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# Financial Reporting Model

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The views expressed in this presentation are those of Dr. Caputo and Mr. Lantz  
Official positions of the GASB are reached only after extensive due process and deliberations.

# Financial Reporting Model—Reexamination of Statement 34

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# Topics Covered in the Invitation to Comment

- Three possible recognition approaches to replace current financial resources/modified accrual:
  - Near-term financial resources
  - Short-term financial resources
  - Long-term financial resources
- Format of governmental funds resource flows statement
  - Existing format versus current and long-term activities format
- Governmental funds cash flows statement
  - Could be needed for short-term and long-term financial resources approaches because the time perspective is not close to cash

# PV Versus AV



# Preliminary Views: Recognition in Governmental Funds

- The measurement focus for governmental funds presented in the PV is short-term financial resources
- Recognition based on whether an item arises from a short-term or long-term transaction:
  - Items arising from short-term transactions are recognized when the underlying transaction occurs
  - Items arising from long-term transactions are recognized when the payments to be received or made become due

# Preliminary Views: Recognition in Governmental Funds (continued)

- Items that arise from short-term transactions and other events are those that normally are due to convert to or generate cash (or other financial assets) or require the use of cash (or other financial assets) entirely within one year from the inception of the transaction or other event
- Items that arise from long-term transactions and other events are those that normally are due to convert to or require the use of cash (or other financial assets) in periods that extend beyond one year from the inception of the transaction or other event

# Preliminary Views: Normally

- The concept of *normally* is intended to enhance comparability by requiring governments to recognize assets and liabilities (a) in a manner consistent with other governments and (b) based on substance, rather than form.
- *Normally* would refer to circumstances of governments in general, not the potentially unique circumstances of a single government or type of government.
  - Consistent with its use in Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*
- It is expected that additional authoritative guidance would be provided to identify what is considered normal for specific types of transactions.

# Preliminary Views: Class of Transactions or Other Events

- Transactions and other events would be considered short term or long term for an entire class of transactions or other events, rather than individually for each transaction or other event within a class.
- A class of transactions or other events has common attributes that differentiate that class from others.
  - For example, investment of idle cash and issuance of long-term debt are classes of transactions. Each investment acquisition or debt issuance would not be evaluated individually.



# Preliminary Views: Examples of Short-term Assets

- Cash and investments
- Accounts receivable
- Property taxes receivable
- Prepaid items
- Inventory
- Notes and other long-term receivables that have become due

# Preliminary Views: Examples of Short-term Liabilities

- Accounts payable and accrued payroll
- Accrued interest payable
- Tax anticipation notes and revenue anticipation notes
- Any unpaid balances due on general obligation and other long-term debt that became due during the period

# Preliminary Views: Examples of Long-term Liabilities

- Compensated absences
- General obligation and other long-term debt
- Net pension and other postemployment benefit liabilities
- Asset retirement obligations
- Leases (other than short-term leases)

# Preliminary Views: Examples of Long-term Assets

- Notes and other long-term receivables that have not become due
- Capital assets, including intangible assets

# Alternative Views: Principles for Short-term (One Year)

- Recognition of short-term assets and liabilities would be based on:
  - The stated or contractual maturities of financial assets and liabilities
  - The best estimate of periods of receipt or payment if there is not stated or contractual maturities
- Exemptions to recognition principle
  - Net pension and other postemployment benefit liabilities
  - Asset retirement obligations

# Alternative Views: Issues With Normally

- Determining what is normal for all governments for each specific type of transaction may consume significant time and resources with resulting cost both in initial implementation and each period thereafter.
- No comprehensive resource or information source for this purpose and the professional judgment of preparers would be critically evaluated by auditors and users by necessity.
- Requiring all governments to apply what is normal for all governments may lead to illogical results and limit the usefulness of governmental funds financial information.

# Alternative Views: Government Wide Statement of Cash Flows

- Alternative Views includes a proposed requirement for a government wide Statement of Cash Flows.
- Many governments manage cash at an entity wide level, not at the fund level. Presentation of a government-wide cash flows statement will allow for greater transparency of operations through an assessment that is consistent with the operational practices of many state and local governments.

