

GASB 103 – Extreme Makeover: ACFR Edition

*Reimagining Your MD&A and Other ACFR Transformations*





# UPDATE

## GASB Update - Agenda

### TOPICS TO COVER

- Understanding key provisions of GASB 103
- Discuss best practices for implementation



- ❖ GASB Statement No. 103 – Financial Reporting Model Improvements
- ❖ Effective for fiscal years beginning after June 15, 2025
  - ❖ July 1, 2025 – June 30, 2026 (FY26)
  - ❖ January 1, 2026 – December 31, 2026
- ❖ Changes adopted at transition to conform to the provisions of this Statement should be reported as a change in accounting principle in accordance with GASB 100, Accounting Changes and Error Corrections, including the related display and disclosure requirements.

# Background

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- ❖ The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.
- ❖ GASB 103 establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following topics:
  - Management's discussion and analysis (MD&A)
  - Unusual or infrequent items
  - Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
  - Information about major component units in basic financial statements
  - Budgetary comparison information
  - Financial trends information in the statistical section
- ❖ Requirements of GASB 103 apply to the financial statements of all state and local governments.

# Outline of the Key Provisions of GASB 103 and Significant Changes to the Financial Reporting Model

## 1. MD&A

- a. **Overview of the Financial Statements**
  - b. **Financial Summary**
  - c. **Detailed Analyses**
  - d. **Significant Capital Asset and Long-Term Financing Activity**
  - e. **Currently Known Facts, Decision, or Conditions**
2. Unusual or Infrequent Items
  3. Presentation of the Proprietary Fund Statements
  4. Major Component Units
  5. Budgetary Comparison Information
  6. Financial Trend Information in the Statistical Section

# Management's Discussion and Analysis (MD&A)

## MD&A should:

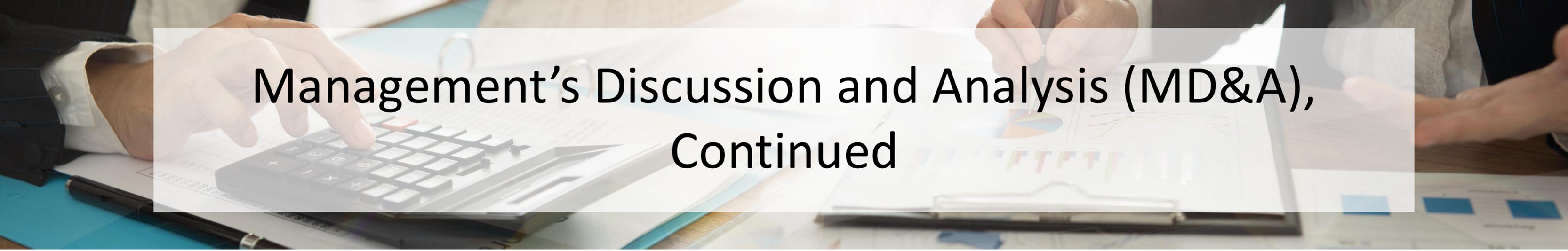
- ❖ Provide an objective and easily readable analysis of the government's financial activities.
  - Based on currently known facts, decisions, or conditions
    - Information that management is aware of as of the date the financial statements are issued
- ❖ Include an analysis of government's activities, both short-term and long-term.
- ❖ Be written in a manner that can be understood by users who may not have a detailed knowledge of governmental accounting and financial reporting.
- ❖ Include explanations and interpretations that help users understand the information provided.
- ❖ Discussion comparison to prior year, with emphasis on current year
- ❖ Avoid unnecessary duplication: previous discussion and explanations can be referenced, rather than duplicating
- ❖ Focus on the primary government



# Management's Discussion and Analysis (MD&A), Continued

**GASB 103 requires that the information presented in MD&A be limited to the related topics discussed in five sections:**

