

A Practical Guide For Implementation Of
Governmental Accounting Standards
Board Statement #34
For Massachusetts Local Governments

Massachusetts Department of Revenue

Division of Local Services

Bureau of Accounts

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Introduction and Overview



September 10, 2001

Dear Massachusetts Public Official:

We are pleased to provide you with this copy of “A Practical Guide for Implementation of GASB Statement 34 for Massachusetts Local Governments.” This Guide was developed for the Department of Revenue through a competitive procurement process for consulting services to DOR by Powers & Sullivan, Certified Public Accountants, a firm which audits dozens of cities, towns and other public entities in the Commonwealth. The Guide is intended to provide to city auditors, town accountants and other financial officials an outline for implementation, and the conversion from the present municipal statements to the GASB requirements, in the framework of the Massachusetts municipal financial statutes and practices.

In June of 1999, the Governmental Accounting Standards Board published its Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” One major change is presentation of “Government-Wide” statements, in addition to traditional fund-based statements, to provide a more complete view of the finances of the government entity. A second major change is presentation of the “Change in Net Assets” on a “Government-Wide” basis from the end of the prior fiscal year, which will afford a long-term trend of operations over a period of years.

Audited financial statements of local governments must conform to the standards in Statement No. 34 beginning with statements for this current fiscal year 2002 for those entities whose revenues in FY99 exceeded \$100-million. Smaller units must conform over the ensuing two years.

In addition to the changed statement presentation, a major impact relates to accounting for fixed assets and infrastructure. While generally accepted accounting principles have long required inclusion of fixed assets in financial statements, no more than ten Massachusetts cities and towns complied; audit opinions of all the others were “qualified” for failure to account for fixed assets. Consequently, while accounting for fixed assets is not a new requirement of GASB Statement No. 34, it will be a new undertaking for most Massachusetts cities and towns, and the task will occur at the same time. In addition, accounting for infrastructure is also required under Statement No. 34, but with a four-year lag in implementation.

We appreciate the many hours of effort contributed to this publication by the consultants, by municipal officials, by other CPAs with municipal practices who reviewed early drafts, and by our Bureau of Accounts staff who brought their years of experience in reviewing municipal financial reports to this important effort.

Sincerely,

James R. Johnson
Director of Accounts

Acknowledgements

Powers & Sullivan, Certified Public Accountants (powersandsullivan.com), is a Massachusetts based audit and consulting firm that has specialized in the Governmental Sector since 1987. They currently provide services to over 80 local cities, towns, districts and special purpose governments within Massachusetts. Their diverse client base also includes State Agencies such as the Department of Revenue, Office of the State Comptroller, Office of the State Treasurer, Department of Education and the Executive Office of Administration & Finance.

James E. Powers, CPA, is the managing partner and is in charge of the Governmental Sector of the practice. He develops the firm standards for governmental auditing and reporting. He has provided audit, accounting and consulting services for over 23 years. He serves on the Massachusetts Society of Certified Public Accountants Governmental Accounting and Auditing Committee. Mr. Powers and Mr. Rogers were the primary authors of this Guide.

Chris Rogers, CPA, is the firm's lead Governmental Sector Manager and has over nine years (seven with Powers & Sullivan) of experience completing governmental financial statements. He works directly with Mr. Powers to formulate and develop the firm standards for governmental auditing and reporting. He serves on the Massachusetts Society of Certified Public Accountants Governmental Accounting and Auditing Committee.

Richard L. Sullivan, CPA, and Daniel Sullivan, CPA, are both partners whose primary focus is the Governmental Sector. Each has over 20 years of experience of providing audit, accounting and consulting services. They were the primary technical reviewers of this Guide.

Powers & Sullivan teamed with ***Infrastructure Management Group, Inc. (IMG)*** for the purposes of formulating an implementation process for infrastructure reporting.

IMG (imggroup.com) is a full-service infrastructure consulting firm specializing in the management, finance, privatization, and development of transportation, utilities, public-use facilities, and the government services that support them. IMG offers state and local governments cost-effective approaches to respond to the infrastructure reporting requirements associated with GASB Standard No. 34, with particular expertise in life-cycle asset management and innovative financing strategies.

Daniel Dornan, P.E., Vice President, is responsible for IMG's management consulting services. He has more than 25 years of experience in providing resource management services to state and local infrastructure agencies. His expertise includes asset management, organizational transformation, business process improvement, performance auditing and measurement, and strategic planning. Mr. Dornan wrote the comprehensive discussion on infrastructure in Appendix 4 of this Guide.

The ***Department of Revenue*** assigned ***Mr. Anthony Rassias, Acting Deputy Director of Accounts***, as the Project Manager primarily responsible for ensuring completion of this Guide. His 20 years of experience in Massachusetts local government finance allowed him to play a key role in formulating the form and content of this Guide.

The Governmental Accounting Standards Board (GASB) and Statement #34

What is the GASB?

The GASB is the independent private sector organization, formed in 1984, that establishes and improves financial accounting and reporting standards for state and local governments. Its seven members are drawn from the Board's diverse constituency, including preparers and auditors of state and local government financial statements, users of those statements, and members of the academic community.

The mission of the GASB is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports.

Why is the GASB Important?

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of the financial statements also rely on the independent auditors' opinion. If your financial statements have significant departures from GAAP the independent auditors' may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on your bond rating and your ability to borrow money. In many cases the failure to issue audited financial statements will result in a violation of an existing bond covenant and can have serious implications.

It is important to remember that the GASB is an independent body not associated with the United States Government or the Commonwealth of Massachusetts. The GASB pronouncements are not a federal or state mandate for financial statement reporting.

What is GASB Statement #34?

GASB Statement #34 is 1 out of 38 currently issued pronouncements. It establishes new criteria on the form and content of governmental financial statements. GASB Chairman Tom L. Allen called Statement 34 "the most significant change in the history of governmental accounting. It represents a dramatic shift in the way state and local governments present financial information to the public."

Under the new model, anyone with an interest in public finance—citizens, the media, bond raters, creditors, legislators, and others—will have more and easier-to-understand information about their governments. Among the major innovations of Statement 34, governments will:

- Report on the overall state of the government's financial health, not just its individual "funds".
- Provide the most complete information ever available about the cost of delivering services to their citizens.
- Include, for the first time, information about the government's public infrastructure assets—such as bridges, roads, and storm sewers.
- Prepare an introductory narrative section analyzing the government's financial performance.

The Division of Local Services – Bureau of Accounts

What is the Bureau of Accounts' Role and Expectations for Local Governments?

The Bureau of Accounts (Bureau) oversees the financial management of Massachusetts' 351 cities and towns. The Bureau's field staff assist financial officers with State regulations and requirements, approve tax rates, certify compliance with Proposition 2 1/2, and offer instruction in sound municipal accounting practices. Certain debt issues of cities, towns, counties, and districts are issued as "State House Notes" and are certified by the Director of Accounts. The Director also certifies free cash of cities and towns that is thereafter available for appropriation. The Bureau reviews and approves audit reports of various Massachusetts local governments submitted by independent CPA firms.

In March 2001, the Bureau awarded a bid to Powers & Sullivan, Certified Public Accountants, to assist the Bureau with writing a practical Guide for implementing GASBS 34 in Massachusetts cities, towns, counties and districts. This Guide is the culmination of that work effort.

The Bureau expects all cities, towns, counties and districts that issue audited financial statements to implement GASBS 34 by their respective implementation dates, which are identified in Chapter 1 of this Guide.

The Bureau encourages the use of this Guide and welcomes any comments or suggestions. As always, our entire staff will stand ready to assist local officials in implementation planning and in understanding the provisions of GASBS 34. If you have any questions please do not hesitate to contact us.

Purpose and Use of This Guide

Purpose of This Guide

The purpose of this Guide is to assist Massachusetts' cities, towns, counties and districts with the preparation of financial statements in accordance with GAAP. It is meant to enhance the understanding of the new financial reporting model, and not to replace the GASB pronouncements. It is based entirely on the new reporting model as defined in GASB Statement #34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASBS 34). This document is based on GASB pronouncements issued through July 2001 (GASBS 38). As new pronouncements are issued this Guide will be updated.

This Guide was written with the fundamental objective of answering the “How Do We Do This in Massachusetts?” questions. A simple way to look at this Guide is as a “Nuts and Bolts” approach to implement the requirements of the new reporting model. The intent is to provide a practical roadmap of how to convert the Uniform Municipal Accounting System (UMAS) basis of accounting (specific to Massachusetts municipalities) into the new reporting model. We have provided specific guidance and illustrations of a sample Massachusetts community's financial statement, which has been prepared using both the old and new reporting models. The theory behind this is to show what has changed and what has stayed the same.

We hope this Guide takes the mystery out of the process and allows people to relax and understand that this can be done.

Use of This Guide

The Bureau suggests that the Guide be used as:

- A document that provides guidance on the format, style and content of the financial statements.
- A practical tool to provide guidance on how to apply GAAP and provide illustrations of before and after GASBS 34 financial statements of a sample community.
- A training tool to assist Massachusetts' Accountants and Auditors understand the new reporting model.

This Guide was written to use in conjunction with the following publications:

- Statements of the Governmental Accounting Standards Board (GASBS)
- Interpretations of the Governmental Accounting Standards Board (GASBI)
- Technical Bulletins of the Governmental Accounting Standards Board (GASBTB)
- Concepts Statements of the Governmental Accounting Standards Board (GASBCS)
- Governmental Accounting Standards Board Codification (COD)
- Governmental Accounting Standards Board Implementation Guides (Q&A)
 - Including GASBS 34 Q&A Guide
- Statements of the National Council on Governmental Accounting (NCGAS)
- Interpretations of the National Council on Governmental Accounting (NCGAI)
- Concepts Statement of the National Council on Governmental Accounting (NCGACS)
- Industry Audit Guide (ASLGU) and Statements of Position (SOP) of the American Institute of Certified Public Accountants

The Bureau recommends that users also refer to the Government Finance Officers Association (GFOA) publication “Governmental Accounting, Auditing, and Financial Reporting Using the GASBS 34 Model” (the Blue Book).

The Guide will take you through a sample conversion from the old to new reporting models. The example begins with a sample Massachusetts city prepared using the old financial reporting model. The sample city has presented General Fixed Assets, a Pension Trust, a Component Unit, and Water and Sewer Enterprise Activities (with infrastructure). These statements are the starting point in the Guide’s demonstration of one way to convert your current financial statements. We believe this is one of the best ways to show how the current financial reporting model can be converted to the new GASBS 34 model.

Throughout this Guide, the Bureau will provide additional direction and instruction through:

- Bureau Expectations
- Bureau Recommendations
- Bureau Suggestions
- Bureau Notes
- Bureau Tips

The recommended practices and illustrations are the Bureau’s recommendations only. Although this Guide is not intended to show the “only way to do it”, we firmly believe the examples and methods we suggest to use will lead to a successful conversion.

