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Understanding the Complexities of GASB Financial Statements

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Learning Objectives

- Identify the different components of a school district's financial statements
- Explain the impact of GASB standards on how financial statements are prepared



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Basic Financial Statements

- Government-Wide Financial Statements
 - Statement of Net Position
 - Statement of Activities
- Fund Financial Statements
 - Governmental Funds
 - Balance Sheet
 - Reconciliation to the Statement of Net Position
 - Statement of Revenues, Expenditures, and Changes in Fund Balances
 - Reconciliation to the Statement of Activities



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Basic Financial Statements (Continued)

- Fund Financial Statements (Continued)
 - Proprietary Funds
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Fiduciary Funds
 - Statement of Net Position
 - Statement of Changes in Net Position
 - Notes to Basic Financial Statements



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Why So Many Statements?

- GASB 34 – Basic Financial Statements
 - Created the Government-Wide Financial Statements
- Basis of Accounting
 - Full Accrual Basis of Accounting
 - Government-Wide Financial Statements
 - Proprietary Fund Financial Statements
 - Fiduciary Fund Financial Statements
 - Modified Accrual Basis of Accounting
 - Governmental Fund Financial Statements



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Basis of Accounting

Full Accrual (FASB and GASB)	Modified Accrual (GASB only)
Recognize economic events regardless of when cash is received or paid	Focus on cash or near cash transactions
Capital Assets / PP&E / Fixed Assets are recognized – includes depreciation	Purchase of capital assets are expensed
Long-term liabilities are recorded	Principal and interest payments are expensed, debt proceeds are other sources (i.e. revenue)
Revenue is recognized when economic event occurs	Revenue is recognized when measurable and expected to be collected near term
Expense is recognized when economic event occurs	Expenditures are recognized when incurred with some exceptions

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GASB 34 – Basic Financial Statements

- Governmental Activities
 - All governmental funds and any internal service funds
 - Conversion activity for modified accrual to full accrual
 - Detailed on reconciliation schedules
- Business type
 - Enterprise Funds
 - No significant conversion entries
 - Food Service BA entries potentially
- Fiduciary funds- excluded

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Common Reconciling Items

- Fund Balance
- + Capital Assets
- + Long-term assets not considered available
- Long-term obligations
 - Long-term debt
 - Premium on debt
 - Compensated absences
 - Net pension liability/asset
 - Net OPEB liability/asset
 - Accrued interest
- +/- Deferred in/outflows related to pensions/OPEB
- = Net position

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Statement of Net Position

	Governmental Activities	
	2023	2022
ASSETS		
Cash and Investments	\$ 7,978,936	\$ 9,012,692
Receivables:		
Taxes	1,591,976	1,482,770
Accounts	43,524	51,966
Due from Other Governments	217,229	300,942
Prepaid Items	103,960	24,733
Net Pension Asset	-	3,502,606
Capital Assets:		
Not Being Depreciated	8,490,856	6,798,610
Being Depreciated and Amortized, Net	10,034,917	10,649,849
Total Assets	28,451,418	31,923,168
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	8,472,982	6,798,903
Other Postemployment Related Amounts	376,190	436,066
Total Deferred Outflows of Resources	8,849,172	7,234,969



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Statement of Net Position (Continued)

DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	8,472,982	6,798,903
Other Postemployment Related Amounts	376,190	436,066
Total Deferred Outflows of Resources	8,849,172	7,234,969
LIABILITIES		
Accounts Payable	288,434	1,680,016
Accrued and Other Current Liabilities	1,541,637	1,422,059
Accrued Interest Payable	53,676	60,269
Unearned Revenues	12,107	22,259
Long-Term Obligations:		
Due in One Year	590,582	570,562
Due in More Than One Year	9,447,644	10,058,728
Other Postemployment Benefits Liability		
Due in One Year	31,989	69,080
Due in More Than One Year	849,116	718,553
Pension Liability	2,534,805	-
Total Liabilities	14,929,960	14,601,570
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	4,674,006	8,472,177
Other Postemployment Related Amounts	159,153	665,621
Total Deferred Inflows of Resources	5,833,159	9,137,798
NET POSITION		
Net Investment in Capital Assets	10,284,317	10,449,261
Restricted:		
Pension	-	3,592,606
Community Service	113,725	146,535
Food Service	274,219	310,012
Debt Service	1,652,624	33,058
Long Term Capital Improvements	552,334	153,522
Unrestricted	3,859,422	736,575
Total Net Position	\$ 16,737,441	\$ 15,418,569