1. Overview of the Financial Statements
2. Financial Summary
3. Detailed Analyses
4. Significant Capital Asset and Long-Term Financing Activity, and
5. Currently Known Facts, Decisions, or Conditions



# Management's Discussion and Analysis (MD&A), Continued

## Section 1: Overview of the Financial Statements

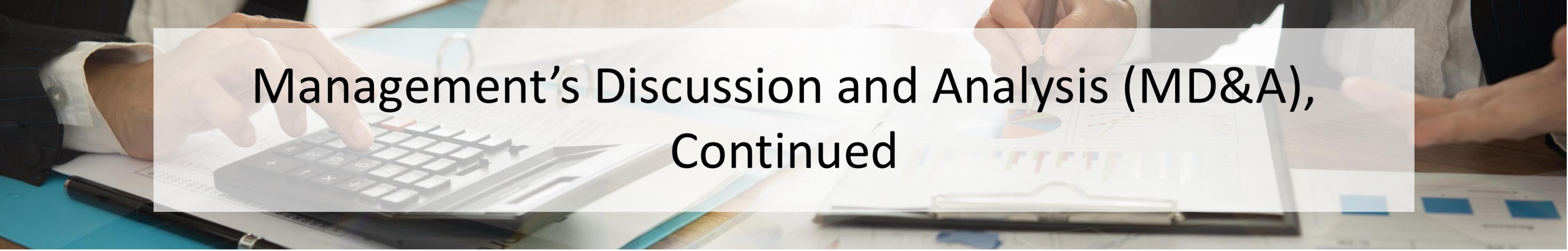
- ❖ No change from prior guidance, this information was required to be included in MD&A per existing GASB guidance
- ❖ This section of MD&A should provide an overview of the financial statements, including:
  - The relationship of the statements to each other
  - Focus on the significant differences in the types of information the financial statements provide

# Management's Discussion and Analysis (MD&A), Continued

## Section 2: Financial Summary

- ❖ This section of the MD&A should include condensed financial information derived from the government-wide financial statements comparing the current year to the prior year for both governmental activities and business-type activities
- ❖ Section 3 requires a detailed analysis. As such, Section 2 should present the information to support the detailed analysis in Section 3, as follows:

- 1) Total assets, distinguishing between capital assets and other assets
- 2) Total deferred outflows of resources
- 3) Total liabilities, distinguishing between long-term liabilities and other liabilities
- 4) Total deferred inflows of resources
- 5) Total net position, distinguishing between the net investment in capital assets, restricted net position, and unrestricted net position
- 6) Program revenues, by major source, distinguishing between charges for services, operating grants and contributions, and capital grants and contributions
- 7) General revenues, by major source
- 8) Total revenues
- 9) Program expenses, at a minimum by function or identifiable activity, as appropriate
- 10) Total expenses
- 11) Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, transfers, and unusual or infrequent items
- 12) Contributions to term and permanent endowments or permanent fund principal
- 13) Transfers
- 14) Unusual or infrequent items
- 15) Beginning net position
- 16) Change in net position
- 17) Ending net position



# Management's Discussion and Analysis (MD&A), Continued

## Section 3: Detailed Analysis (Government-wide: governmental and business-type activities)

- ❖ An analysis of the primary government's financial position and the results of operations
  - Summarize significant changes to governmental and business-type activities, as reported in the government-wide financial statements
  - If applicable, refer to the analysis of significant capital asset and long-term financing activity rather than duplicating information
  - Report the amounts or percentages of significant changes
  - Provide explanations for why those changes from the prior year occurred and indicate the magnitude of those changes
  - Include facts, decisions, or conditions about which the user may not be aware, with the understanding that not all users may be from the government's geographical area
  - Discuss significant policy changes (such as changes in tax rates or fees, or the imposition of a hiring freeze) and important economic factors (such as changes in the tax or employment bases) that significantly affected operating results for the year