# Alternative Views: Rational for a Government Wide Cash Flows Statement

- The information a statement of cash flows provides should help financial statement users assess:
  - An entity's ability to generate future net cash flows
  - Its ability to meet its obligations as they come due
  - Its needs for external financing,
  - The reasons for differences between changes in net position and associated cash receipts and payments, and
  - The effects on the entity's financial position of both its cash and its noncash investing, capital, and financing transactions during the period.



# Areas of Agreement

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# Preliminary Views: Presentation of Governmental Funds

- Financial statements presented in current and noncurrent activity format
- Noncurrent activity—related to purchase and disposition of capital assets and issuance and repayment of long-term debt
- Current activity—all other

# Preliminary Views: Presentation of Governmental Funds

- These financial statements present a short-term view of the governmental fund activities and report items of a long-term nature differently from how they are reported in the government-wide financial statements.
- Short-Term Financial Resources Balance Sheet
  - Short-term assets, short-term liabilities, deferred outflows of short-term financial resources, deferred inflows of short-term financial resources, short-term financial resources fund balances
- Statement of Short-Term Financial Resource Flows
  - Inflows of short-term financial resources for current activities, outflows of short-term financial resources for current activities, and net flows of short-term financial resources for noncurrent activities

**ABC Government**  
**Short-Term Financial Resource Balance Sheet**  
**Governmental Funds**  
**June 30, 20XX**

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

	<b>General Fund</b>	<b>Special Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>SHORT-TERM ASSETS</b>				
Cash and cash equivalents	\$ 861,272	\$ 8,846,434	\$ 12,071,406	\$ 21,779,112
Investments	-	-	18,500,000	18,500,000
Taxes receivable	33,339,603	5,176,000	3,781,774	42,297,377
Intergovernmental receivables	662	607	83,736	85,005
Grant receivable	250,992	-	-	250,992
Other receivables	2,056,859	-	1,457,817	3,514,676
Interfund receivables	610,066	-	607,909	1,217,975
Prepaid item	-	-	13,800	13,800
Inventory	23,500	-	-	23,500
Total short-term assets	<u>\$ 37,142,954</u>	<u>\$ 14,023,041</u>	<u>\$ 36,516,442</u>	<u>\$ 87,682,437</u>
<b>SHORT-TERM LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND SHORT-TERM FINANCIAL RESOURCES FUND BALANCES</b>				
Short-term liabilities:				
Accounts payable	\$ 904,666	\$ 493,212	\$ 1,642,560	\$ 3,040,438
Other payables	2,444	-	926	3,370
Accrued payroll	2,966,848	14,733	65,821	3,047,402
Compensated absences payable	25,000	-	-	25,000
Accrued interest payable	69,165	29,733	746,436	845,334
Interfund payable	51,606	227,099	15,195	293,900
Claims payable	2,550,000	-	-	2,550,000
Tax anticipation note payable	4,400,000	-	-	4,400,000
Total short-term liabilities	<u>10,969,729</u>	<u>764,777</u>	<u>2,470,938</u>	<u>14,205,444</u>
Deferred inflows of resources:				
Taxes receivable levied for the next year	<u>21,625,730</u>	<u>5,176,000</u>	<u>2,153,024</u>	<u>28,954,754</u>
Total deferred inflows of resources	<u>21,625,730</u>	<u>5,176,000</u>	<u>2,153,024</u>	<u>28,954,754</u>
Short-term financial resources fund balances:				
Restricted	-	8,082,264	32,024,553	40,106,817
Assigned for library	685,630	-	-	685,630
Unassigned	<u>3,861,865</u>	<u>-</u>	<u>(132,073)</u>	<u>3,729,792</u>
Total short-term financial resources fund balances	<u>4,547,495</u>	<u>8,082,264</u>	<u>31,892,480</u>	<u>44,522,239</u>
Total short-term liabilities, deferred inflows of resources, and short-term financial resources fund balances	<u>\$ 37,142,954</u>	<u>\$ 14,023,041</u>	<u>\$ 36,516,442</u>	<u>\$ 87,682,437</u>

**ABC Government**  
**Reconciliation of Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 20XX**

<b>Total fund balance—governmental funds</b>	<b>\$</b>	<b>44,522,239</b>
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Amounts reported ~~for~~*governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		187,089,527
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Long-term assets are recognized when receipts become due and therefore are not reported as assets in governmental funds. Long-term assets at year-end consist of:

Notes receivable	\$ 3,742,776		
Special assessments	<u>82,351</u>		3,825,127

Internal service funds are used to charge the costs of certain activities to individual funds.		
The net assets are reported with governmental activities.		(16,368)

Long-term liabilities are recognized when payments become due and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Bond payable	\$ (25,083,036)		
Leases payable	(3,682,284)		
Compensated absences payable	(4,970,071)		
Pension benefits	(826,333)		
Other postemployment benefits	<u>(41,916,695)</u>		<u>(76,478,419)</u>

<b>Total net position—governmental activities</b>	<b>\$</b>	<b><u>158,942,106</u></b>
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**ABC Government**  
**Statement of Short-Term Financial Resource Flows**  
**Governmental Funds**  
**Year Ended June 30, 20XX**

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

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>INFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,311,156	\$ 2,015,047	\$ 27,648,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Special assessments	-	-	41,500	41,500
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,192,493	20,787,512
Investment earnings	5,829	11,384	119,043	136,256
Transfers in	500,000	-	155,204	655,204
Miscellaneous	4,216,940	654,482	771,287	5,642,709
Total inflows of short-term financial resources for current activities	106,760,279	5,977,022	19,516,177	132,253,478
<b>OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES</b>				
General government	14,053,444	6,961,201	2,213,691	23,228,336
Public health and safety	70,880,913	-	590,383	71,471,296
Highway and streets	12,137,714	-	4,715,808	16,853,522
Culture and recreation	3,581,583	335,659	1,808,065	5,725,307
Economic development	496,141	-	3,374,045	3,870,186
Transfers out	155,204	-	500,000	655,204
Total outflows of short-term financial resources for current activities	101,304,999	7,296,860	13,201,992	121,803,851
Net flows of short-term financial resources for current activities	5,455,280	(1,319,838)	6,314,185	10,449,627
<b>NET FLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR NONCURRENT ACTIVITIES</b>				
Transfers in	-	-	10,651,605	10,651,605
Debt service	(2,434,544)	(366,412)	(9,198,505)	(11,999,461)
Capital outlay	(111,987)	(1,515)	(1,346,497)	(1,459,999)
Transfers out	(7,680,875)	(6,445)	(2,420,900)	(10,108,220)
Net flows of short-term financial				
Total other noncurrent inflows (and outflows)	(10,227,406)	(374,372)	(2,314,297)	(12,916,075)
Net change in short-term financial resources fund balances	(4,772,126)	(1,694,210)	3,999,888	(2,466,448)
Short-term financial resources fund balances at beginning of year	9,319,621	9,776,474	27,892,592	46,988,687
Short-term financial resources fund balances at end of year	\$ 4,547,495	\$ 8,082,264	\$ 31,892,480	\$ 44,522,239

**ABC Government**  
**Reconciliation of Governmental Funds Resource Flows Statement to the**  
**Statement of Activities**  
**June 30, 20XX**

<b>Net change in fund balances—total governmental funds</b>	<b>\$ (2,466,448)</b>
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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 capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(3,026,375)
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Revenues from long-term transactions or events are recognized in governmental funds when they are collected. However in the statement of activities, those revenues are recognized when the transaction or event occurs. This amount is the difference related to the timing of revenue recognition.	(41,500)
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Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue is reported with governmental activities.	18,875
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Bond proceeds provide current financial resources to governmental funds, but issuing bonds increases increases long-term liabilities in the statement of net position. Repayment of bond principal is an outflow in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond repayments exceeded proceeds.	8,331,457
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Payments on leases payable is an outflow in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,273,469
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Certain long-term expenses reported in the statement of activities are not reported in governmental funds until the transaction or event occurs and therefore are not reported as expenditures in governmental funds. The following are differences related to the timing of expenditure recognition:	(645,000)
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Compensated absences	\$	(146,014)	
Pensions		(341,290)	
Other postemployment benefits		<u>(3,034,728)</u>	<u>(3,522,032)</u>

<b>Net change in net position—governmental activities</b>	<b><u>\$ (77,554)</u></b>
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# Preliminary Views: Proprietary Funds

