

Near-Term Financial Resources—Overview

- Information about spending and resources available for spending
- Report amount available for spending in the next period
- Near-term would be a specific period of time, 60-90 days after the end of the reporting period
- Financial resources are resources expected to be converted to cash

Near-Term Financial Resources—Assets and Liabilities Recognition

- Assets include resources that are **receivable** at year-end and **normally** due to convert to cash within the near term (as well as cash and other financial resources that are available to be converted to cash within the near term)
- Long-term receivables entered into with delayed payment terms recognized when payments are due
- Liabilities include those **payable** at period-end and **normally** due within the near term
- Principal on debt payable and similar items recognized when due because the transactions were entered into with delayed payment terms

Near-Term Financial Resources—Assets

Examples of assets that would be recognized:

- Cash and investments
- Accounts receivable that normally are due within the near term
- Property taxes receivable that normally are due in the near term
- Long-term receivables with delayed payment terms that have matured

Examples of assets that would not be recognized:

- Prepaid items
- Inventory (unless held for resale in near term)
- Long-term receivables that have not matured
- Capital assets, including intangible assets

Near-Term Financial Resources—Liabilities

Examples of liabilities that would be recognized:

- Accounts payable and accrued payroll that normally are due within the near term
- Accrued interest payable that normally is due within the near term
- Compensated absences payable that normally are due within the near term
- Any unpaid balances due on debt that matured during the period
- Net postemployment benefit liabilities that normally are due within the near term

Examples of liabilities that would not be recognized:

- Compensated absences liabilities that normally are not due within the near term
- Debt principal payments that have not matured
- Net postemployment benefit liabilities that normally are not due within the near term
- Asset retirement obligations that normally are not due within the near term

Near-Term Financial Resources—Inflows and Outflows Recognition

- Outflows of resources are recognized as spending occurs, including payments made during the reporting period and shortly after period-end, and principal payments on matured debt and other-than-near-term obligations
- Inflows of resources are recognized for newly acquired financial resources that do not result in corresponding liabilities and are available for spending for that reporting period

Near-Term Financial Resources—Inflows

Examples of transactions that would be recognized as inflows of resources:

- Property taxes levied for the period that are collected during the period or in the near term after period-end
- Repayments from lending activities that are scheduled during the reporting period
- Proceeds from all borrowings, including operating and capital-related long-term debt and tax or revenue anticipation notes issued during the period
- Proceeds from sales of capital assets

Example of a transaction that would not be recognized as inflows of resources:

- Repayments from lending activities due in subsequent periods

Near-Term Financial Resources—Outflows

Examples of transactions that would be recognized as outflows of resources :

- Payments related to salaries and wages
- Purchases of goods and services, including prepayments for goods and services to be received in future periods
- Purchases of inventories
- Long-term lending activities
- Interest payments on borrowings to the extent that the interest has accrued and is due either during the period or within the near term
- Principal payments on all borrowings that mature in the period
- Capital outlays

Example of a transaction that would not be recognized as outflows of resources:

- Depreciation

Near-Term Financial Resources—Deferrals and Net Position

- Deferred outflows of resources and deferred inflows of resources would be recognized using established guidance for these financial statement elements (S-65)
- The net position element (fund balance) would represent the residual amount (or deficiency) of near-term assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the reporting period
- *Represents amounts available for spending in a future period, modified slightly from what we know today*

Short-Term Financial Resources—Overview

- Focused on a government's one-year operating cycle
- Information related to short-term (defined as one year after year end) financial assets and liabilities
- Financial resources are cash, claims to cash, claims to goods and services, consumable goods, and equity securities of another entity

Short-Term Financial Resources—Assets and Liabilities Recognition

- Assets include cash, other financial resources that are **receivable** at period-end and **normally** due to convert to cash within the subsequent operating cycle, and prepaid items and inventories that will be consumed in the subsequent operating cycle
- Liabilities include those **payable** (due) at period-end and **normally** payable within the upcoming operating cycle
- Inflows of resources and outflows of resources are recognized as the underlying transaction occurs and cash is collected or paid or due in the subsequent operating cycle

Short-Term Financial Resources—Assets and Liabilities Recognition

- Assets include cash, other financial resources that are **receivable** at period-end and **normally** due to convert to cash within the subsequent operating cycle, and prepaid items and inventories that will be consumed in the subsequent operating cycle
- Liabilities include those **payable** (due) at period-end and **normally** payable within the upcoming operating cycle