# Management's Discussion and Analysis (MD&A), Continued

## Section 3: Detailed Analysis (Major Funds)

- ❖ An analysis of fund balance or net position and the results of operations of each major fund
  - Summarize significant changes\*\*
  - If applicable, refer to the analysis of significant capital asset and long-term financing activity rather than duplicating information\*\*
  - Report the amounts or percentages of significant changes\*\*
  - Provide explanations for why those changes from the prior year occurred and indicate the magnitude of those changes\*\*
  - Include facts, decisions, or conditions about which the user may not be aware, with the understanding that not all users may be from the government's geographical area\*\*
  - The analysis also should address restrictions, commitments, and assignments that significantly affect the availability of fund resources for future use++
  - The analysis of major funds may focus on explanations that differ from the analysis already required by previous slide rather than duplicating them++

\*\* Same as previous slide

++ Additional requirement/information for major funds

# Management's Discussion and Analysis (MD&A), Continued

## Section 4: Significant Capital Asset & Long-Term Financing Activity

### Description of significant capital asset activity during the year

- ❖ Includes intangible assets
- ❖ Discuss significant additions and disposals of capital assets
- ❖ Changes to commitments made for the acquisition of capital assets

### Description of significant long-term financing during the year

- ❖ Includes debt, leases, PPPs, and SBITAs
- ❖ Discuss such agreements entered into, changes in credit ratings, and changes to debt limitations that may affect the financing of planned facilities or services, if any

### For Both

- ❖ Address any significant policy changes and economic factors relevant to the capital asset activity and long-term financing activity that occurred during the year
- ❖ If applicable, the discussion should refer to explanations in the Detailed Analyses section rather than duplicating information here.

**Note:** The following are considered capital assets

- Intangible right-to-use lease assets (GASB 87)
- Public-Private and Public-Public Partnerships (P3s) and Availability Payment Arrangements (GASB 94)
- Intangible right-to-use subscription assets (GASB 96)
- Intangible assets subject to GASB 51, *Accounting and Financial Reporting for Intangible Assets*

# Management's Discussion and Analysis (MD&A), Continued

## Section 5: Currently Known Facts, Decisions, or Conditions

### Examples of the types of information to include in this section:

- ❖ Trends in relevant economic and demographic data
  - ❖ Examples: changes in population, customer base, income levels, building permits, enrollment, and unemployment rates.
- ❖ Relevant factors used to develop the subsequent year's budget, that will provide an indication of how results of operations are expected to change in the subsequent year.
- ❖ Expected changes in budgetary net position or fund balance.
- ❖ Actions the government has taken related to postemployment benefit liabilities, capital asset improvement plans, lessee liabilities, operator liabilities in PPP arrangements, SBITA liabilities, and other long-term financings
- ❖ Actions other parties have taken that will affect the government, such as new legislation or regulations imposed on the government

**1. Description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or that are expected to produce significant differences from current-period**

**2. Currently known = information that management is aware of as of the date of the financial statements are issued.**

## APPENDIX C

# Illustration

### **Exhibit 1:** MD&A Excerpt for Currently Known Facts, Decisions, or Conditions Section

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

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

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

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

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

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

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

## APPENDIX C

# Illustration

### **Exhibit 1:** MD&A Excerpt for Currently Known Facts, Decisions, or Conditions Section

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

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

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

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

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

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

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

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

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

**EXHIBIT 1 | Summary of MD&A content changes**

<b>COMPARISON OF MD&amp;A REQUIREMENTS – GASB 34 VS. GASB 103</b>	
<b>Current (GASB 34, as amended)</b>	<b>GASB 103</b>
1. Discussion of the basic financial statements	1. Overview of the financial statements
2. Condensed financial information	2. Financial summary
3. Analysis of the government's overall financial position and results of operations	3. Detailed analyses
4. Analysis of the balances and transactions of individual funds	
5. Description of capital asset and long-term debt activity	4. Significant capital asset and long-term financing activity
6. Currently known facts, decisions, or conditions of future significance	5. Currently known facts, decisions, or conditions
7. Analysis of budgetary variations	N/A [Moved to notes to RSI other than MD&A]
8. Discussion of infrastructure accounted for using the modified approach	N/A