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Reconciliation

	2023	2022
Reconciliation to the Statement of Net Position		
Total fund balances as shown on previous page	\$ 8,093,467	\$ 7,757,769
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	18,515,773	17,448,459
Long-term assets are not considered available; therefore are not reported in the funds:		
Net Pension Asset	-	3,592,606
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred Outflows Related to Pensions	8,472,982	6,798,903
Deferred Inflows Related to Pensions	(4,874,006)	(8,472,177)
Deferred Outflows Related to Other Postemployment Benefits	376,190	436,066
Deferred Inflows Related to Other Postemployment Benefits	(759,153)	(665,821)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and Notes Payable	(8,690,000)	(9,165,000)
Financed Purchase Payable	(42,219)	(82,286)
Lease Liability	-	(55,514)
Debt Premiums	(228,813)	(241,314)
Compensated Absences	(1,087,395)	(1,085,196)
Other Postemployment Benefits Liability	(681,105)	(787,633)
Pension Liability	(2,334,805)	-
Accrued Interest on Long-Term Obligations	(53,676)	(60,263)



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Capital Assets – Purchase of an Asset

- **Governmental Funds**
 - Expense in appropriate Function
- **Government-Wide**
 - Record as a capital asset
- **Conversion adjustment**
 - Eliminate Expense
 - Record Asset

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Capital Assets – Purchase of an Asset

Year 1	Fund	Conversion	Government-Wide
Assets			
Cash	(25,000)	-	(25,000)
Equipment Asset	-	25,000	25,000
Liability			
Equity			
Revenue			
Expense			
Food Service	25,000	(25,000)	-
Total	-	-	-

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Capital Assets - Depreciation

- **Governmental Funds**
 - No activity recorded
- **Government-Wide**
 - Accumulated Depreciation recorded
 - Depreciation Expenses recorded
- **Conversion adjustment**
 - Record Depreciation Expense
 - Record Accumulated Depreciation

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Capital Assets – Depreciation

Year 2	Fund	Conversion	Government-Wide
Assets			
Cash	(25,000)	-	(25,000)
Equipment Asset	-	-	25,000
Accumulated Depreciation	-	(5,000)	(5,000)
Liability			
Equity	25,000	-	-
Revenue			
Expense			
Food Service	-	5,000	5,000
Total	-	-	-



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Capital Assets - Disposal

- **Governmental Funds**
 - Record any proceeds as revenue
- **Government-Wide**
 - Remove the Asset and Accumulated Depreciation
 - Record any gain or loss based on book value and proceeds
- **Conversion adjustment**
 - Remove the Asset and Accumulated Depreciation
 - Adjust the proceeds for any gain or loss



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Capital Assets - Disposal

- Freezer Purchased for \$25,000
- 4 years of depreciation = \$20,000
Accumulated Depreciation
- Proceeds of \$3,000
- Loss on disposal of \$2,000
 - Book Value (25,000-20,000) - 3,000 = 2,000



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Capital Assets – Disposal

Year 5	Fund	Conversion	Government-Wide
Assets			
Cash	(22,000)	-	(22,000)
Equipment Asset	-	(25,000)	-
Accumulated Depreciation	-	20,000	-
Liability			
Equity	25,000	-	20,000
Revenue			
Proceeds from Sale	(3,000)	3,000	-
Expense			
Food Service	-	2,000	2,000
Total	-	-	-



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Debt - Issuance

- **Governmental Funds**
 - Record proceeds on debt as an Other Financing Source
 - Record premium on debt as an Other Financing Source
 - Record issuance cost as an expense
- **Government-Wide**
 - Record the proceeds as a long term liability
 - Record premium on debt as a long term liability
 - Record issuance cost as an expense
- **Conversion adjustment**
 - Remove the proceeds and premium, record the liability
 - Nothing for issuance cost



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Debt - Issuance

	Fund	Conversion	Government-Wide
Assets			
Cash	4,025,000	-	4,025,000
Liability			
Long Term Debt	-	(4,000,000)	(4,000,000)
Premium on debt	-	(100,000)	(100,000)
Equity			
Revenue			
Proceeds on Long Term Debt	(4,000,000)	4,000,000	-
Premium	(100,000)	100,000	-
Expense			
Issuance Cost	75,000	-	75,000
Total	-	-	-



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Debt – Principal Payment

- **Governmental Funds**
 - Record principal payment as an expense
 - Record interest payment as an expense
- **Government-Wide**
 - Record principal as a reduction in the long term liability
 - Record interest payment as an expense
 - Adjusted for accrued interest
- **Conversion adjustment**
 - Eliminate principal expense and reduce the liability
 - Potential adjustment for accrued interest



