
- b. Activities accounted for in enterprise funds by *different identifiable activities*.³

[GASBS 37, ¶10]

²[GASBS 34, fn27]

³An activity within an enterprise fund is *identifiable* if it has a specific revenue stream and related expenses and gains and losses that are accounted for separately. Determining whether an activity is *different* may require the use of professional judgment, but is generally based on the goods, services, or programs provided by an activity. For example, providing natural gas is different from supplying water or electricity, even though all three are regarded as “utility services.” On the other hand, separate identifiable water districts would not be considered “different” activities, even though they may serve different parts of the government. For higher education institutions reported in enterprise funds, the variety of activities common to those institutions—for example, food service, bookstore, residence halls, and student unions—generally would not be required to be reported separately. One consideration in contrasting the higher education situation with the utility example is the fact that gas, water, and electric utilities each deliver a different product or service. Gas distribution is not part of a water supply system, generation of electricity is not a

component of a gas distribution system, and so on. In the higher education setting, the various activities might be considered supplemental or secondary to the delivery of the primary service—higher education. [GASBS 37, ¶10] [Renumber subsequent footnotes.]

.126 [Replace the last sentence in the paragraph with the following:] The statement of activities should separately report three categories⁴ of program revenues: (a) charges for services, (b) program-specific *operating* grants and contributions, and (c) program-specific *capital* grants and contributions. For identifying the function to which a program revenue pertains, the determining factor for *charges for services* is which function *generates*⁵ the revenue. For *grants and contributions*, the determining factor is the function to which the revenues are *restricted*. [GASBS 34, ¶48; GASBS 37, ¶12]

⁴More than one column may be used to display components of a program revenue category. Governments may also provide more-descriptive category headings to better explain the range of program revenues reported therein (for example, *Operating grants, contributions, and restricted interest*). [GASBS 37, ¶12]

⁵In some instances it may be difficult or impractical to identify a specific function that generates a program revenue. For example, in many jurisdictions fines could be attributed to either a public safety or judicial function. If the source of a program revenue is not clear, governments should adopt a classification policy for assigning those revenues and apply it consistently. [GASBS 37, ¶12] [Renumber subsequent footnotes.]

* * *

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION 2200

Sources: [Add the following:] GASB Statement 37

.109 [Revise paragraph as follows:] MD&A requirements established by this section are discussed below in general rather than specific terms to encourage financial managers to effectively report only the most relevant information and to avoid “boilerplate” discussion. The information presented should be confined to the topics discussed in a through h, below.⁸

- a. [GASBS 34, ¶11, subparagraph a]
- b. Condensed financial information derived from government-wide financial statements comparing the current year to the prior year. Governments should

present the information needed to support their analysis of financial position and results of operations required in c, below, including the following elements, if relevant: [Insert GASBS 34, ¶11b(1)–(14).]

c.–h. [GASBS 34, ¶11, subparagraphs c–h][Change cross-references.]

[GASBS 34, ¶11; GASBS 37, ¶4–¶5]

⁸Governments can provide additional details about the required topics in a through h. 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. [GASBS 37, ¶4] [Renumber subsequent footnotes.]

.123 [Insert GASBS 37, ¶11 after the first sentence.] [GASBS 34, ¶38; GASBS 37, ¶11]

.124 [Replace paragraph as follows:] At a minimum, the statement of activities should

present:

- a. Activities accounted for in governmental funds by function,¹⁶ as discussed in Section 1800, “Classification and Terminology,” paragraph .117, to coincide with the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances
- b. Activities accounted for in enterprise funds by different identifiable activities.¹⁷ [GASBS 37, ¶10]

¹⁶[GASBS 34, fn27]

¹⁷An activity within an enterprise fund is *identifiable* if it has a specific revenue stream and related expenses and gains and losses that are accounted for separately. Determining whether an activity is *different* may require the use of professional judgment, but is generally based on the goods, services, or programs provided by an activity. For example, providing natural gas is different from supplying water or electricity, even though all three are regarded as “utility services.” On the other hand, separate identifiable water districts would not be considered “different” activities, even though they may serve different parts of the government. For higher education institutions reported in enterprise funds, the variety of activities common to those institutions—for example, food service, bookstore, residence halls, and student unions—generally would not be required to be reported separately. One consideration in contrasting the higher education situation with the utility example is the fact that gas, water, and electric utilities each deliver a different product or service. Gas distribution is not part of a water supply system, generation of electricity is not a component of a gas distribution system, and so on. In the higher education setting, the various activities might be considered supplemental or secondary to the delivery of the primary service—higher education. [GASBS 37, ¶10] [Renumber subsequent footnotes.]