Source: GFOA, Getting a Makeover

# Outline of the Standard

1. MD&A
  - a. Overview of the Financial Statements
  - b. Financial Summary
  - c. Detailed Analyses
  - d. Significant Capital Asset and Long-Term Financing Activity
  - e. Currently Known Facts, Decision, or Conditions
- 2. Unusual or Infrequent Items**
3. Presentation of the Proprietary Fund Statements
4. Major Component Units
5. Budgetary Comparison Information
6. Financial Trend Information in the Statistical Section

# Unusual or Infrequent Items

- ❖ Defined by GASBS No. 62
  - ❖ Unusual in nature: high degree of abnormality & unrelated to ordinary activities
  - ❖ Infrequency of occurrence: not reasonably expected to recur in the foreseeable future
- ❖ Display the inflows and outflows related to each unusual or infrequent item separately as the last item prior to net change in fund balance/net position.
  - ❖ Do not net them together
- ❖ Disclose in notes to financial statements the program, function, or identifiable activity to which an unusual or infrequent item is related, if applicable, and whether that item is within the control of management.

<b>UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE</b>	
Grant revenues	2,500
Cleanup	<u>(10,000)</u>
Total unusual or infrequent item	<u>(7,500)</u>
Net change in fund balances	11,983
Fund balances—beginning of period	<u>55,009</u>
Fund balances—end of period	<u>\$ 66,992</u>

# Outline of the Standard

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

- ❖ Continue to distinguish between operating and nonoperating, but slightly redefined
  - Operating revenues and expenses: revenues and expenses other than nonoperating revenues and expenses
  - Nonoperating revenues and expenses: (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses
  - Ex: availability fees will be reported as operating (in the past, many have reported as nonoperating).
- ❖ NEW subtotals
  - ❖ Subtotal for operating income (loss)
  - ❖ Subtotal for **non**capital subsidies
  - ❖ This new set-up helps show if the proprietary fund is self-sufficient or needs other resources, such as subsidies, to continue to provide the same level of service.

Operating revenues (detailed)  
Total operating revenues  
Operating expenses (detailed)  
Total operating expenses  
Operating income (loss)  
Noncapital subsidies (detailed)  
Total noncapital subsidies  
Operating income (loss) and noncapital subsidies  
Other nonoperating revenues and expenses (detailed)  
Total other nonoperating revenues and expenses  
Income (loss) before unusual or infrequent items  
Unusual or infrequent items (detailed)  
Increase (decrease) in fund net position  
Fund net position—beginning of period  
Fund net position—end of period

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

Subsidies are defined as:

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

Noncapital subsidy (which now has its own line on the statement):

- (1) Supports operations
- (2) Keeps current/future fees lower
- (3) Grants
- (4) Interfund transfers that are not for specific capital projects

Capital subsidies: received for capital projects, reported with other nonoperating revenues and expenses