Chapter 1

The Initial Stages of Implementation

Determination of Implementation Date

GASBS 34 required implementation dates are broken down into three tiers and are based upon fiscal year 1999 total Governmental and Enterprise Funds revenues (excluding Other Financing Sources). Applying the aforementioned criteria, the following identifies the required implementation dates:

Tier 1: Governments with greater than \$100 million in revenues are required to implement in fiscal year 2002.

Tier 2: Governments with between \$10 million and \$100 million in revenues are required to implement in fiscal year 2003.

Tier 3: Governments with under \$10 million in revenues are required to implement in fiscal year 2004.

Who is Responsible for Implementation?

The elected officials and management of the entity are responsible for the implementation of GASBS 34. In practice, the primary individual responsible for implementation will be the same individual currently responsible for ensuring completion of the current financial statements. In most cases this will be the Auditor, Comptroller, Accountant, School Business Manager or County Treasurer. It is expected that the Independent Auditor will assist in preparing for the implementation of GASBS 34.

As was the case in the past, the Auditor/Accountant worked closely with other departments to gather information required to complete the general purpose financial statements. This will continue to be an important aspect when completing GASBS 34 financial statements. Other key officials/departments/management will continue to include the following:

- Executive Office
 - Mayor, Aldermen, Selectmen, Town Manager, Executive Secretary
- Financial Offices
 - Treasurer, Collector, Assessor, Finance, Budget, Personnel, Clerk
- Other Significant Departments
 - School, Public Works, Community Development, Public Safety

The Bureau recommends that the Accounting official of each Governmental entity periodically meet with the government's financial team to plan the implementation and track the progress.

The Bureau suggests that each government assign an implementation project manager who is ultimately responsible for implementation of GASBS 34.

Understanding What is New and What Stays the Same

Overview

One of the first steps to take is to identify how much that is currently being done will continue. Once you have an understanding that most of what is being done now will only change marginally, you can then begin to relax a little. As you read this Guide it will become more apparent that this is an opportunity to enhance the understanding of your financial statements and the strength of your internal controls.

GASBS 34 is only a *Financial Reporting Model*.

What this means to you is:

- You will not have to change how you budget
- You will not have to change your fund structure
- You will not have to change your account structure
- The current financial statements will still need to be presented using the same basis of accounting
- The “Geography” of where some items are currently reported will change
- There are less than 10 “New” accounting entries required during conversion
- You will need to understand “Materiality”
- You will need to understand how the use of estimates will be needed to prepare the financial statements

In the old reporting model communities prepared a “General Purpose Financial Statement” as the minimum requirement under GAAP. These financial statements were broken down into “Fund Types and Account Groups”. Within the Fund Types were Governmental Funds (general, special revenue, debt service and capital projects funds), Proprietary Funds (enterprise and internal service funds) and Fiduciary Funds (expendable trust, nonexpendable trust, pension trust, investment trust and agency funds). The General Fixed Asset and General Long-term Obligation Account Groups were used to report long-term assets and liabilities of governmental funds. A budget-to-actual statement was presented and, if applicable, discretely presented component units were reported. These financial statements were supported by notes to the general purpose financial statements.

The new GASBS 34 financial reporting model requires new sections for Management’s Discussion and Analysis and Government-Wide financial statements. Fund and budgetary financial statements are presented and supported by notes to the financial statements, which is similar to the old reporting model.

All funds presented in the old model will be reported in the new model as part of the “Fund Financial Statements” under three newly defined Fund Categories. Each Fund’s basis of accounting will remain the same and the actual format of the statements will substantially remain the same, except that the geography and aggregation of funds and activities will change. This will hold true for most entities, however there are some exceptions (mainly enterprise activities) that will be discussed later in this Guide.

The following summarizes “What is New and What Stays the Same”:

What Is New Due to GASBS 34?

- A Management’s Discussion & Analysis (MD&A) section must be written and presented as required supplementary information (RSI).
- Accrual based Government-Wide financial statements are presented.
 - The Governmental Fund Type within the fund based financial statements must be converted from the modified accrual basis to the accrual basis of accounting.
- The General Long-Term Obligations Account Group is eliminated.
 - The liabilities are still calculated in the same manner, but will now be presented as part of the new Government-Wide financial statements.
- The General Fixed Assets Account Group is eliminated.
 - General Fixed Assets will still be capitalized in the same manner, but will now be presented as part of the new Government-Wide financial statements.
 - Depreciation of General Fixed Assets was previously optional and is now required.
- The capitalization of Infrastructure Assets related to Governmental Funds was previously optional and is now required.
 - The entity has the option to use the depreciation or modified approach to account for infrastructure.
- The presentation of the “Fund Financial Statements” has changed.
 - The Focus is now on Major Funds.
 - Enterprise, internal service and fiduciary funds have been redefined.
 - The actual reporting changes are minimal.
 - Creation of the Governmental Permanent Fund and the Fiduciary Private-Purpose Trust Fund.
 - The expendable and nonexpendable trust funds are eliminated.
 - They will now be reported in the Special Revenue, Permanent or Private-Purpose Trust funds.
 - Elimination of contributed capital and retained earnings for Proprietary Funds, which are replaced by the following three categories of net assets.
 - Invested in capital assets, net of related debt
 - Restricted net assets
 - Unrestricted net assets
 - Statement of cash flows must be presented using the Direct Method. The Indirect Method is no longer an option.

What Does Not Change Due to GASBS 34?

- Definitions of Measurement Focus and Basis of Accounting
 - Flow of Current Financial Resources Measurement Focus and the Modified Accrual Basis of Accounting has not changed.
 - Flow of Economic Resources Measurement Focus and the Accrual Basis of Accounting has not changed.
- The definition of the General, Special Revenue, Capital Projects and Debt Service Governmental Funds has not changed.
- The requirement to report Enterprise and Internal Service Funds using the accrual basis of accounting has not changed.
 - The requirements included accounting for capital assets (including infrastructure) and depreciation.
- The requirement to account for and report General Fixed Assets at historical or estimated historical cost has not changed.
 - The change relates to where these assets are reported.
 - Reporting of depreciation and infrastructure was previously optional and is now required.
- The requirement to report long-term liabilities has not changed.
 - Compensated absences, landfill liabilities, debt, claims and judgments are calculated in the same manner but are now required to be reported as liabilities in the Government-Wide financial statements.

Understanding the Use of Estimates and Materiality

The Notes to your current General Purpose Financial Statements includes the following paragraph:

N. Use of Estimates

The preparation of general purpose financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

This is an important Note to read because it tells the reader that reasonable estimates made by management applied in a consistent manner is a necessity in financial reporting. Accountants tend to want to always “tie everything to the penny”. This is an important quality when preparing the foundational ledgers recording the day-to-day activity (e.g., reconciling cash between the Accountant and Treasurer). However, when completing financial statement accrual estimates you must understand that the accrual process does not produce a perfect result. Your responsibility is to implement a logical and consistent methodology that produces accruals that are reasonable. These full accrual financial statements and the estimates used are what GASBS 34 is all about.

Bureau Note - Throughout this guide, independent auditors’ opinions and in most accounting literature, the term material is constantly used. The concept of materiality is subjective and fluctuates between governments. An item would be considered material if a reasonable person relying on the financial statements would change their judgment due to the omission or misstatement of the accounting information.

You must always apply the concept of materiality when preparing financial statements.

Planning

The most important aspect for implementing GASBS 34 is planning. However, before the plan can be developed and put into place, the community must determine the following:

- Implementation date
- Who is responsible for implementation?
- Understanding what is new and what stays the same
- Understanding the use of estimates

Once these items have been addressed and resolved the plan can be developed. The most logical way to go about developing a plan is by scheduling procedures starting from the implementation date and working backwards to today. Within this schedule will be firm deadlines that must be met.

The following identifies key components of a plan:

- Use the team approach
- Delegate responsibility
- Start early
- Educate other Departments
- Budget for additional demands on time and funds
- Create systems for each process
- Work with your independent auditor through the entire process, beginning with the planning stage
- Prioritize steps that need to be completed
- Complete tasks timely

These implementation plans will not work the same way for every community, but the overall approach should only need to be refined. Exhibit 6 in Appendix 3 illustrates a sample plan.

What Will Happen to UMAS?

At the present time nothing needs to happen to the Uniform Municipal Accounting System (UMAS) since GASBS 34 is a Financial Reporting Model. UMAS is the basis of accounting, established by the Division of Local Services, which provides standards for local Massachusetts governments to follow. This Guide will make some recommendations on some minor account changes that will enhance your ability to record certain transactions, which will allow for an easier transition to the new reporting model. The fund structure, account structure and the way you prepare your budget does not have to change.

The Bureau notes that the conversion entries and related suggestions are for Financial Reporting Only and they should not be made to your UMAS based foundational ledgers.

Where Can I Go For Help?

First and foremost you must make the effort to educate yourself by reading GASBS 34, the implementation guide, other publications, visiting the GASB website and attending seminars on the new reporting model. Even after doing this you probably still won't have all the answers. Our Guide attempts to help you answer many of these questions.

You should discuss conversion issues with your peers and your independent auditors. We at the Bureau will always be available to assist you. We may not have all the answers either, but we will research any problem with you and come up with a practical solution.

Chapter 2

The Components of GASBS 34 Basic Financial Statements

The Components

GASBS 34 defines what the minimum financial reporting requirements are for a governmental entity's basic financial statements and required supplementary information (RSI). Listed below are the components of these requirements. Each component is more fully described throughout this Guide.

1. RSI

Management's Discussion and Analysis (MD&A)

- Introduce the basic financial statements
- Provide an analytical overview of the financial activities

2. Basic Financial Statements

A. Government-Wide financial statements (with columnar presentation of governmental, business-type and component unit activities).

- Statement of Net Assets
 - Statement of Position where $\text{Assets} - \text{Liabilities} = \text{Net Assets}$
- Statement of Activities
 - Reports the changes in net assets
 - Presented on the "net cost" approach where program revenues are subtracted from functional expenses to identify the net (expense)/revenue by functional activity

B. Fund Financial Statements (for each of the three fund categories).

- *Governmental Category* – includes the General, Special Revenue, Debt Service, Capital Projects and Permanent Fund Types (focusing on "Major" funds) using the modified accrual basis of accounting
 - Balance Sheet
 - Statement of Position where $\text{Assets} = \text{Liabilities} + \text{Fund Equity}$ (same as current method of presentation)
 - Statement of Revenues, Expenditures and Changes in Fund Balances
 - Reports changes in financial resources (same as current method of presentation)
 - Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets
 - Identifies how governmental fund balances are converted to report Governmental Activities net assets
 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 - Identifies how the activities of governmental funds are converted to report the change in net assets of Governmental Activities

- Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.
 - Presented for the General Fund and each major Special Revenue Fund with a legally adopted budget. This may also be presented as RSI in a Schedule after the Notes to the Financial Statements.

The Bureau recommends that this Statement be included in the basic financial statements as identified above. This type of presentation is consistent with the current model.