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Debt - Principal Payment

	Fund	Conversion	Government-Wide
Assets			
Cash	(1,080,000)	-	(1,080,000)
Liability			
Long Term Debt	-	1,000,000	1,000,000
Equity			
Equity	-	-	-
Revenue			
Revenue	-	-	-
Expense			
Principal Expense	1,000,000	(1,000,000)	-
Interest Expense	80,000	-	80,000
Total	-	-	-



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Interest Expense

- **Governmental Funds**
 - Agrees to the interest payments during the year,
- **Government-Wide**
 - Interest payments made during the year
 - Adjusted for:
 - Change in accrued interest
 - Premium and Discount amortization
 - Deferred Loss on Refunding Amortization



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Other Forms of Debt

- GASB 87 Leases & GASB 96 SBITA
 - Conversion entries are the same
 - Proceed on debt
 - Principal on debt
 - Issuance Costs
 - Complications from the identification process and the calculations necessary

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Pension

- GASB 67, 68, 71, 73, 78
- Cost Sharing Multi-Employer (WRS)
 - Reports obtained from ETF
 - Allocated based on employer share of contributions by function
- Single Employer Pension
 - Based on actuarial report obtained by District
 - Allocated based on costs of pension plan

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Other Post Employment Benefits

- GASB 74 and 75
- Cost Sharing Multi-Employer (LRLIF)
 - Reports obtained from ETF
 - Allocated based on employer share of contributions by function
- Single Employer OPEB
 - Based on actuarial report obtained by District
 - Allocated based on costs of OPEB plan
 - Amounts in Fund 73 trust will reduce the overall OPEB liability

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Statement of Activities

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions	Governmental Activities	
				2023	2022
GOVERNMENTAL ACTIVITIES					
Institution	\$ 9,042,416	\$ 189,585	\$ 1,918,076	\$ (8,934,755)	\$ (8,950,919)
Support Services	7,880,909	351,690	1,055,960	(5,673,259)	(4,656,789)
Community Services	189,740	7,810	-	(177,930)	(127,199)
Nonprogram	3,647,690	851,847	109,390	(2,686,353)	(1,829,956)
Interest and Fiscal Charges	187,373	-	-	(187,373)	(200,850)
Depreciation and Amortization - Unallocated	(600,241)	-	-	(600,241)	(802,204)
Total Governmental Activities	\$ 20,214,369	\$ 1,401,232	\$ 3,083,426	(15,729,911)	(13,667,312)
GENERAL REVENUES					
Property Taxes				6,970,727	6,515,407
Other Taxes				5,168	6,130
State and Federal Aids not Restricted to Specific Functions				9,978,568	9,281,887
Interest and Investment Earnings				58,410	13,501
Gain on Disposal of Capital Assets				-	49,507
Miscellaneous				35,910	46,343
Total General Revenues				17,048,783	15,911,845
CHANGE IN NET POSITION				1,318,872	2,244,533
Net Position - Beginning of Year				15,418,569	13,174,036
NET POSITION - END OF YEAR				\$ 16,737,441	\$ 15,418,569



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Reconciliation

	2023	2022
Reconciliation to the Statement of Activities		
Net change in fund balances as shown on previous page	\$ 335,698	\$ (2,720,965)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.		
Capital Assets Reported as Capital Outlay Reported in Governmental Fund Statements	3,813,241	3,344,398
Depreciation and Amortization Expense Reported in the Statement of Activities	(2,687,567)	(802,204)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal Repaid	870,582	959,367
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Accrued Interest on Long-Term Debt	8,617	9,425
Amortization of Premiums	(2,701)	29,694
Compensated Absences	17,801	229,661
Pension Liability (Asset)	(5,171,411)	782,380
Deferred Outflows of Resources Related to Pensions	1,574,429	2,304,190
Deferred Inflows of Resources Related to Pensions	3,088,171	(2,199,617)
Other Postemployment Benefits	155,528	505,322
Deferred Outflows of Resources Related to Other Postemployment Benefits	(58,876)	(132,007)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(93,332)	(831,046)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities	\$ 1,318,872	\$ 2,244,533



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Additional Differences

- Netting of interfund activity
- Allocation of grant revenues to functional categories



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How to review these differences

- District Responsibilities
 - District should be providing capital additions/disposals
 - District provides compensated absences data
 - Debt information should be maintained by the District
 - Understand premium and gain/loss calculations
 - Auditor should provide this
 - OPEB/Pension studies provided by District
- Auditor Responsibilities
 - Work with the District to better understand where the information comes from and how it is handled in the conversion
 - Provide conversion entries, including the supporting documentation



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Upcoming GASBs

- GASB 101 Compensated Absences
 - Does not change presentation
 - Changes calculation
- GASB 103 Financial Reporting Model
 - Focuses on MD&A, Proprietary Funds, Component Units, Budget Schedules
 - Does not effect governmental funds



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Questions?

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