- Separate presentation of operating and nonoperating revenues and expenses
  - Nonoperating activities include
    - Subsidies received and provided
    - Revenues and expenses of financing
    - Resources from the disposal of capital assets and inventory
    - Investment income and expenses
  - Operating activities are those other than nonoperating activities



# Preliminary Views: Proprietary Funds (continued)

- Separate presentation of operating and nonoperating revenues and expenses (continued)
  - Subsidies are resources provided by another party or fund for the purpose of keeping the rates lower than otherwise would be necessary for the level of goods and services to be provided
    - Includes resources for purchase of capital assets
  - Subtotal for operating income (loss) and noncapital subsidies

**GASB State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Tuition and fees (net of discounts)	\$ 574,168	\$ 525,791
Grants and contracts	292,962	278,481
Sales and services	271,345	272,244
Other operating revenues	7,868	14,861
Total operating revenues	<u>1,146,343</u>	<u>1,091,377</u>
Operating expenses:		
Natural or functional expenses		
Total operating expenses	<u>1,681,544</u>	<u>1,596,059</u>
Income (loss) generated by operations	<u>(535,201)</u>	<u>(504,682)</u>
Subsidies:		
Appropriations	407,702	394,767
Taxes	8,026	7,660
Grants	42,978	37,567
Gifts	99,395	90,063
Total subsidies	<u>558,101</u>	<u>530,057</u>
Operating income (loss) and subsidies	<u>22,900</u>	<u>25,375</u>
Financing and investing activities:		
Investment income	235,820	138,649
Interest expense	(12,412)	(12,853)
Loss from the disposition of capital assets	(2,385)	518
Total financing and investing activities	<u>221,023</u>	<u>126,314</u>
Income before other items	<u>243,923</u>	<u>151,689</u>
Other Items:		
Capital contributions	<u>23,231</u>	<u>74,830</u>
Increase (decrease) in net position	267,154	226,519
Net position--beginning	<u>3,061,111</u>	<u>2,834,592</u>
Net position--ending	<u>\$ 3,328,265</u>	<u>\$ 3,061,111</u>

# Preliminary Views: Budgetary Comparisons

- Would be presented in required supplementary information (no option for basic statements)
- Required variances would be final-budget-to-actual and original-budget-to-final-budget

# Preliminary Views: Major Component Units

- When it is not feasible to present major component unit financial statements in a separate column in the reporting entity's statements of net position and activities, the financial statements of the major component units would be presented in the reporting entity's basic financial statements as combining financial statements after the fund financial statements.

# Preliminary Views: Expenses by Natural Classification

- Government-wide schedule of natural classification of expenses would be presented as supplementary information
  - Governmental activities expenses by function or program
  - Business-type activities expenses by segment

**City of ABC**  
**Schedule of Governmental Activities Expenses by Function and Natural Classification**  
**For the Year Ended June 30, 20XX**

<b>Natural Classification</b>	<b>General Government</b>	<b>Public Health and Safety</b>	<b>Highway and Streets</b>	<b>Culture and Recreation</b>	<b>Economic Development</b>	<b>Interest</b>	<b>Total</b>
Awards and grants	\$ 1,836,816	\$ 122,864	\$ -	\$ -	\$ 3,119,584	\$ -	\$ 5,079,265
Contractual services	18,056,635	742,022	2,184,886	1,224,681	361,490	-	22,569,713
Personnel and benefits	5,304,476	73,433,671	11,539,528	4,799,675	712,049	-	95,789,398
Supplies	76,016	810,609	1,873,636	574,572	32,650	-	3,367,483
Support services	482,604	2,151,837	891,835	66,095	6,267	-	3,598,638
Depreciation	1,120,359	1,433,900	4,304,049	208,885	774	-	7,067,967
Interest	-	-	-	-	-	1,047,400	1,047,400
Total	<u>\$ 26,876,906</u>	<u>\$ 78,694,903</u>	<u>\$ 20,793,934</u>	<u>\$ 6,873,908</u>	<u>\$ 4,232,813</u>	<u>\$ 1,047,400</u>	<u>\$ 138,519,864</u>

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<u>Investments:</u> Beginning of year (BOY) fair value of investments in a permanent fund was \$18,400,000. End of year (EOY) fair value of investments was \$18,500,000. No investments matured or were purchased or sold during the year.	Recognize an asset for the fair value of investments. Changes in the fair value are recognized as investment earnings.	This transaction would be considered a short-term transaction because investments normally generate cash. Recognize an asset for the fair value of the investment. Changes in fair value are recognized as investment earnings.
Recognized amounts:	Investments of \$18,500,000. Change in fair value of \$100,000 is included in investment earnings.	Investments of \$18,500,000. Change in fair value of \$100,000 is included in investment earnings.