- *Proprietary Category* – includes the Enterprise and Internal Service Fund Types using the accrual basis of accounting
 - Statement of Net Assets or Balance Sheet
 - Statement of Revenues, Expenses and Changes in Fund Net Assets or Fund Equity
 - Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets
 - Statement of Cash Flows
 - Must use “Direct Method” that shows gross cash flows and not net cash flows. Please refer to GASBS 9 and the related Implementation Guide for specific guidance on the direct method.
- *Fiduciary Category* – includes the Pension (and other employee benefit) Trust, Investment Trust, Private-Purpose Trust and Agency Fund Types using the accrual basis of accounting
 - Statement of Fiduciary Net Assets
 - Statement of Changes in Fiduciary Net Assets

C. Notes to the Financial Statements (focus is on the Primary Government).

- GASBS 38 – Certain Financial Statement Note Disclosures was issued in June 2001. This Statement modifies, establishes and rescinds certain notes disclosure requirements.

The Bureau recommends that the old footnotes be updated to reflect the changes required in GASBS’ 34 and 38.

3. RSI

Includes the following:

- Schedules and disclosures on infrastructure assets if the government elects to use the Modified Approach.
- Includes supplementary information required under previously issued GASB pronouncements.
 - GASBS 10 – Claims development data related to Public Entity Risk Pools
 - GASBS 25 & 27 – Schedule of Pension Funding Progress and Schedule of Employer Contributions

Chapter 3

Putting the Numbers Together

Tips on How To Prepare the Basic Financial Statements

This chapter suggests one process to prepare the “numbers” for the new basic financial statements required by GASBS 34. Being organized and having a plan is *vital* to the initial conversion.

We will refer to certain GASB and NCGA statements, interpretations, concepts and technical bulletins for guidance on particular issues.

Identify All Potential Entities Required To Be Presented

- Prepare a list of all potential related entities
 - Examples: Pension System, Regional School District, Water District
- Refer to GASBS 14 – The Financial Reporting Entity
 - This GASB defines the requirements of when other entities should be presented in your financial statements as the Primary Government.
- Determine if there are any Component Units
 - Determine whether to blend or discretely present their activity

The Bureau notes that if you have a Component Unit, it must convert to GASBS 34 in the same period the primary government converts, regardless of what Tier the Component Unit is in.

- Determine if there are any Joint Ventures
 - Actual Massachusetts Joint Ventures include entities such as the South Essex Sewerage District, the North East Solid Waste Committee and most Regional School Districts

The Bureau recommends that you meet with your independent auditors, the other member communities and the Joint Venture’s management as soon as possible to coordinate disclosure and financial reporting requirements.

- Determine if there are any Jointly Governed Organizations
- Determine if there are any Related Organizations

GASBS 14 was issued in June 1991 with a required implementation date of fiscal year 1994. Therefore this is not a new issue. However, when implementing GASBS 34 the community should use this opportunity to revisit all of its relationships with other organizations.

Identify All Current Financial Reporting Deficiencies

If you currently have a reporting deficiency, it has not been created due to the issuance of GASBS 34.

- Review your last audited financial statement for audit opinion qualifications.
 - Common qualifications include:
 - No General Fixed Assets Account Group (NCGA 1)
 - Enterprise Funds presented using the Modified Accrual Basis of Accounting (NCGA 1)
 - No Compensated Absences Accrual (GASBS 16)
 - No Landfill Liability Accrual (GASBS 18)
 - No Risk Financing Accrual (GASBS 10 & 30)
 - Presenting self-insured Risk Financing activities as Fiduciary activities (Trust Funds)(GASBS 10 & 30)
 - Investments not recorded at fair value (GASBS 31)
- Work with your independent auditors and read the appropriate technical literature to record the required transactions.
- Identify minor reporting deficiencies that should be eliminated.

The Bureau recommends that you work with your independent auditor to eliminate audit qualifications and other reporting deficiencies before converting to the new reporting model.

Implement GASBS 33 & 36 in Fiscal Year 2001

The required implementation date for GASBS 33 - Accounting and Financial Reporting for Nonexchange Transactions and GASBS 36 - Recipient Reporting for Certain Shared Nonexchange Revenues is Fiscal Year 2001. Chapter 4 discusses the issuance of these Statements in greater detail.

These GASBS establish reporting requirements for Nonexchange transactions that include the following transactions:

- Real Estate, Personal Property and Excise Taxes
- Grants
- Entitlements
- Commonwealth Subsidy of School Construction (Chapter 645, 70B)
- Massachusetts Water Pollution Abatement Trust (MWPAT) debt and interest subsidies

The Bureau recommends that you work with your independent auditor to implement the provisions of these Statements in Fiscal Year 2001.

Identify Early Potential Changes on How You Present Certain Activities

Trust Funds

GASBS 34 eliminates the expendable and nonexpendable trust funds and requires that each trust be reported in the Permanent, Special Revenue or Private-Purpose Trust Fund for the Fund Based Financial Statements. The following identifies the process of determining where to report these funds:

- List all trust funds.
- Determine “Who” the beneficiary of the trust is (the government, private individual or another entity).
- Determine if there is a permanent or term endowment (nonexpendable portion).
- All trusts that *exclusively* benefit a private individual or another entity must be presented as a Private-Purpose Trust Fund within the Fiduciary Category.
 - An example would be a scholarship fund
- All trusts that benefit the primary government itself must be presented within the Governmental Fund Category.
 - Any trust that has a permanent or term endowment must be presented as a Permanent Fund Type.
 - An example would be a Cemetery Perpetual Care Fund.
 - Any trust in which the principal and earnings may be spent must be presented as a Special Revenue Fund Type.
 - An example would be a Stabilization Fund.

Enterprise (fee for service) Activities

GASBS 34, paragraph 67, identifies three (3) criteria that require the use of an Enterprise Fund to record a *material* “fee for service” activity, regardless of which budgetary fund the activity is legally recorded. If the activity meets one out of the three criteria it must be presented as an Enterprise Fund. Otherwise the community has the option to present it as an Enterprise Fund or within the Governmental Fund Category. A detailed discussion of the criteria is presented later in this chapter.

- List all significant “fee for service” activities. Examples include:
 - Water
 - Sewer
 - Trash
 - Golf
 - Swimming Pools
 - Skating Rinks
 - School Lunch
 - Ambulance
- Identify which funds these activities are currently reported in (General Fund, Special Revenue Fund or Enterprise Fund).
- Determine, with your independent auditor, if the level of activity would be considered material.
- Apply the criteria of GASBS 34, paragraph 67, to *all* material activities.
- If one of the criteria is met the activity *must* be reported as an Enterprise Fund.
- If the criteria are not met, discuss with management and your independent auditor the option to present that activity as either an Enterprise Fund or Governmental Fund.

The Bureau recommends that this determination be made as soon as possible in order to plan for the implementation.

- One issue that will impact this determination is that enterprise activities use the accrual basis of accounting and therefore the reporting of infrastructure related to that particular enterprise cannot be delayed.

Establish Capital Asset Policies

Capital Assets include subsets comprised of land, land improvements, buildings, building improvements, vehicles, machinery, equipment, software, works of art, historical treasures and infrastructure. What is new for GASBS 34 is the requirement to capitalize infrastructure associated with Governmental Activities. GASBS 34 also *requires* depreciation to be recorded on the general fixed assets and infrastructure (unless the Modified Approach is used).

Noninfrastructure Assets

- Each government must establish Capital Asset Policies before starting the process of counting and valuing the assets.
- These policies should include the following:
 - Classes of Assets
 - Depreciation Method (*the Bureau recommends straight-line and ½ year convention*)
 - Estimated Useful Lives
 - Capitalization thresholds for each class of capital asset
 - Inventory control thresholds

The Bureau's recommended policies are included in Appendix 1, Table 1 of this Guide.

- The community must decide how it will record and track capital assets and depreciation.

The Bureau recommends that the General Fixed Assets Account Group be used in order to track your Capital Assets. A fixed asset management software program is a valuable tool to track each fixed asset record and should be considered.

- A fixed asset record must be designed for input into the specific fixed asset management software (an example is provided in Appendix 3, Exhibit 5).
- Periodic counts, preferably at year-end, must be scheduled and completed.
- Periodic reevaluation of remaining useful lives of specific major capital assets.

Infrastructure Assets

Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

- Identify all *potential* networks (e.g., Water system) or subsystems (e.g., Water Treatment Plant) of infrastructure assets.
- Determine the networks or subsystems that exceed the major threshold criteria, which is defined below.
 - Networks – greater than 10% of Fiscal Year 1999 fixed assets
 - Sub-systems – greater than 5% of Fiscal Year 1999 fixed assets

The Bureau notes that you have the option not to capitalize nonmajor infrastructure networks and sub-systems.

- Examples of infrastructure assets include:
 - **Roadways** - including all physical features between the limits of the rights-of-way.
 - **Bridges** - including the deck, superstructure, columns, piers, and related facilities.
 - **Tunnels** - including roadway, portals, lining, ventilation systems, and related facilities.
 - **Dams** - including dam structure, spillways, powerhouse, diversion tunnels, and related facilities.
 - **Water and sewer systems** - including pumping stations, collection and distribution pipeline systems, treatment plant, and related facilities.
 - **Drainage systems** - including culverts, spillways, retention ponds, dams structures, and related facilities.
 - **Lighting systems** - including masts, towers, lighting fixtures, and power/transformer facilities.
 - **Transit systems** - including track, communication/signaling/control equipment, tunnels, bridges, power systems, and related facilities.
 - **Airport facilities** - including runways, taxiways, aprons, and terminals.
 - **Port facilities** - including docks, wharfs, staging areas, and related facilities.

- You must decide, up-front, the method used to report infrastructure assets.
 - There are two (2) reporting options
 - Historical cost-based depreciation (***Bureau recommended***)
 - Modified approach (no depreciation)
 - Management should approve the decision to use the Modified approach

Capital Asset Valuation Method

- How to Value the Assets Counted
 - The asset must be valued at historical or estimated historical cost (not market or replacement value)
 - Include all costs incurred to place the asset in-service (incl. freight & transportation, site prep, professional fees, etc.)
 - Capitalize interest ONLY for “Enterprise” assets
 - Donated assets are valued at Fair Market Value on the date of donation
 - Construction in Progress
 - Capitalize but do not depreciate
 - Start depreciation when asset is “Placed in Service”
 - Use project accounting to identify and track multi-year costs

The Bureau recommends the use of a logical decision process when valuing fixed assets. The following represents the Bureau's recommendations regarding these valuations:

- Machinery, equipment and vehicles
 1. Use the actual invoice (if available)
 2. Contact manufacturer or use price list
 3. Cost of a similar asset (acquired at about the same time)
 4. Deflate the current cost of the same asset to the year of acquisition

- Land, Buildings and Facilities
 - Treat the Building or Facility as 'One Asset'
 - Do not break down each component (roof, furnace, etc.)
 - Use a composite depreciation rate.

- Site and Facility Improvements
 - Establish a cut-off date for retroactive application
 - Review projects for the last 3 to 5 years unless meaningful information is readily available for older years.
 - Use the actual cost if available, or use one of the following methods:
 - Bond Issue Amount
 - Past audits, Town reports, appropriation ledgers
 - Other project reports
 - Deflate the current cost of the same asset to the year of acquisition (Marshall & Swift Books have been used by the Commonwealth for financial statement purposes).