.133 [Replace the last sentence in the paragraph with the following:] The statement of activities should separately report three categories¹⁸ of program revenues: (a) charges for services, (b) program-specific *operating* grants and contributions, and (c) program-

specific *capital* grants and contributions. For identifying the function to which a program revenue pertains, the determining factor for *charges for services* is which function *generates*¹⁹ the revenue. For *grants and contributions*, the determining factor is the function to which the revenues are *restricted*. [GASBS 34, ¶48; GASBS 37, ¶12]

¹⁸More than one column may be used to display components of a program revenue category. Governments may also provide more-descriptive category headings to better explain the range of program revenues reported therein (for example, *Operating grants, contributions, and restricted interest*). [GASBS 37, ¶12]

¹⁹In some instances it may be difficult or impractical to identify a specific function that generates a program revenue. For example, in many jurisdictions fines could be attributed to either a public safety or judicial function. If the source of a program revenue is not clear, governments should adopt a classification policy for assigning those revenues and apply it consistently. [GASBS 37, ¶12] [Re-number subsequent footnotes.]

.134 [Replace paragraph as follows:] *Charges for services* is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though they receive no *benefit*. Payments from other governments for goods or services—for example, when County A reimburses County B for boarding County A’s prisoners—also should be reported in this category. [GASBS 37, ¶13]

.150 [Revise subparagraphs a and b as follows:]

- a. Total assets, liabilities, revenues, or expenditures/expenses²⁵ of that individual governmental or enterprise fund are at least 10 percent of the corresponding

- element total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), *and*
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

[GASBS 34, ¶76; GASBS 37, ¶15]

²⁵[GASBS 34, fn37]

.158 [Revise as follows:] Items that should be reported as other financing sources and uses include the face amount of long-term debt, issuance premium or discount, certain payments to escrow agents for bond refundings, transfers, and sales of capital assets (unless the sale meets the criteria, as defined in paragraph .141, for reporting as a special item). [GASBS 34, ¶88, as amended by GASBS 37, ¶16]

.180 [Replace the last sentence as follows:] Notes to RSI should disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison, as discussed in Section 2300, paragraph .105.³⁶ [GASBS 34, ¶131; GASBS 37, ¶19]

³⁶[GASBS 34, fn56] [Change cross-reference.]

.182 [Revise the second sentence as follows, retaining the footnote:] 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 assets and activities.³⁷ [GASBS 14, ¶50; GASBS 34, ¶126; GASBS 37, ¶18]

³⁷[GASBS 34, fn51]

.187 [Replace the last sentence as follows:] The *aggregated total* component unit information, as discussed in Section 2600, paragraph .106, should be the entity totals

derived from the component units' statements of net assets and activities.⁴¹ [GASBS 34, ¶126; GASBS 37, ¶18]

⁴¹[GASBS 34, fn51]

* * *

BUDGETARY REPORTING

SECTION 2400

Sources: [Add the following:] GASB Statement 37

.103 [Replace the last sentence as follows:] Notes to RSI should disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison, as discussed in Section 2300, paragraph .105.⁴ [GASBS 34, ¶131; GASBS 37, ¶19]

⁴[GASBS 34, fn56] [Change cross-references.]

* * *

SEGMENT INFORMATION

SECTION 2500

Sources: [Add the following:] GASB Statement 37

.101 [Revise as follows:] Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. For purposes of this disclosure, a segment is an *identifiable activity* (or grouping of activities), as discussed in Section 2200, "Comprehensive Annual Financial Report," footnote 17, reported as or within an enterprise fund or an other stand-alone entity that has one or more bonds or other debt instruments (such as certificates of participation) outstanding,¹

with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required² to be accounted for separately. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial information in the notes, including the elements in a through c below. [Delete subparagraph a and renumber subsequent subparagraphs.] [GASBS 34, ¶122, as amended by GASBS 37, ¶17]