# APPENDIX C Illustration

## Exhibit 8: Updated format of Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

### Exhibit 8

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

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

	Enterprise Funds				Internal Service Funds
	Public Utility	Transit Authority	Golf Courses	Total	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 41,003	\$ 18,636	\$ 2,561	\$ 62,200	\$ 42,523
Miscellaneous	283	33	104	420	78
Total operating revenues	<u>41,286</u>	<u>18,669</u>	<u>2,665</u>	<u>62,620</u>	<u>42,601</u>
<b>OPERATING EXPENSES</b>					
Personnel services	13,991	-	-	13,991	5,786
Contractual services	13,952	16,406	4,893	35,251	4,117
Insurance claims and expenses	-	-	-	-	26,388
Depreciation	11,767	8,972	2,375	23,114	415
Other	1,067	-	165	1,232	7,834
Total operating expenses	<u>40,777</u>	<u>25,378</u>	<u>7,433</u>	<u>73,588</u>	<u>44,540</u>
Operating Income (loss)	<u>509</u>	<u>(6,709)</u>	<u>(4,768)</u>	<u>(10,968)</u>	<u>(1,939)</u>
<b>NONCAPITAL SUBSIDIES</b>					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,200	300
Transfers out	(1,980)	-	-	(1,980)	-
Total noncapital subsidies	<u>(1,980)</u>	<u>2,090</u>	<u>110</u>	<u>220</u>	<u>1,181</u>
Operating Income (loss) and noncapital subsidies	<u>(1,471)</u>	<u>(4,619)</u>	<u>(4,658)</u>	<u>(10,748)</u>	<u>(758)</u>
<b>OTHER NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	1,496	75	103	1,674	446
Gain from the sale of capital assets	-	-	-	-	3
Interest expense	(1,910)	(448)	(963)	(3,321)	-
Capital contributions	2,938	-	-	2,938	-
Transfers in—restricted for capital assets	1,032	15,360	2,384	18,776	1,215
Total other nonoperating revenue (expenses)	<u>3,556</u>	<u>14,987</u>	<u>1,524</u>	<u>20,067</u>	<u>1,664</u>
Increase (decrease) in fund net position	<u>2,085</u>	<u>10,368</u>	<u>(3,134)</u>	<u>9,319</u>	<u>906</u>
Fund net position—beginning of period	<u>331,657</u>	<u>177,997</u>	<u>29,423</u>	<u>539,077</u>	<u>12,387</u>
Fund net position—end of period	<u>\$ 333,742</u>	<u>\$ 188,365</u>	<u>\$ 26,289</u>	<u>\$ 548,396</u>	<u>\$ 13,293</u>

# Outline of the Standard

1. MD&A
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  - b. Financial Summary
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  - d. Significant Capital Asset and Long-Term Financing Activity
  - e. Currently Known Facts, Decision, or Conditions
2. Unusual or Infrequent Items
3. Presentation of the Proprietary Fund Statements
- 4. Major Component Units**
5. Budgetary Comparison Information
6. Financial Trend Information in the Statistical Section

# Major Component Unit Information

- ❖ No change on the guidance on WHAT a major component unit is, GASB 14 still applies.
- ❖ Governments are required to present each major component unit separately if it does not reduce the readability of the government-wide statements.
- ❖ If the readability of those statements would be reduced:
  - combining statements of major component units should be presented after the fund financial statements

Government-wide  
Financial Statements

Governmental  
Activities

Business-type  
Activities

Discretely  
Presented  
Component  
Units

# Outline of the Standard

1. MD&A
  - a. Overview of the Financial Statements
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4. Major Component Units
- 5. Budgetary Comparison Information**
- 6. Financial Trend Information in the Statistical Section**

# Budgetary Comparison Information and Statistical Section Financial Trends Information

## Budgetary Comparison Information

- ❖ Governments are required to present:
  - Budgetary comparison information as RSI (no longer permitted to be presented as part of the basic financial statements)
    - Reminder: only for your general fund and major special revenue funds with a legally adopted budget
  - (1) Variances between original and final budget amounts and (2) variances between final budget and actual amounts, and
  - An explanation of significant variances in the notes to RSI
  - Significant budget overages still get disclosed in the Notes to the Financial Statements (no change).