Preparing the Basic Financial Statements

The order in which you convert from your accounting ledgers to the Budgetary Financial Statements to the (revised) Fund Based Financial Statements to the (new) Government-Wide Financial Statements is important. This section recommends one method of conversion. The order we have listed each financial statement is our recommended order of preparation and not the order the financial statements appear in the GASBS 34 reporting model.

Budgetary Required Supplementary Information (Prepare First)

Statement of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis - Budget-to-Actual

This statement is based on how your foundational ledgers are maintained using the Uniform Municipal Accounting System (UMAS) as the basis of accounting. The old reporting model only required columns for the Final Budget and Actual amounts and was considered a basic financial statement. The new reporting model adds a column for the Original Budget and gives the preparer the option on the location and format.

The format can either be the Financial Statement Approach that looks like the Fund financial statements or the Budget Document Approach that uses the same format, terminology and classifications used in the budget document (Tax Recap).

The Bureau recommends the Financial Statement Approach so readily available analyses can be made between the Fund Based financial statement information and the Budgetary information.

The preparer has two options of where to present the budget statement. It can be presented as part of the basic financial statements, similar to the current presentation, or it may be presented as Required Supplementary Information (RSI) after the Notes to the Financial Statements. Other than referring to the budget comparison as a *schedule* if reported as RSI, the form and content of the two approaches are identical.

The Bureau recommends the Budget statement be presented as part of the basic financial statements.

Paragraph 130 of GASBS 34 requires the original budget plus changes and carryovers (encumbrances and continued appropriations) from the prior year be shown as the Original Budget. The Final Budget will include any current year legally adopted changes and the total will be equal to the entire spending authority. Since the Budget includes prior year carryovers then the “Actual” expenditures will not include encumbrances. The actual budgetary-based expenditures reported would only have minor differences when compared to the modified accrual based expenditures reported in the fund financial statements. Questions 252 and 253 of the GASBS 34 Q&A speak to these requirements of what are to be included in the Original and Final Budgets.

Recommended Procedures to Prepare the Budgetary Financial Statements

- Determine which Governmental Funds have a legally adopted budget (General Fund will always be reported)
- Prepare the “Original” Budget Column by fund
 - Use spreadsheet software
 - Using the Budget Documents (Recap, Cherry Sheet, Certified Votes) include the amounts (revenues, appropriations, other financing sources & uses and beginning budgetary fund balance) voted before the start of the fiscal year
 - Add any remaining spending authority in a “carryforward” appropriation or article from the prior year
 - Add an amount equal to the “reserve for encumbrances” carried forward from the prior year
- Prepare the “Final” Budget Column by fund
 - Add to the original column any additional budgeted amounts voted or transferred during the fiscal year
- Prepare the “Actual” Column by fund
 - Include the revenues and expenditures recorded using the UMAS basis of accounting
 - Do not include encumbrances, unspent articles or appropriations as expenditures
- Prepare the “Variance” Column (*optional but Bureau recommended*)
 - The difference between the Final Budget and Actual Columns

A sample Budgetary Financial Statement is presented in Appendix 2 of this Guide.

Fund Financial Statements (Prepare Second)

In the GASBS 34 Reporting Model the Fund Financial Statements is where all the funds reported in the old model are presented. The primary change is not in how the funds are accounted for, but how they are presented. In effect, the numbers are the same but the financial statements look somewhat different.

The new model has created three Fund Categories, each of which are presented in separate Fund Based financial statements: Governmental, Proprietary and Fiduciary. Within each of these Fund Categories some changes have been made, including a change in focus to present “Major Funds” in separate columns.

GASBS 34, paragraph 76 states the following regarding the application of the Major Fund criteria:

The reporting government’s main operating fund (the general fund or its equivalent) should always be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

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

In addition to funds that meet the Major Fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a Major Fund.

GASBS 34 also established new guidelines related to what had previously been reported as trust funds. The Governmental Special Revenue Fund and Permanent Fund and the Fiduciary Private-Purpose Trust Fund have replaced the expendable and nonexpendable trust funds. The Enterprise and Internal Service Funds have also been redefined.

Below we will discuss the changes within each Fund Category.

Governmental Fund Category

The new model includes five (5) Fund Types under this Fund Category that are required to use the modified accrual basis of accounting. The Fund Types and basis of accounting are substantially the same as the old model. The new model established a Major Fund threshold that requires a separate column to be used to present a particular individual fund. GASBS 34's presentation focus is on Major Funds within a Fund Category compared to the old model's focus on "Fund Type". The preparer must determine what will be reported as Major Funds and what individual funds will be aggregated into a single Nonmajor fund. This determination is a critical part of preparing financial statements as combining statements are only allowed for the Nonmajor funds.

In practice, most Massachusetts communities' Governmental Funds (excluding the General Fund) will not meet the Major Fund criteria.

The Bureau recommends that certain funds, such as Debt Service, Stabilization and similar funds, be considered Major Funds due to the level of interest of the financial statement users (unless clearly immaterial). All other Special Revenue, Capital Projects and Permanent Funds should be aggregated as Nonmajor funds. If the community desires further detail, the financial statement preparer should add Nonmajor combining financial statements as additional information.

The Bureau also recommends the following regarding Major Funds:

- ***That the determination of Major Funds be completed up-front.***
- ***That borderline “Nonmajor” Funds be reported as Major Funds to minimize the potential financial statement presentation changes from year-to-year.***

The following discusses the 5 new Governmental Fund Types compared to the old model.

1. General Fund Type

The General Fund must always be presented in its own column as a Major Fund and not commingled with another fund. This is the same requirement under the old model and therefore, in most instances, there is no change in accounting or reporting between models.

The most common exception will relate to the entity’s determination, as more fully described in the Enterprise Fund Type section below, if there is an “activity” within the General Fund that meets the reporting requirement of an “Enterprise Activity”. In practice the most common activities that may meet these requirements would be water and sewer.

2. Special Revenue Fund Type

This Fund Type may be used to account for the proceeds of revenue sources that are legally restricted to expenditure for specific purposes. These restrictions can be imposed by the entity itself or outside agencies. The use of Special Revenue Funds is permitted, but is only required when reporting the General Fund of a legally separate blended Component Unit (in practice this will be rare). Special Revenue Funds are used to separate the activities of restricted sources from the General Fund operations.

The Bureau recommends that communities continue to use Special Revenue Funds for reporting purposes.

Examples of Special Revenue Funds include grants, revolving, receipts reserved for appropriation, gift and similar type activities. Most current Special Revenue Funds will remain Special Revenue Funds in the new model and, in most instances, no change would be required upon conversion. Noted below are exceptions that may require certain funds to be removed from or added to the Special Revenue Fund.

The most common exception will relate to the entity’s determination, as more fully described in the Enterprise Fund Type section below, that an “activity” within the Special Revenue Fund meets the reporting requirement of an “Enterprise Activity”. In practice the most common activities that may meet these requirements would be water and sewer. The entity must also evaluate any other activity that is supported by “user fees” in order to determine if it meets the “Enterprise Activity” criteria.

The entity must also decide on how it will report a “statutory” Enterprise Fund that does not meet the GASBS 34 “Enterprise Activity” definition. The entity has the option to report that activity using the accrual basis of accounting as an Enterprise Fund Type or to report the activity using the modified accrual basis of accounting as a Special Revenue Fund Type.

The Bureau recommends that all legally adopted Enterprise Funds be reported as enterprise funds in the year of conversion. It further recommends that all material activities that substantially recovers the costs of its operations from user fees, be reported as Enterprise Funds in the year of conversion.

Trusts where both the principal and investment earnings may be spent were previously reported as Expendable Trust Funds. GASBS 34 eliminates the Expendable Trust Fund and requires trust arrangements that support the government to be reported as Special Revenue Funds. A common example of this type of fund in Massachusetts is the Stabilization Fund. As previously stated, the use of Special Revenue Funds is voluntary. Therefore the entity has the option to report its statutory Stabilization Fund as either a component of the General Fund or Special Revenue Fund.

As previously mentioned, the Bureau recommends that the Stabilization Fund be reported as a Special Revenue Fund and be presented as a Major Fund (if material) in a separate column.

The modified accrual basis of accounting does not change and the conversion to GASBS 34 is merely a fund presentation issue.

3. Debt Service Fund Type

This fund is used to account for the accumulation of resources for, and for the payment of, general long-term debt principal and interest. The fund uses the modified accrual basis of accounting and there is no change between the old and new financial reporting model.

The Bureau notes that in Massachusetts, Debt Service Funds can only be used if there has been special legislation adopted that allows the community or district to use it. Please contact your Bureau representative if there is a question regarding the use of Debt Service Funds.

As previously mentioned, the Bureau recommends that the Debt Service Fund always be considered a Major Fund and presented in a separate column.

4. Capital Projects Fund Type

This fund accounts for the financial resources used to acquire major capital assets. It is used to enhance the understanding of capital activity and to minimize fluctuations in trend information of ongoing operations. Recurring capital expenditures, such as the purchase of police cars, and minor capital purchases, such as desktop computers, would normally be recorded in the General Fund.

The fund uses the modified accrual basis of accounting and there is no change between the old and new financial reporting model.

In practice, individual funds within the Capital Projects Fund Type may meet the requirement of a Major Fund in some years, and in other years they may not due to the nature of the activity. The preparer has the option to consistently report specific funds as major and aggregate the remaining funds as nonmajor.

The Bureau recommends that the preparer make this determination on a case-by-case basis.

5. Permanent Fund Type

The newly established Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the government's operation. This is the accounting definition of a "nonexpendable trust fund" where the beneficiary is the government itself. Any trust arrangement that meets the new definition would be reported as a Permanent Fund. Examples would be a Cemetery Perpetual Care Fund or Library Trust Fund. Trusts that ***exclusively*** benefit an individual, private entity or another government are now reported in the Fiduciary Funds (discussed below) as a Private-Purpose Trust Fund.

In Massachusetts many communities have historically segregated the Expendable (earnings) and Nonexpendable (principal) portions of the same trust into two different funds. For financial reporting purposes these types of trusts are nonexpendable. This accounting practice may confuse the conversion from the old model to the new model due to the terminology.

The Bureau recommends that the nonexpendable and expendable portions of the same trust be combined into a single trust for reporting purposes.

The entire trust would be reported in the Permanent Fund. Only those governmental trusts in which the principal and earnings can be spent would be reported as Special Revenue Funds.

The new model also requires the use of the modified accrual basis of accounting for all Permanent Funds. The change from the old model may require some communities to combine its previously reported expendable and nonexpendable trusts into one fund after removing any Private-Purpose Trust Funds. Some minor adjustments may be required when the prior nonexpendable trust is converted from the accrual to the modified accrual basis of accounting.

Governmental Fund Category Summary

In fiscal year 2001, entities will be required to adopt GASBS 33, Accounting and Financial Reporting for Nonexchange Transactions and GASBS 36 - Recipient Reporting for Certain Shared Nonexchange Revenues. These Statements impact revenue recognition under the modified accrual basis of accounting and will be discussed in greater detail later in this Guide. Since these Statements are effective for fiscal year 2001, there will be no difference between the old and new reporting models.