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<p><u>Property taxes receivable:</u> EOY balance was \$28,954,754. The property taxes were levied at the end of the fiscal year for the subsequent fiscal year and were due six months and nine months after the year-end.</p>	<p>Recognize an asset for amounts receivable at period-end. Recognize deferred inflows of resources for the amounts levied because they are applicable to a future period.</p>	<p>This transaction would be considered a short-term transaction because property tax payments normally are due within one-year from the inception of the transaction. Recognize an asset for amounts receivable at period-end. Recognize deferred inflows of resources for the amounts levied because they are applicable to a future reporting period.</p>
<p>Recognized amounts:</p>	<p>Taxes receivable of \$28,954,754 and deferred inflows of resources of \$28,954,754.</p>	<p>Taxes receivable of \$28,954,754 and deferred inflows of resources of \$28,954,754.</p>



<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<u>Prepaid items:</u> BOY balance was \$5,800. During the year, \$60,000 was spent for prepaid items. EOY balance was \$13,800.	Recognize an asset for acquisition of prepaid items and an expenditure when prepaid items are consumed.	This transaction would be considered a short-term transaction because prepaid items are normally consumed within one-year from the inception of the transaction. Recognize an asset for acquisition of prepaid items and an outflow of resources when the prepaid items are consumed.
Recognized amounts:	Prepaid item of \$13,800. Expenditures of \$52,000 recognized by function.	Prepaid item of \$13,800. Outflows of resources of \$52,000 are recognized by function as a current activity.

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<u>Inventory:</u> BOY balance was \$15,200. During the year, \$185,000 was spent on inventory. EOY balance was \$23,500.	Under the consumption method, recognize an asset when inventory is purchased and an expenditure when inventory is consumed.	This transaction would be considered a short-term transaction because inventory is normally consumed within one-year from the inception of the transaction. Recognize an asset when inventory is purchased and an outflow of resources when inventory is consumed.
Recognized amounts:	Inventory of \$23,500. Expenditures of \$176,700 recognized by function.	Inventory of \$23,500. Outflows of resources of \$176,700 are recognized by function as a current activity.

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<p><u>Grants receivable:</u> BOY receivable balance was \$550,992. Of that balance:</p> <ul style="list-style-type: none"> <li>• \$150,992 was expected to be received within 60 days</li> <li>• \$400,000 was expected to be received between six months and one year</li> </ul> <p>New grants meeting the recognition criteria during the year were \$300,000. Collections during the year were:</p> <ul style="list-style-type: none"> <li>• All \$550,992 from the beginning of year balance</li> <li>• \$49,008 of current-year grant activity</li> </ul> <p>EOY receivable balance was \$250,992. Of this balance:</p> <ul style="list-style-type: none"> <li>• \$100,992 was expected to be received within 60 days</li> <li>• \$150,000 was expected to be received between six months and one year</li> </ul>	<p>Recognize an asset for amounts receivable at period-end and recognize a deferred inflow of resources for amounts expected to be collected beyond the period of availability. Recognize revenue for amounts collected during the period and expected to be collected during the period of availability.</p>	<p>This transaction would be considered a short-term transaction because grants normally are collected within one year from the inception of the transaction. Recognize an asset for amounts receivable at period-end and recognize an inflow of resources for grants incurred during the period.</p>
<p>Recognized amounts:</p>	<p>Grants receivable of \$250,992 and deferred inflow of resources of \$150,000. Assuming a three-month period of availability, grants revenue of \$550,000 (\$400,000 + \$49,008 + \$100,992) is recognized as part of intergovernmental revenues.</p>	<p>Grants receivable of \$250,992 is recognized. Inflows of resources of \$300,000 are recognized as part of intergovernmental inflows within current activity.</p>