¹[GASBS 34, fn48]

²The requirement for separate accounting should be imposed by an external party. For example, accounting and reporting requirements commonly are set forth in bond indentures. [GASBS 37, ¶17]

* * *

**REPORTING ENTITY AND COMPONENT UNIT
PRESENTATION AND DISCLOSURE**

SECTION 2600

Sources: [Add the following:] GASB Statement 37

.111 [Revise as follows:] The data presented for each component unit generally should be its aggregated totals, taken from the entity totals derived from the component units' statements of net assets and activities. (Because component units that are engaged only in business-type activities are not required to prepare a statement of activities, this disclosure should be taken from the information provided in the component unit's statement of revenues, expenses, and changes in net assets.) Presentation of the fund financial statements of the individual component units is not required in the reporting entity's CAFR unless such information is not available in separately issued financial reports of the component unit. [GASBS 14, ¶50; GASBS 34, fn51; GASBS 34, ¶126; GASBS 37, ¶18]

* * *

DEBT REFUNDINGS

SECTION D20

.106 [Revise first sentence as follows:] For current and advance refundings resulting in defeasance of general long-term debt, the face amount of the new debt should be reported as an “other financing source—refunding bonds” in the governmental fund receiving the proceeds. [GASBS 7, ¶8, as amended by GASBS 34; GASBS 34, ¶79; GASBS 34, ¶88, as amended by GASBS 37, ¶16]

* * *

ESCHEAT PROPERTY

SECTION E70

[Revise entire section as follows:]

Sources: GASB Statement 21
GASB Statement 34
GASB Statement 37

.101 This section establishes standards to be used to report escheat property transactions in the government-wide and fund financial statements. An escheat is the reversion of property to a governmental entity in the absence of legal claimants or heirs.¹ The provisions of this section apply to all state and local governmental entities. [GASBS 21, ¶3 and fn1, as amended by GASBS 34 and GASBS 37, ¶3]

¹[GASBS 21, fn1]

Accounting and Reporting for Escheat Property in the Fund Financial Statements

.102 Escheat property generally should be reported as an asset in the governmental or proprietary fund to which the property ultimately escheats. Escheat property held for individuals, private organizations, or another government should be reported in a private-purpose trust fund or an agency fund, as appropriate (or in the governmental or proprietary

fund in which escheat property is otherwise reported, with a corresponding liability).
[GASBS 34, ¶72; GASBS 37, ¶3]

.103 When escheat property is reported in governmental or proprietary funds, escheat revenue should be reduced and a governmental or proprietary fund liability reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. The liability should represent the best estimate of the amount ultimately expected to be reclaimed and paid, giving effect to such factors as previous and current trends in amounts reclaimed and paid relative to amounts escheated, and anticipated changes in those trends.

(This liability may differ from the amount specified in law to be separately held for payments to claimants.) [GASBS 21, ¶5, as amended by GASBS 34 and GASBS 37, ¶3]

Accounting and Reporting for Escheat Property in the Government-wide Financial Statements

.104 Escheat-related transactions reported in the government-wide financial statements should be measured using the economic resources measurement focus and the accrual basis of accounting. Escheat transactions reported in private-purpose trust funds or in agency funds should be excluded from the government-wide financial statements.
[GASBS 37, ¶3]

* * *

PROPRIETARY FUND ACCOUNTING AND FINANCIAL REPORTING

SECTION P80

Sources: [Add the following:] GASB Statement 37

.108 [Revise subparagraphs a and b as follows:]

- a. Total assets, liabilities, revenues, or expenditures/expenses⁷ of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), *and*
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

[GASBS 34, ¶76; GASBS 37, ¶15]

⁷[GASBS 34, fn37]

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HOSPITALS AND OTHER HEALTHCARE PROVIDERS

SECTION Ho5

Sources: [Add the following:] GASB Statement 37

.103 [Add the following footnote at the end of subparagraph c and renumber subsequent footnote:]

⁵The primary focus of these criteria is on fees charged to external users. [GASBS 37, ¶14]

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UTILITIES

SECTION Ut5

Sources: [Add the following:] GASB Statement 37

.103 [Add the following footnote at the end of subparagraph c and renumber subsequent footnotes:]

⁵The primary focus of these criteria is on fees charged to external users. [GASBS 37, ¶14]