GASBS 34 establishes minimum thresholds for presenting separate columns for Major Funds in the Fund Based financial statements. The General Fund is always considered a Major Fund regardless of the dollar thresholds. The statement allows discretion in showing funds that do not meet the Major Fund criteria to be shown in separate columns. The most practical way to format the new statement would be to present the General Fund, Debt Service Fund, Stabilization and similar type funds in separate columns and aggregate the remaining funds. If further breakdown of these aggregated funds (Nonmajor) is desired, the use of Combining Statements is allowed as Additional Information. Based on each entity's analysis, additional Major Funds may be required.

The Governmental Fund Category, with its five (5) Fund Types, will be the foundation for the conversion to the Governmental Activities section of the Government-Wide financial statements. The conversion from the modified accrual basis of accounting to the accrual basis of accounting will require several adjustments, which are discussed later in this Guide.

Recommended Procedures to Prepare the Governmental Fund Based Financial Statements

- Determine the funds to include within the newly created Permanent Fund Type.
- Determine if there are any “enterprise” activities in the governmental funds.
 - Remove these enterprise activities from the fund.
- Determine if there are any UMAS Enterprise Funds that do not meet the GASBS 34 enterprise criteria.
 - Determine if you will report this fund in the Proprietary or Governmental Fund Category (community option).
 - Add enterprise activity as a Special Revenue Fund if the community decides to report it in the Governmental Fund Category.
- Determine if there are any “Major” Funds.
- Layout your financial statement presentation.
 - Major vs. Nonmajor funds
 - Determine whether you will present combining nonmajor fund financial statements after the notes and required supplementary information
- Prepare each fund's financial statement using the modified accrual basis of accounting from your ledgers.
 - In practice, most communities work with their independent auditors to complete the financial statements using spreadsheet or trial balance software.
 - We have included a sample conversion spreadsheet and Governmental Category Fund Financial Statements in Appendix 2 of this Guide.

The Bureau notes that the new Governmental Fund Based financial statements are similar to the current modified accrual Governmental Fund financial statements and therefore this part of the GASBS 34 conversion should not be difficult.

Proprietary Fund Category

There are two Fund Types within the Proprietary Funds; Enterprise and Internal Service. The GASB redefined what must be reported as Enterprise Funds.

This Fund Category is easy to convert since the old and new reporting models utilize the accrual basis of accounting and flow of economic resources measurement focus.

The following list highlights the presentation changes:

- A classified statement of net assets (i.e., current and noncurrent assets, current and noncurrent liabilities, etc.) is preferred since it will eliminate any conversion steps when completing the Government-wide Statement of Net Assets.
- Contributed capital and retained earnings are replaced by capital assets net of related debt, restricted and unrestricted net assets.
- The Statement of Cash Flows **must** use the direct method. The indirect method is not permitted.
- Major Enterprise Funds must be presented in separate columns.
- Only one column is permitted for the Internal Service Fund and it is discretely presented

1. Enterprise Fund Type

Enterprise Funds are permitted whenever a fee for service is charged to external users for an activity. However this reporting is only **required** when one out of three criteria is met. Paragraph 67 of GASBS 34 details the three criteria as follows:

1. The activity is financed with debt secured **solely** by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees or charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

When evaluating the criteria noted above we made the following observations; (1) It is rare for Massachusetts communities to issue debt secured solely by a pledge of the net revenues; (2) There are very limited instances that require by law or regulation an activity's cost be 100% recovered through fees or charges; (3) In many instances activities currently reported in the General or Special Revenue Funds have pricing policies that recover 100% of costs. Conversely, many legally established Enterprise Funds do not have pricing policies that recover 100% of costs.

Therefore, even if your community has voted and operates an "Enterprise" fund it does not mean that you have to present that activity as an Enterprise Fund. It also means that if an activity in a UMAS defined Governmental Fund meets any one of the criteria above then it is required to be reported as an Enterprise Fund. This determination must be made on a case-by-case analysis.

Common potential enterprise activities include services provided for gas, electric, water, sewer, waste disposal, landfill, golf course, pools, school lunch, adult education, drivers' education, skating rink and other similar activities.

The Bureau recommends the following:

- ***Only consider continuing activities for enterprise accounting. An example would be a closed landfill that did not accumulate funds to pay for closure and post-closure care costs. Although the activity is a legally established Enterprise Fund, the activity would be reported in the Governmental Fund Category.***
- ***The Bureau recommends that all legally adopted Enterprise Funds be reported as enterprise funds in the year of conversion. It further recommends that all material activities that substantially recovers the costs of its operations from user fees, be reported as Enterprise Funds in the year of conversion.***
- ***Each activity's evaluation be documented and discussed with your independent auditor.***

If an activity is presented as an Enterprise Fund then the accrual basis of accounting must be used while a Governmental Fund presentation would require the use of the modified accrual basis of accounting. If the Governmental model is selected it does not prevent the entity from reporting the activity as a Business-Type Activity in the Government-Wide financial statements, however this practice is not recommended.

In practice, most communities will have a limited number of enterprise activities and therefore the Bureau recommends that each Enterprise Fund be presented as Major Fund in separate columns, if space allows. This will eliminate the need for combining statements.

The Enterprise Fund Type will be the foundation for the conversion to the Business-Type Activities section of the Government-Wide financial statements. The conversion will not require adjustments, as the basis of accounting does not change.

Recommended Procedures to Prepare the Enterprise Fund Financial Statements

- Review your current financial statements to determine if there are any Enterprise Funds presented.
 - If the independent auditors' opinion is unqualified then no GASBS 34 conversion is required since the accrual basis of accounting is currently being utilized.
 - If there is a qualification then steps must be taken to eliminate the reporting deficiency.
 - Accrual accounting for Enterprise Funds is a **current** requirement and not one created by GASBS 34.
 - Work with your independent auditors to determine the steps needed to eliminate the qualifications. These can vary from community to community.
- Determine if there are any "enterprise" activities in the Governmental Funds.
 - Remove these enterprise activities from the Governmental Fund and create a new Enterprise Fund for financial reporting purposes.
 - Convert the activity to the accrual basis of accounting.
 - Record capital assets and depreciation (including infrastructure).
 - Record long-term debt and other long-term obligations.
 - Recognize revenue on the accrual basis.
- Determine if there are any UMAS Enterprise Funds that do not meet the GASBS 34 enterprise criteria.
 - Determine if you will report this fund in the Proprietary or Governmental Fund Category (community option).
 - Present that activity as a Special Revenue Fund Type (Governmental Category).
- Determine if there are any "Major" Funds.
 - If all funds are reported as Major then there is no need for Combining Nonmajor financial statements.
- Layout your financial statement presentation
- Prepare each fund's financial statement using the accrual basis of accounting from your ledgers.
 - In practice most communities work with their independent auditors to complete the financial statements using spreadsheet or trial balance software.
 - We have included a sample conversion spreadsheet and Proprietary Type Fund Financial Statements in Appendix 2 of this Guide.

The Bureau notes that the new Enterprise Fund Based financial statements are similar to the current accrual governmental fund financial statements and therefore this part of the GASBS 34 conversion should not pose any significant difficulties unless activities are "added to" this Fund Type.

2. Internal Service Funds

These funds are allowed when an entity provides services to other funds, component units and other governments on a *cost-reimbursement basis*. If another government is involved the use of an Internal Service Fund is only allowed when the entity itself is the predominant participant. If the other governments are the predominant participants then an Enterprise Fund is required.

The use of an Internal Service Fund is never required but is commonly used to account for centralized services. It is also commonly used to account for an entity's risk financing activities, such as health insurance. The objective of this fund is to measure and recover the full cost of providing a service, including capital costs. If the entity does not intend on recovering the full cost (historically operating at a significant deficit) then Internal Service Funds should *not* be used and the activity should be presented in the General Fund.

The Internal Service Fund Type activities that primarily benefit Enterprise Funds will be included in the Business-Type Activities section of the Government-Wide financial statements. The Internal Service Fund Type activities that primarily benefit Governmental Funds will be included in the Governmental Activities section of the Government-Wide financial statements. The actual conversion will require a series of consolidation adjustments to eliminate the redundancy of expenses/expenditures reported twice (in both funds). Any assets, liabilities or net assets will be reported in the Governmental or Business-Type Activities column (whichever applies).

The GASB has exempted Internal Service Funds from the Major Fund criteria and therefore only one fund can be reported.

Recommended Procedures to Prepare the Internal Service Fund Financial Statements

- Determine the activities to include within the Internal Service Funds
 - In practice, for Massachusetts communities the most common Internal Service Funds are “self-insured” funds (i.e., health, workers’ compensation, etc.).
 - GASBS Statements 10 & 30 and the related Q&A on Risk Financing provide guidance on reporting.
 - If the entity does not intend on recovering the full cost then Internal Service Funds should not be used.
- Prepare the Fund financial statement using the accrual basis of accounting from your ledgers.
 - In practice, most communities work with their independent auditors to complete the financial statements using spreadsheet or trial balance software.
 - We have included a sample conversion spreadsheet and Proprietary Category Fund Financial Statements in Appendix 2 of this Guide.

The Bureau notes that the new Internal Service Fund Based financial statements are similar to the current Fund financial statements and therefore this part of the GASBS 34 conversion should not pose any significant difficulties.

Fiduciary Fund Category

There are four (4) Fund Types included in the Fiduciary Fund Category: Investment Trust Fund Type, Pension Trust Fund Type, Private-Purpose Trust Fund Type and Agency Fund Type. The Fiduciary Fund Category is **not** reported in the Government-Wide financial statements as these funds do not benefit or support the government's operation. These are the only statements presented for fiduciary activities and use the accrual basis of accounting. Fiduciary Funds are never reported as Major Funds and each Fund Type is presented in a separate column.

1. Investment Trust Fund Type

Investment Trust Fund Types are defined in GASBS 31 – Accounting and Financial Reporting for Certain Investments and for External Investment Pools. For most local governments this Fund Type will not be used since external investment pools are primarily managed by the Commonwealth. Examples of this Fund Type are the Massachusetts Municipal Depositors Trust (MMDT) and the Pension Reserve Investment Trust (PRIT).

2. Pension (and other employee benefit) Trust Fund Type

The two common types of trusts of this Fund Type in Massachusetts are the Pension System Trust and Internal Revenue Code Section 457 Deferred Compensation Plans. There is no change in reporting for these activities due to the implementation of GASBS 34.

GASBS 25 - Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and GASBS 27 – Accounting for Pensions by State and Local Governmental Employers and the related implementation guides define the reporting requirements for Pension Trust Funds. There is no change in reporting therefore no conversion is required.

GASBS 32 – Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans defines the requirements for this employee benefit trust. Except for the Commonwealth, most Massachusetts governments adopting the provisions of GASBS 32 do not report the activity of their Section 457 plan. The old reporting model required Section 457 plans to be reported as an Expendable Trust Fund that has been eliminated by GASBS 34. The change in reporting should only affect the Commonwealth.