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<u>Notes receivable:</u> BOY receivable balance was \$4,387,776. \$645,000 matured and was collected during the year. EOY receivable balance was \$3,742,776 that was all due beyond three months after year-end.	Current practice for reporting notes receivable is inconsistent. Recognize an asset and report nonspendable fund balance for amounts not available to pay liabilities of the current period. (Note: This presentation should not be used to establish a precedent for reporting notes receivable.)	This transaction would be considered a long-term transaction because the note payments are scheduled to be collected beyond one-year from the inception of the transaction. Recognize an asset when the payments are due. Recognize an inflow of resources for payments that mature during the period.
Recognized amounts:	Notes receivable of \$3,742,776 and nonspendable fund balance of \$3,742,776.	No receivable is recognized. Inflows of resources of \$645,000 are recognized as part of miscellaneous inflows within current activity.

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<p><u>Compensated absences:</u> BOY liability was \$4,824,057. The net current-year increase in balance was \$146,014, which resulted in an EOY liability of \$4,995,071. \$25,000 of this balance relates to employees who have separated from service.</p>	<p>Recognize a liability and an outflow of resources to the extent normally expected to be liquidated with expendable available financial resources.</p>	<p>This transaction would be considered a long-term transaction because the liability is normally liquidated beyond one-year from the inception of the transaction. Recognize a liability and an outflow of resources when the amount becomes due, typically when an employee separates from service, as a noncurrent activity.</p>
<p>Recognized amounts:</p>	<p>Compensated absences liability and expenditures of \$25,000 are recognized as current expenditures by function.</p>	<p>Compensated absences liability and outflows of resources of \$25,000 are recognized as a current activity by functions.</p>

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<u>Accrued interest on long-term debt and leases:</u> BOY liability was \$899,750. Interest on long-term debt and leases incurred during the year was \$2,394,534. Amounts paid during the year were \$2,448,950. EOY liability was \$845,334.	Recognize a liability and an outflow of resources in the period due.	This event would be considered a short-term event because accrued interest normally is paid within one-year from the occurrence of the event. Recognize a liability for amounts payable at period-end and an outflow of resources for amounts incurred during the period.
Recognized amounts:	No liability is recognized. Debt service expenditures of \$2,448,950 are recognized, which are based on interest paid during the year.	Accrued interest payable of \$845,334 is recognized. Outflows of resources representing the interest incurred during the year of \$2,394,534 are recognized as part of interest debt service as a noncurrent activity.

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<u>Tax anticipation notes (TANs):</u> BOY balance was \$4,000,000, all of which was paid during the year. \$4,400,000 of TANs were issued in the current year, leaving an EOY balance of \$4,400,000.	Recognize a liability for TANs payable at period-end.	This transaction would be considered a short-term transaction because TANs normally are expected to be paid within one-year from the inception of the transaction. Recognize a liability for amounts payable at period-end. No inflows of resources or outflows of resources are recognized because a short-term borrowing transactions affect only assets and liabilities.
Recognized amounts:	TAN payable of \$4,400,000.	TAN payable of \$4,400,000.

<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<p><u>Pension benefits:</u> BOY net liability for pensions was \$485,043. EOY net liability for pensions was \$826,333. None of the liability is expected to be liquidated with expendable available resources. Contributions are paid to a pension plan that is responsible for making benefit payments.</p>	<p>Recognize a liability to the extent normally expected to be liquidated with expendable available financial resources. Expenditures are recognized for contributions to pension plans.</p>	<p>This transaction would be considered long-term because the pension benefits, including the interest component, normally are earned during the periods in which employees provide services to the government and are normally paid beyond one-year from the inception of the transaction. Recognize a liability for amounts that are due at the end of the reporting period and have not been paid. Outflows of resources are recognized for contributions to pension plans.</p>
<p>Recognized amounts:</p>	<p>No liability is recognized. Expenditures are recognized in current expenditures by function.</p>	<p>No liability is included. Outflows of resources are recognized by function as a current activity.</p>



<u>Transaction or Other Event</u>	<u>Current Approach</u>	<u>Short-Term Approach</u>
<u>Bonds payable:</u> BOY liability was a total of \$33,414,493. Changes during the year included repayment of \$8,331,457 of principal, resulting in an EOY liability of \$25,083,036.	Recognize a liability for principal amounts when payment is due. Principal payments are recognized as debt service expenditures.	This transaction would be considered a long-term transaction because bonds payable normally are liquidated beyond one year from the inception of the transaction. Recognize a liability for principal amounts when payment is due. Principal payments are recognized as outflows of resources for debt service.
Recognized amounts:	No liability is recognized. Expenditures of \$8,331,457 are recognized in debt service.	No liability is recognized. Outflows of resources of \$8,331,457 are recognized in debt service as a noncurrent activity.