## Statistical Section: Financial Trends Information

- ❖ Information about changes in net position:
  - In the statistical section, governments engaged only in business-type activities or only in business-type and fiduciary activities should present revenues by major source, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses

# APPENDIX C Illustration

## Exhibit 15: Budgetary Comparison Schedule Example Shown for the General Fund

- ❖ Shows addition of variance columns to presentation of Schedules
- ❖ Also includes presentation for Unusual or Infrequent item related to flood damage

### Exhibit 15

Required Supplementary Information  
Sample City  
Budgetary Comparison Schedule  
General Fund  
for the Year Ended June 30, 20X6  
(amounts expressed in thousands)

	Budgeted Amounts		Variance with Original Budget—over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget—over (under) Actual Amounts
	Original	Final			
<b>BUDGETARY REVENUES</b>					
Taxes	\$ 157,715	\$ 157,715	\$ -	\$ 161,885	\$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intergovernmental	1,560	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,262	8,262	-	7,853	(409)
Investment earnings	5,100	5,100	-	6,792	1,692
Miscellaneous	3,313	3,313	-	2,075	(1,238)
<b>Total budgetary revenues</b>	<b>208,179</b>	<b>208,764</b>	<b>585</b>	<b>213,376</b>	<b>4,612</b>
<b>BUDGETARY EXPENDITURES</b>					
Current:					
General government	29,786	29,138	(648)	29,097	(41)
Public safety	132,479	129,953	(2,526)	129,770	(183)
Public works	3,297	3,263	(34)	1,882	(1,381)
Culture and recreation	22,086	22,075	(11)	21,354	(721)
Social and economic development	12,095	12,038	(57)	11,614	(424)
Debt Service:					
Principal	1,275	1,275	-	1,262	(13)
Interest and other charges	41	41	-	54	13
Capital outlay	1,105	1,105	-	1,103	(2)
<b>Total budgetary expenditures</b>	<b>202,164</b>	<b>198,888</b>	<b>(3,276)</b>	<b>196,136</b>	<b>(2,752)</b>
<b>Budgetary excess of revenues over expenditures</b>	<b>6,015</b>	<b>9,876</b>	<b>3,861</b>	<b>17,240</b>	<b>7,364</b>
<b>BUDGETARY OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	-	275	275
Transfers in	2,630	2,630	-	2,630	-
Transfers out	(1,871)	(2,713)	(842)	(662)	2,051
<b>Total budgetary other financing sources (uses)</b>	<b>759</b>	<b>(83)</b>	<b>(842)</b>	<b>2,243</b>	<b>2,326</b>
<b>UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE</b>					
Grant revenues	-	2,500	2,500	2,500	-
Cleanup	-	(10,000)	(10,000)	(10,000)	-
<b>Total</b>	<b>-</b>	<b>(7,500)</b>	<b>(7,500)</b>	<b>(7,500)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>6,774</b>	<b>2,293</b>	<b>(4,481)</b>	<b>11,983</b>	<b>9,690</b>
Budgetary fund balance—beginning of period	55,009	55,009	-	55,009	-
<b>Budgetary fund balance—end of period</b>	<b>\$ 61,783</b>	<b>\$ 57,302</b>	<b>\$ (4,481)</b>	<b>66,992</b>	<b>\$ 9,690</b>
<b>RECONCILIATION TO GAAP BASIS</b>					
<b>Total fund balance GAAP basis</b>					<b>\$ 66,992</b>

# APPENDIX C Illustration

## Exhibit 17: Notes to Budgetary Comparison Schedule

- ❖ This example is shown in tabular format to explain significant differences
- ❖ The information is required to be included in the notes, but the format is not required
  - Paragraph style could be used for the notes