3. Private-Purpose Trust Fund Type

Private-Purpose Trust Funds report trusts arrangements where the beneficiary is an individual, private organization or another government. Since the reporting government does not directly benefit from the trust it is only acting in a fiduciary capacity and therefore will be shown separate from the Governmental Funds.

The government will have to analyze its trust funds to determine which funds meet the criteria of a Private-Purpose Trust Fund. An example of this Fund Type would be Scholarship Trust Funds where the beneficiary is an individual and not the government.

The conversion mainly relates to segregating the current trust funds into Special Revenue, Internal Service, Permanent and Private-Purpose Trust Funds. The principal and earnings portions of the Private-Purpose Trusts will be combined and reported using the accrual basis of accounting.

Private-Purpose Trust Funds must be presented in one column.

If additional disclosure is desired, the Bureau recommends that Combining Financial Statements be presented as additional information.

4. Agency Fund Type

Agency Funds do not have a formal trust agreement as the government is acting solely in a custodial capacity. A liability is recorded to offset all assets held in an agency capacity. Therefore, only receipts and disbursements are reported instead of revenues and expenses. There is no change in reporting and therefore no conversion is required.

Fiduciary Component Units

A fiduciary component unit is a separate legal entity whose only purpose is to act in a fiduciary capacity for individuals, private organizations or other governments. The most common example is a public employee pension system. This component unit would be blended with the Pension Trust Fund Type discussed above.

Recommended Procedures to Prepare the Fiduciary Funds Financial Statements

1. Investment Trust Fund Types are not a local government issue in Massachusetts.
2. Pension Trust Fund financial statements have not changed and therefore you will continue to use the same procedures.
3. Private-Purpose Trust Fund Type is a new format, however the funds that comprise it are the same as before.
 - Identify all private-purpose trust funds
 - Prepare the Fund financial statement using the accrual basis of accounting from your ledgers.
 - In practice, most communities work with their independent auditors to complete the financial statements using spreadsheet or trial balance software.
 - We have included a sample conversion spreadsheet and Fiduciary Category Fund Financial Statements in Appendix 2 of this Guide.
4. Agency funds have not changed and therefore you will continue to use the same procedures.

Government-Wide Financial Statements (prepare third)

GASBS 34 requires the government to prepare Government-Wide financial statements using the economic resources measurement focus and the accrual basis of accounting. These statements represent the most significant change in financial reporting required under GASBS 34. The statements focus on Governmental and Business-Type Activities of the Primary Government and discretely presented component units. Fiduciary activities are not available to support the government's activities and therefore are excluded from the Government-Wide financial statements.

In order to prepare these financial statements the Fund financial statements must be completed. The Governmental Fund and Proprietary Fund Categories are the foundation for the Governmental and Business-Type Activities columns of the Government-Wide financial statements.

For the Proprietary Fund Category the conversion is simple since it is prepared using the accrual basis of accounting.

The Bureau recommends that Enterprise Funds be presented as Business-Type activities in the Government-Wide financial statements. If this is done, the only significant conversion procedure is the format change to the Statement of Activities since no Statement of Cash Flows is presented in the Government-Wide Financial Statements.

For the Governmental Fund Category, the conversion is more complex due to the change from the modified accrual basis of accounting to the accrual basis of accounting. Although this may appear overwhelming, there are only a limited number of accounting entries that are required to convert.

The Bureau recommends that Governmental Funds and Internal Service Funds be presented as Governmental Activities in the Government-Wide financial statements.

With the Fund Financial Statements completed the preparer is ready to start the process to complete the most difficult financial statement to convert due to GASBS 34. Listed below are conversion issues.

Converting Governmental Funds to Governmental Activities Statement of Net Assets

- Actual conversion steps for the Governmental Activities Statement of Net Assets
 - Use the completed modified accrual Governmental Fund Financial Statement Balance Sheet as the starting point.
 - Convert the format to a "Statement of Net Assets"
 - Increase Net Assets for all Capital Assets, net of accumulated depreciation
 - Increase Net Assets for earned but currently deferred revenue
 - Increase Net Assets for the explicit equity interest in the capital assets of a Joint Venture

- The Fund Financial Statements will report the investment to the extent that it represents a “financial” asset
- Decrease Net Assets for Accrued Interest Expense on Long-term Debt
 - This entry is new but easy to calculate.
- Decrease Net Assets for Long-term Debt, net of loss of defeasance
- Increase/Decrease Net Assets for premiums/discounts related to debt
- Decrease Net Assets for Accrued Obligations previously reported in the General Long-term Obligations Account Group
 - Claims and Judgments
 - Compensated Absences
 - Landfill Closure and Postclosure Care Costs
 - Net Pension Obligation
 - Operating Leases With Scheduled Rent Increases
- Add Internal Service Fund assets, liabilities and net assets.
 - Increase/decrease net assets for any allocation to Business-Type Activities for the Internal Service Fund residual balance (if material).

The Bureau recommends that conversion worksheets be used to convert each Governmental Fund to the accrual basis of accounting. We have included sample conversion spreadsheets and Government-Wide Financial Statements in Appendix 2 of this Guide.

The conversion adjustments are discussed in detail in Chapter 5 of this Guide.

Once the Statement of Net Assets for Governmental Activities is converted, the preparer can complete the Statement of Activities. The revenues and expenses will need to be adjusted for the net change of the accrual adjustments made to the assets and liabilities between the beginning and the end of the fiscal year. In practice these year-end adjustments usually repeat each year and the accounting adjustments are a series of reversing prior year adjustments and recording the current year adjustments.

Be sure to record a matching adjustment for each entry that changed the Net Assets above when preparing the Statement of Activities below. If the change in year-end net assets created by the adjustments does not match exactly on both conversion schedules then the Government-Wide Governmental Activities financial statements will not balance.

The Bureau suggests that if after preparing the Government-Wide financial statements the Net Assets on the Statement of Net Assets does not tie to the ending Net Assets presented on the Statement of Activities the preparer should first verify that the starting point and each subsequent adjustment to Net Assets is the same.

Conversion of Governmental Fund Operating Statement to the Government-Wide Statement of Activities

The transition to the Statement of Activities includes the effect of the adjustments recorded on the Statement of Net Assets (balance sheet) in addition to elimination entries, allocation entries and presentation changes. These changes are listed below:

- Use the Governmental Operating Statement as the starting point.
- Verify, before making any adjustments, that the Net Assets at the end of the year ties to the first column of the Statement of Net Assets conversion schedule prepared above.
- Record as reversing entries all adjustments made during the GASBS 34 conversion of prior year balances.
 - The adjustment will be a debit/credit to revenues, expenses or transfers and an offsetting entry to “Net Assets at the Beginning of the Year”.
 - The effect on “Net Assets at the End of the Year” must be Zero
- Before entering the current adjustments, reconcile the Net Assets at the Beginning of the Year” to the prior year Government-Wide financial statement (or similar control worksheet).
- Record year-end adjustments that effect Net Assets
 - Use the Statement of Net Assets as a guide in order to be sure all adjustments are properly recorded.
 - The effect on “Net Assets at the End of the Year” must be equal to the same amount recorded on the Statement of Net Assets.
- Record any reclass adjustments (no change to the beginning or ending Net Assets)
- Common adjustments are listed below:
 - Acquisition or construction of capital assets
 - Remove expense for the cost of capital assets
 - Donated capital asset
 - Record either a program or general revenue
 - Depreciation Expense
 - Record by functional expense
 - Sale of Capital Asset
 - Reduce the proceeds of sale by the net book value of the asset sold and report the gain or loss on the sale
 - Principal payment of long-term debt
 - Remove debt service expense
 - Proceeds of Debt Issuance
 - Remove proceeds from other financing sources
 - Bond advance refunding proceeds and payments
 - Net proceeds and payments to escrow agent
 - Elimination of deferred revenue related to earned revenue not available
 - Increase the related program or general revenue
 - Operating transfers between Governmental Activities
 - Net transfers in/out
- Consolidate Internal Service Fund Activities
 - Report the net operating income (loss) in the appropriate functional expense line item

- Nonoperating revenues are presented as either program or general revenues
- Convert the Operating Statement into the Statement of Activities Format
- Prepare schedules that identify program revenues by functional expense

Discretely Presented Component Units

GASBS 34 requires that Discretely Presented Component Units be presented in the Government-Wide financial statements and not in the Fund Based financial statements (except for Component Units that are fiduciary in nature). Since there is no requirement for a statement of cash flows in the Government-Wide financial statements it is not reported. If the reader wants to refer to the cash flow statement they must obtain the separately issued financial statement of the component unit. Other than the elimination of the cash flow statement there is no significant reporting change and therefore no conversion is required.

Discrete presentation reports Component Unit activity in separate columns and sections from the Primary Government in the Statement of Net Assets and Statement of Activities. We have provided a sample of a Discretely Presented Component Unit in the GASBS 34 Government-Wide financial statements in Appendix 2 of this Guide.

Format of the Statement of Net Assets

The “Net Assets” can either be shown in the traditional balance sheet format or the net assets format.

GASB and the Bureau recommend that the net assets format be used where “Assets – Liabilities = Net Assets”. We have included a sample Statement of Net Assets in Appendix 2 of this Guide.

Below are the key format issues to use when preparing the statement.

- Present the Primary Government Separate from Discretely Presented Component Units
 - Separate sections by column
- Separate the Primary Government Activities by Column
 - Present a column for Governmental Activities
 - Present a column for Business-Type Activities
 - Present a column for the Total Primary Government
- Eliminate interfund activity between Governmental Funds and Internal Service Funds reported in the Governmental Activities column
- Present a Classified Statement of Net Assets
 - Distinguish between current and noncurrent assets and liabilities
 - Present assets and liabilities in order of relative liquidity
 - Examples of current assets and liabilities are:
 - Unrestricted cash and investments
 - Accounts and notes receivable
 - Inventories and prepaid expenses
 - Accounts and notes payable
 - Deferred revenue

- Current portion of long-term liabilities
 - Debt
 - Leases
 - Compensated Absences
 - Claims & Judgments
- Examples of noncurrent assets are:
 - Capital assets
 - Restricted assets
- Examples of noncurrent liabilities are:
 - Debt due in more than one (1) year
 - Net present value of leases due in more than one (1) year
 - Estimated long-term portion of compensated absence liability
 - Claims & Judgments due in more than one (1) year
- Capital Assets Presentation

The Bureau recommends presentation on one line, net of accumulated depreciation. Use the notes to the financial statements to report the classes of capital assets and related accumulated depreciation.

- Net Assets Presentation - GASBS 34, paragraph 32, requires Net Assets to be presented in the following three components:
 - Invested in capital assets, net of related debt
 - Capital Assets cost less Accumulated Depreciation less outstanding debt used to acquire capital assets
 - Restricted
 - No category of restricted net assets can be negative. Any negative amounts must be reported as unrestricted
 - In order to be shown as restricted the restriction must be externally imposed or legally restricted
 - Unrestricted
 - Used as the “Default” category
 - Designations and reservations of Unrestricted Net Assets cannot be presented

Format of the Statement of Activities

The Statement of Activities must be presented in the net (expense) revenue format. This format identifies which functional activity results in a benefit or burden to the taxpayers. It also provides information on how the government financed its activities and whether current year revenues were sufficient to cover current year expenses.