- Inflows of resources and outflows of resources are recognized as the underlying transaction occurs and cash is collected or paid or due in the subsequent operating cycle

Short-Term Financial Resources—Assets

Examples of assets that would be recognized:

- Cash and investments
- Accounts receivable normally due within the subsequent year
- Property taxes receivable normally due in the subsequent year
- Long-term receivables due in the subsequent year
- Prepaid items
- Inventory

Examples of assets that would not be recognized:

- Long-term receivables that are due beyond the subsequent year
- Capital assets, including intangible assets

Short-Term Financial Resources—Liabilities Recognized

Examples of liabilities that would be recognized:

- Accounts payable and accrued payroll
- Accrued interest payable due within the subsequent year
- Compensated absences payable due in the subsequent year
- Principal amounts of debt due within the subsequent year
- For pay-as-you-go postemployment benefits, liability is the amount due (expected to be paid) in the subsequent year
- For postemployment benefits paid through a plan, liability is the cumulative excess of the Actuarially Determined Contribution over the amount contributed to the plan

Short-Term Financial Resources—Outflows

Examples of transactions that would be recognized as outflows of resources:

- Compensation outflows, including changes in recognized liabilities for postemployment benefits and compensated absences
- Use of goods (including inventories) and services
- Long-term lending activities
- Interest payments on borrowing to the extent that the interest has accrued and is due either in the period or within the subsequent operating cycle
- Principal payments on debt due in the subsequent operating cycle
- Capital outlays

Example of transactions that would not be recognized as outflows of resources:

- Prepayments for goods and services to be received in future periods
- Purchases of inventories
- Principal payments on debt that mature in the period
- Depreciation



Short-Term Financial Resources—Inflows

- Examples of transactions that would be recognized as inflows of resources :
 - Property taxes levied for the period that were collected during the period or are due in the subsequent operating cycle
 - Repayments from lending activities that are due in the subsequent operating cycle
 - Proceeds from borrowings of the current period that are due in a period beyond the subsequent operating cycle
- Proceeds from sales of capital assets
- Amounts related to long-term receivables due in the subsequent operating cycle.
- Example of a transaction that would not be recognized as inflows of resources:
 - Payments from lending activities due beyond the subsequent operating cycle

Short-Term Financial Resources— Deferrals, Net Position and Cash Flows

- Deferred outflows of resources and deferred inflows of resources would be recognized using established guidance for these financial statement elements.
- The net position element (fund balance) would represent the residual amount (or deficiency) of short-term assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the reporting period
 - Different from a measure of available spendable resources
 - Requires the presentation of a cash flow statement for each governmental fund

Long-Term Financial Resources – Overview

- Information about all financial resources
- Financial resources are cash, claims to cash, claims to goods or services, consumable goods, and equity securities of another entity
- Recognize all noncapital assets and liabilities on the accrual basis of accounting; would not be limited to those collectible or payable in either the near-term or subsequent operating cycle
- Does not report assets for capital assets or liabilities for debt related to capital assets
- Capital debt is the same as that used in determining the net investment in capital assets component of net position

Long-Term Financial Resources – Assets

Examples of assets that would be recognized:

- All assets other than capital assets and intangible assets

Example of assets that would not be recognized:

- Capital assets, including intangible assets
- Examples of liabilities that would be recognized:
- All liabilities other than capital debt
- Principal amounts of long-term operating debt and tax/revenue anticipation borrowings
- Pension and other postemployment benefit liabilities (in accordance Statement 68 and 75)
- Asset retirement obligations, landfill closure costs

Example of liabilities that would not be recognized:

- Principal amounts of long-term capital-related debt

Long-Term Financial Resources – Outflows

Examples of transactions that would be recognized as outflows of resources :

- Compensation outflows, including changes in liabilities for postemployment benefits and compensated absences
- Use of goods (including inventories) and services
- Interest
- Principal payments for capital-related long-term debt
- Capital outlays

Examples of transactions that would not be recognized as outflows of resources:

- Prepayments for goods and services to be received in future periods
- Purchases of inventories
- Lending activities
- Principal payments on debt
- Depreciation

Long-Term Financial Resources – Inflows

Examples of transactions that would be recognized as inflows of resources :

- Property taxes levied for the period
- Sales and corporate income taxes for which the underlying transaction has occurred
- Proceeds from borrowings of the current period for capital –related debt
- Proceeds from sales of capital assets

Examples of transactions that would not be recognized as inflows of resources:

- Collections of principal payments from lending activities
- Proceeds from current-period borrowings of operating long-term debt and tax or revenue anticipation notes