### Exhibit 17

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

**Note A—Actual Budget Results**

	<u>General Fund over (under)</u>	<u>Public Safety and Transportation Fund over (under)</u>
<b>BUDGETARY REVENUES</b>		
Differences—final budget to actual:		
The City experienced an increase in revenue for taxes from budgeted amounts primarily due to the opening of the new shopping center 3 months earlier than expected.	\$ 4,170	\$ 1,817
Actual amounts of interest revenue exceeded budgeted amounts as the City saw higher interest rates than expected.	1,692	395
<b>BUDGETARY EXPENDITURES</b>		
Differences—original budget to final budget:		
The original budget was amended for public safety as the new police station #453 was completed 7 months behind schedule. The original budget included salaries and benefits for new officers and administrative staff, in addition to noncapital building expenditures. Station #453 will be opening in the next fiscal year, and these expenditures have been included in the next year's budget.	\$ (2,528)	\$ -
<b>UNUSUAL OR INFREQUENT ITEM</b>		
Differences—original budget to final budget:		
The City experienced flood damage during the current fiscal year. During the year, the City increased the original budget to account for the State grants received to address the flood damage.	\$ 2,500	\$ -
During the year, the City increased the original budget to account for the spending required to address the flood damage.	(10,000)	-

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

# Appendix C Illustrations

Appendix C provides a detailed illustration section, including 22 exhibits

Appendix	Description
Exhibit 1	Management's Discussion and Analysis
Exhibit 2	Statement of Net Position
Exhibit 3	Statement of Activities
Exhibit 4	Balance Sheet – Governmental Funds
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Exhibit 6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Exhibit 7	Statement of Net Position—Proprietary Funds
Exhibit 8	Statement of Revenues, Expenses, and Changes in Fund Net Position— Proprietary Funds
Exhibit 9	Statement of Cash Flows—Proprietary Funds
Exhibit 10	Statement of Fiduciary Net Position—Fiduciary Funds
Exhibit 11	Statement of Changes in Fiduciary Net Position—Fiduciary Funds
Exhibit 12	Combining Statement of Net Position—Discretely Presented Component Units

# Implementation Considerations and Best Practices



# Considerations for Implementation

## MD&A

- ❖ Review to ensure explanations for why amounts have changed are included throughout
- ❖ Remove content that does not relate to the five required sections
- ❖ Remove and avoid boilerplate language and duplication

## Proprietary Fund Financial Statements

- ❖ Considerations for operating vs non-operating
- ❖ Formatting updates to Statement of Revenues, Expenses, and Changes in Net Position
- ❖ Make sure you have a way to identify which transfers are capital vs. noncapital
- ❖ Could change your major funds.

## Unusual or Infrequent Items

- ❖ If applicable, review presentation requirements for these items in the financial statements

# Considerations for Implementation

## Proprietary Fund Financial Statements (Continued)

- ❖ Could change your major funds (continued)
  - ❖ Transfers are now considered nonoperating revenues/expenses.
  - ❖ Transfers were previously excluded from the major fund calculation, but now will be included.
  - ❖ If you have a proprietary fund that changes from non-major to major, follow GASB 100:
    - ❖ Considered a change within the financial reporting entity
    - ❖ Add a restatement note to reconcile beginning net position for the affected column(s) to show the impact of the reclassification

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

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

# Considerations for Implementation

## Major Component Unit Information

- ❖ For governments with major component units that were shown in a condensed form in the notes to the financial statements, updating financial statements to show individually on the face
- ❖ If readability is impacted because of this change, add a combining statement following the fund financial statements

## Budgetary Comparison Schedules

- ❖ May need to move location – required to be presented as RSI
- ❖ Updates to presentation of Schedules – new columns for variances between original-to- final budget and final budget-to-actual results
- ❖ Explanations for significant variances to be included in the Notes to RSI

# How the Changes Will Improve Financial Reporting

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- ❖ MD&A requirements will:
  - improve the quality of the analysis of changes from the prior year
  - enhance the relevance of that information
  - provide clarity regarding what information should be presented in MD&A
- ❖ Separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources
- ❖ Definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability

# How the Changes Will Improve Financial Reporting

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- ❖ The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position
- ❖ The requirement for presentation of major component unit information will improve comparability
- ❖ The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability



Any Questions?

# Contact Information



**Chris Banta, CPA, CFE**  
**Partner**

**EMAIL ADDRESS:**  
[cbanta@bepas.com](mailto:cbanta@bepas.com)