The statement separates the Primary Government from Discretely Presented Component Units and Governmental Activities from Business-Type Activities. We have included a sample Statement of Net Assets in Appendix 2 of this Guide. Below are the key format issues to use when preparing the statement.

- Separate and subtotal the functions by:

- Primary Government
 - Governmental Activities
 - Business-Type Activities
- Component Units
- Present the direct expenses in the first column of the statement
- Present each function on a separate row
- Present a separate column for Indirect Expense Allocation (optional)
- Present revenues as either Program or General Revenues
- Present a total column for the Primary Government
 - Column for Governmental Activities
 - Column for Business-Type Activities
 - Column for Primary Government Total
- Present a separate column for Discretely Presented Component Units

Revenues and Expenses Presentation

Functional Expenses

Direct Expenses are specifically associated with a service, program or department and are clearly identifiable to a function. These expenses are presented in the first column of the Statement of Activities.

- Direct expenses include depreciation of capital assets used by that specific function.
- The depreciation expense of capital assets “shared” by a few departments should be allocated using a reasonable method to all of the functions.
- Depreciation expense for a capital asset, such as City Hall, that “serves all functions” can be reported as an indirect expense.
 - The expense can be either included as a general government function or on a separate line “Unallocated Depreciation”.
- The community has the option to always allocate depreciation expense for the capital asset that serves all functions if a reasonable and objective method is used.
- Depreciation of General Infrastructure Assets should be recorded as a functional direct expense of the department that acquires and maintains the asset (i.e., Public Works for roads).
- Interest expense on bonds, notes, capital leases, pension debt and judgments is reported on a separate line item for Governmental Activities.
- Interest expense for Business-Type Activities and component units are recorded as direct expenses of that particular function.

Indirect Expenses are functions that provide support services, administrative or overhead for the community’s other functions. They are reported as direct expenses of the administrative functions.

Governments have the option to allocate these expenses to nonadministrative functions. If it is done then the second column of the statement of activities is used and the net effect of the

allocation must be zero. A reasonable and objective method must be used and the government must be able to support the methodology to their independent auditor.

Normally the allocation of indirect expenses is between the functional line items of Governmental Activities. In some cases a government may allocate the overhead cost to a Business-Type activity. If this is done it will change the net assets of both activities and must be shown as part of the reconciliation of the Fund financial statements to the Government-Wide financial statements.

Revenues

GASBS 34 has established two categories of revenues, program and general, that are used in the Statement of Activities. Program revenues are reported on the same row as the functional expense and the difference between the functional expense and program revenue is the amount of benefit or burden on the taxpayer. General revenues cannot be associated with a particular function and is the default category.

- GASBS 34 has determined that there are four sources of revenues
 - *Type a.* Amounts received from those who purchase, use, or directly benefit from the goods or services of the program.
 - *Type b.* Amounts received from parties outside the reporting government's citizenry
 - *Type c.* The reporting government's taxpayers (all taxpayers, regardless whether they benefit from a particular program).
 - *Type d.* The governmental institution itself.

- These four sources of revenues are reported as either program or general revenue
 - *Type a* is always program revenue
 - *Type b* is program revenue if it is restricted for a specific purpose, and is general revenue if unrestricted
 - *Type c* is always general revenue
 - *Type d* is usually general revenue

The Bureau's suggested treatment of revenues received by Massachusetts governments is located in Appendix 1 of this Guide.

Required Reconciliations (prepare fourth)

GASBS 34 paragraph 77, states “Governments should present a summary reconciliation to the Government-Wide financial statements at the bottom of the Fund financial statements or in an accompanying schedule. In many cases, brief explanations presented on the face of the statements will be sufficient to allow users to assess the relationship between the statements. However, if aggregated information in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item, governments should provide a more detailed explanation in the notes to financial statements.”

The Bureau recommends that separate accompanying schedules with the appropriate detail be used since the summary reconciliation does not provide sufficient detail and the “look” of the financial statements is crowded. This presentation eliminates the need to duplicate the reconciliation in the notes. We have included sample reconciliation schedules in Appendix 2.

The Balance Sheet Reconciliation

This reconciliation is between the year-end Governmental Funds “Fund Balance” and the Governmental Activities “Net Assets”. Typical reconciling items are listed below:

- Long-term bonds, notes and capital leases
- Compensated absences
- Landfill closure and postclosure care obligations
- Claims and judgments
- Net pension obligations
- Long-term debt interest accrual
- Internal Service Fund net assets, adjusted for the Business-Type Activities portion of Fund (if material)
- Reducing deferred revenue for revenues not meeting the “available” criteria (as defined in Chapter 4)
- Investment in Joint Ventures
- Capital assets, net of accumulated depreciation

The Statement of Revenues, Expenditures and Changes in Fund Balances Reconciliation

This is a reconciliation of the “total change” in the Governmental Funds total balance compared to the “total change” in Governmental Activities Net Assets. Typical reconciling items are listed below:

- The net change in revenue accruals
- The net change in long-term expense accruals
 - Claims and judgments
 - Compensated absences
 - Landfill accrual
 - Interest expense accrual
- The change in net assets of the Internal Service Fund
- The net change in the Investment in Joint Ventures
- The difference between capital outlays and depreciation
- The elimination of debt proceeds and debt principal payments (including capital leases)

An Actual Conversion Example

Appendix 2 of this guide is an illustrative example of the conversion process. We believe this will provide you with the practical roadmap of the process described in this Chapter. We have included the complete set of financial statements under the old model and new model along with conversion worksheets and explanations of all adjustments and reclass entries.

Chapter 4

GASB 33 - Accounting and Financial Reporting for Nonexchange Transactions & GASB 36 - Recipient Reporting for Certain Shared Nonexchange Revenues

GASBS 33 & 36 – Nonexchange Transactions

The GASB issued these statements to provide guidance on how to account for nonexchange transactions with a required implementation date of FY2001. We have included a discussion of these issues here due to the fact that it must be implemented before GASBS 34.

In practice, for Massachusetts communities the major transactions that these pronouncements effect include real and personal property taxes, excise taxes, operating and capital grants, expenditure driven grants, entitlements, subsidies and certain trusts. The actual treatment of recognizing the assets, liabilities and expenses/expenditures generated by nonexchange transactions are substantially the same for the accrual and modified accrual bases of accounting. The standards for revenue recognition are different for each bases of accounting.

The following section outlines the measurement focus and basis of accounting differences.

- **Measurement Focus** refers to **what** transactions and events are reported in a fund's operating statement. The two different measurement focuses are:
 - *Flow of Economic Resources*
 - Includes all transactions and events that change net assets or “economic resources” similar to a private enterprise.
 - The focus is to “match” the cost of providing goods or services to the revenues.
 - *Flow of Current Financial Resources*
 - Includes transactions and events that have changed the resources available for spending in the near future.
 - Does not attempt to “match” revenues and expenses. The focus is on the change in financial resources.
- **Basis of Accounting** refers to **when** transactions or events are recognized for reporting purposes. The two basis' of accounting are:
 - *Accrual Basis of Accounting*
 - Simply stated, “revenues are recognized when earned and expenses when incurred regardless of the timing of the related cash inflows and outflows”.
 - *Modified Accrual Basis of Accounting*
 - Modified Accrual is accrual accounting with certain modifications.
 - Revenues are recognized only to the extent they are **available** to finance expenditures of the fiscal period.
 - Debt service expenditures are recognized when due.
 - Certain accrued liabilities are recognized as expenditures to the extent that the liabilities are “normally expected to be liquidated with expendable available financial resources”.

The Accrual Basis of Accounting / Flow of Economic Resources Measurement Focus and the Modified Accrual Basis of Accounting / Flow of Current Financial Resources Measurement Focus are inseparable.

The next section will explain what a “Nonexchange Transaction” is and how the basis of accounting and measurement focus effects how the transaction is reported.

- What is a “*Nonexchange Transaction*”?
 - In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return.
 - The amount of a homeowner's property tax, for example, is not directly related to the value or amount of services to that taxpayer that are financed by property taxes.
 - The principal issue is to determine the timing of **when** nonexchange transactions are recognized in the financial statements.

- What are “*Exchange or Exchange-like Transactions*”?
 - An exchange transaction is one in which each party receives and gives up essentially equal values.
 - An exchange-like transaction is where the values exchanged are “almost” equal.
 - Examples include licenses, permits and some grants and donations.

- There are **4 Classes** of Nonexchange Transactions that have unique characteristics and different reporting requirements
 1. *Derived tax revenues*, which result from assessments imposed on exchange transactions (for example, income taxes, sales taxes, and other assessments on earnings or consumption).
 2. *Imposed nonexchange revenues*, which result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (for example, property taxes and fines).
 3. *Government-mandated nonexchange transactions*, which occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform).
 4. *Voluntary nonexchange transactions*, which result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (for example, certain grants and private donations).

- **Time Requirements and Purpose Restrictions** must be applied to each transaction as both effect the accounting treatment
 - *Time requirements* affect the timing of recognition of nonexchange transactions.
 - *Purpose restrictions* specify the purpose for which resources are required to be used. Purpose restrictions should not affect when a nonexchange transaction is recognized. A purpose restriction only limits how the funds can be spent after the receipt. However, governments that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted (or a reservation of fund balance for governmental funds).
 - Purpose restrictions must not be confused with Eligibility Requirements discussed below.

- **Recognition Standards**
 - The timing of recognition for assets, liabilities, and expenses/expenditures resulting from nonexchange transactions should be the same whether the accrual or the modified accrual basis of accounting is required.
 - For revenue recognition to occur on the modified accrual basis, the revenues should be available.
 - Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.
 - GASBS 33 continues the guidance in NCGA Interpretation 3, Revenue Recognition—Property Taxes, as amended, for recognizing property taxes on the modified accrual basis of accounting.
 - Property tax revenues are recognized when they become available. For property taxes, such time thereafter shall not exceed 60 days.

- The timing of recognition for each class of nonexchange transactions is outlined below.
 - *Derived tax revenues*
 - Receivable - when the underlying exchange transaction occurs (for sales tax when the taxable sale takes place).
 - Revenues - when the underlying exchange transaction occurs. (On the modified accrual basis of accounting, revenues should be recognized when the underlying exchange has occurred and the resources are available). Resources received before the underlying exchange has occurred should be reported as deferred revenues (liabilities).
 - *Imposed nonexchange revenues*
 - Receivable - when the government has an enforceable legal claim to the resources.