# Project Timetable and Public Hearings

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# Project Timeline

Pre-Agenda Research Started	April 2013
Added to Current Technical Agenda	September 2015
Invitation to Comment Issued	December 2016
Preliminary Views Approved	September 2018
Comment Deadline	February 15, 2019

# Public Hearings

- March 5—Chicago
- March 12—Atlanta (in conjunction with NASC conference)
- March 14—New York

# What Comes Next

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Exposure Draft

# Topics Expected to Be Addressed in an Exposure Draft

- Extraordinary and special items—explore options for clarifying the guidance for more consistent reporting
- Management's discussion and analysis (MD&A)
  - Enhance the financial statement analysis component
  - Eliminate boilerplate
  - Clarify guidance for presenting currently known facts, decisions, or conditions
- Debt service funds—explore options for providing additional information, either individually or in aggregate in the financial statements or the notes

# Questions


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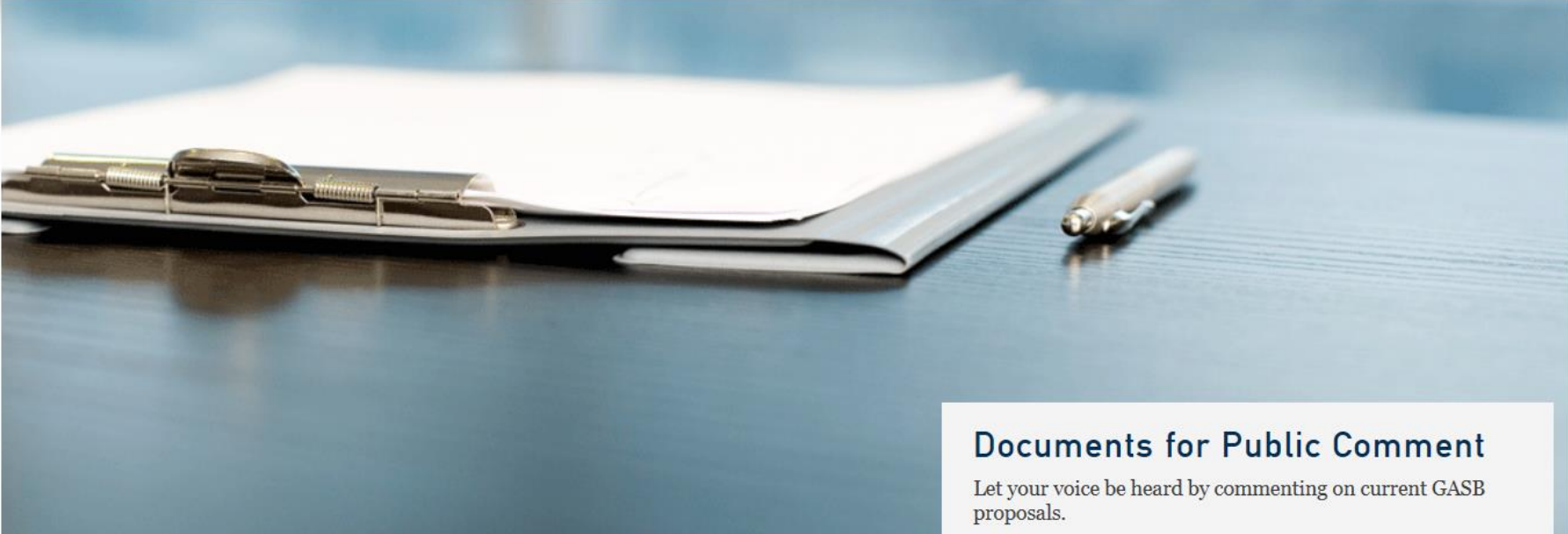
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