- Revenues - in the period when use of the resources is required or first permitted by time requirements (for example, for property taxes, the period for which they are levied), or at the same time as the assets if the government has not established time requirements. Resources received or recognized as receivables before the time requirements are met should be reported as deferred revenues. (For property taxes on the modified accrual basis, governments should apply NCGA Interpretation 3, as amended.)
 - *Government-mandated and voluntary nonexchange transactions*
 - Assets (recipients) and liabilities (providers) - when all applicable eligibility requirements are met or resources are received, whichever is first.
 - Revenues (recipients) and expenses/expenditures (providers) - when all applicable eligibility requirements are met (for the modified accrual basis when the resources also are available).
 - For transactions in which the provider requires the recipient to use the resources in the following period, resources provided before that period should be recognized as advances (providers) and deferred revenues (recipients).
 - For transactions, such as permanent or term endowments, in which the provider stipulates that resources should be maintained intact in perpetuity, for a specified number of years, or until a specific event has occurred, resources should be recognized as revenues when received and as expenses/expenditures when paid (cash basis).

➤ **Eligibility Requirements**

- *Eligibility Requirements* are conditions established by enabling legislation or the provider that are required to be met before a transaction can occur. That is, until those requirements are met, the provider does not have a liability, the recipient does not have a receivable, and the recognition of expenses or revenues for resources transmitted in advance should be deferred.
 - They do not apply to derived tax revenues or imposed nonexchange revenues.
- *Government-mandated and voluntary nonexchange transactions*
 - Eligibility Requirements comprise one or more of the following:
 1. **Required characteristics of recipients.** The recipient has the characteristics specified by the provider.
 2. **Time requirements.** Time requirements specified by enabling legislation or the provider have been met (the period when the resources are required to be used).
 3. **Reimbursements.** The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
 4. **Contingencies** (applies only to voluntary nonexchange transactions). The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred (matching funds).

- Sometimes a provider in a government-mandated or voluntary nonexchange transaction does not specify time requirements. When that is the case, the entire award should be recognized as a liability and an expense by the provider, and as a receivable and revenue by the recipient, in the period when all applicable eligibility requirements are met (applicable period). When the provider is a government (including the federal government), the applicable period for both the provider and the recipients is the first day of the provider's fiscal year.
 - *Nonexchange Revenues Administered or Collected by Another Government*
 - Sometimes, a government collects derived tax revenues or imposed nonexchange revenues on behalf of the government (recipient) that imposed the revenue source. Because those recipients impose the tax or other revenue source, they should have or can reasonably estimate the accrual-basis information necessary to comply with the requirements of this Statement for derived tax revenues or imposed nonexchange revenues.
 - GASBS 36 only amends paragraph 28 of GASBS 33 with the following: On the other hand, a government may share its own derived tax revenues or imposed nonexchange revenues with other governments. Both the provider and recipient governments should comply with the requirements of this Statement for voluntary or government-mandated nonexchange transactions, as appropriate. Recipient governments may rely on periodic notification by the provider government of the accrual-basis information necessary for compliance. If notification by the provider government is not available in a timely manner, recipient governments should use a reasonable estimate of the amount to be accrued.

In practice, the transactions that will have the most significant impact on Massachusetts governments will be entitlement grants (Chapter 90) and debt subsidy capital grants (School Construction reimbursement). GASBS 33 provides numerous examples on how various nonexchange transactions are reported.

Examples of the sample adjustments for Massachusetts governments required by these pronouncements are identified in the next chapter.

Chapter 5

The Adjustments

Overview

In this chapter we will take you through examples of adjustments that convert your UMAS budgetary financial statements to the Fund Based GASBS 34 financial statements, and then from the Fund Based financial statements to the Government-Wide financial statements. Each section will show the original UMAS entry, the conversion entry from UMAS to the Fund Based financial statements, and then the accrual conversion entry to the Government-Wide financial statements.

What you will find is that there are not a significant number of “New” entries. This Guide assumes that the entries required prior to GASBS 34 (compensated absence accrual for example) is known by the reader. We will refer to the GASB Statement if you need further guidance.

This manual has provided examples of these major conversion adjustments but may not cover all possible transactions encountered by your particular community. In addition, the examples listed do not attempt to show every way you may estimate an accrual. If there are specific adjustments not covered in this Guide, please contact us so we can update the Guide.

As noted earlier, only the Governmental Fund Types (modified accrual basis of accounting) will need conversion adjustments to the Government-Wide (accrual statements). Proprietary Fund Types use the accrual basis of accounting for both the Fund Based and Government-Wide financial statements. The Fiduciary Fund Types are not part of the Government-Wide financial statements and are only reported in the Fund Based financial statements.

The accrual entries that effect the bottom-line must be reversed in the subsequent year in order to tie in beginning fund balance/net assets.

The Bureau notes that the conversion entries and related suggestions are for Financial Reporting Only and they should not be made to your UMAS based foundational ledgers.

Transaction Type – Real Estate Receivable and Revenue

This is a nonexchange transaction covered by GASBS 33.

UMAS Original Entry

The original commitment is recorded and is offset by deferred revenue. As cash is received or abatements, exemptions and refunds are processed during the year the A/R and deferred revenue are reduced and the net cash received (cash received less refunds) is recorded as revenue. The balance sheet accounts at year-end represent the uncollected receivables offset by deferred revenue (no bottom-line effect).

Net Balance at Year-end

| | | | |
|--------------|--------------------------------|---------|---------|
| Debit | Accounts Receivable | 500,000 | |
| | Credit Deferred Revenue | | 500,000 |

Conversion Entry to Fund Based Financial Statements

The entries are the same currently done for your General Fund.

You can recognize revenue for cash received on outstanding A/R for a period up to 60 days subsequent to year-end. Any refunds subsequent to year-end are covered in the reserve for abatement/refund entry below.

To record revenue for cash collected 60 days after year-end.

| | | | |
|--------------|-----------------------|--------|--------|
| Debit | Deferred Revenue | 80,000 | |
| | Credit Revenue | | 80,000 |

The A/R remaining at year-end should be recorded net of any amounts determined to be uncollectible. The community can have the Collector complete a specific analysis of the actual amounts outstanding or a historical trend analysis can be used to estimate an amount.

To record the estimated uncollectible allowance at year-end

| | | | |
|--------------|---|--------|--------|
| Debit | Deferred Revenue | 10,000 | |
| | Credit Allowance for uncollectible taxes | | 10,000 |

Conversion Entry to Government-Wide Financial Statements

Since the accrual basis of accounting recognizes revenue when earned, regardless of when the cash is received, the net amount remaining in deferred revenue 410,000 (500,000 less 80,000 less 10,000) is recorded as revenue at year-end.

To record revenue when earned

| | | | |
|--------------|-----------------------|---------|---------|
| Debit | Deferred Revenue | 410,000 | |
| | Credit Revenue | | 410,000 |

Transaction Type – Payments in Lieu of Taxes

This is a nonexchange transaction covered by GASBS 33.

The majority of these payments are nonexchange transactions but in some cases can be structured as exchange transactions. However in both cases the transaction is specifically linked to a period in time (a fiscal year). Therefore the resulting transactions are identical to the Real Estate Tax entries described above except that the title of the accounts is changed from Real Estate to Payments in Lieu of Taxes.

Transaction Type – Reserve for Abatements/Refunds

This is a nonexchange transaction covered by GASBS 33.

The account “Reserve for Abatements” is a Statutory Account used by Massachusetts as part of the budgetary process. In the modified accrual and accrual bases of accounting the bottom-line issue is how much does the community expect to refund for taxes already collected and recorded as revenue on the UMAS ledgers.

The A/R entries described above have already recorded an “Allowance for Uncollectible Taxes” and therefore the reserve for abatement account, if left unadjusted at year-end, would overstate the uncollectible amount.

The only issue left is the fact that the community has recorded revenue for cash received prior to year-end that will subsequently be refunded. If no adjustment were made then both the fund balance (modified accrual) and net asset (accrual) would be overstated at year-end.

UMAS Original Entry

The original abatement liability is recorded from the tax recapitulation form and is offset by deferred revenue with no bottom line effect. These accounts are reduced if the Assessors release the balance or if abatements and exemptions are processed during the year. At year-end these balance sheet accounts offset each other.

Net balance at year-end before adjustment

| | | |
|--------------------------------------|---------|---------|
| Debit Deferred Revenue | 130,000 | |
| Credit Reserve for Abatements | | 130,000 |

Conversion Entry to Fund Based Financial Statements

The community will need to estimate the potential refunds due subsequent to year-end. This is accomplished by reviewing the activity of actual refunds issued after year-end that relate to revenue recorded for the reporting period. The refunds issued for the following fiscal year's commitment are not included in this analysis.

The Assessor should complete a case-by-case review of all open requests for abatements and Appellate Tax Board (ATB) cases outstanding or settled after year-end. A historical trend analysis can be used to estimate the potential refunds due if a case-by-case review is impractical.

The Bureau recommends that the account "Tax Refunds Payable" be used instead of "Reserve for Abatements" for financial statement reporting purposes only. At year-end a fund balance reserve can be recorded equal to the amount of the excess in Reserve for Abatements not released by the Assessors.

To reverse remaining balance in Reserve for Abatements at year-end

| | | |
|-------------------------------------|---------|---------|
| Debit Reserve for Abatements | 130,000 | |
| Credit Deferred Revenue | | 130,000 |

To record Assessor's estimated refunds due at year-end

| | | |
|-----------------------------------|---------|---------|
| Debit Revenue | 210,000 | |
| Credit Tax Refunds Payable | | 210,000 |

Conversion Entry to Government-Wide Financial Statements

No additional adjustments required.

Transaction Type – User Fees In Governmental Funds

These fees are exchange transactions and include activities such as water, sewer, ambulance, recreation programs and any activity where a fee for service is charged.

A receivable is recorded when the service is provided net of an allowance for uncollectible accounts. Unbilled receivables must be estimated as of the date of the financial statements. The associated unbilled revenue is recorded at the same time for the accrual basis of accounting while the revenue has to be considered “available” to be recognized as revenue under the modified accrual basis of accounting. Refunds are recorded when the refund is probable. Revenues received in advance of the service being provided are recorded as deferred revenue.

UMAS Original Entry

A receivable and deferred revenue is recorded when the commitment is made and actual bills are mailed. These accounts are reduced as cash is received and abatements/refunds are processed during the year. In practice revenues, net of actual refunds, are recorded on the cash basis. The A/R balance is the amount due on billed receivables offset by deferred revenues.

The net year-end balance is as follows.

| | | | |
|---------------|---------------------|---------|---------|
| Debit | Accounts Receivable | 300,000 | |
| Credit | Deferred Revenue | | 300,000 |

Conversion Entry to Fund Based Financial Statements

Many times unbilled receivables, refunds/abatements due, uncollectible allowances and available revenues are currently not recorded. These adjustments are not recorded due to the amounts not being material or the fact there may be no “bottom-line” effect on modified accrual basis financial statements. The new reporting model requires the presentation of the same transactions on two different bases of accounting. The difference in presentation results from deferring revenue under the modified accrual basis if the receivable is not considered “available”. The account receivable is not “created” under the accrual basis and therefore the A/R amount will be the same on both “balance sheets”.

Unbilled receivables for user fees can be estimated by using historical trend analysis of the services provided between the date of the last bill and the end of the year. Most times bills mailed subsequent to year-end are the best source to estimate the unbilled amount.

To record unbilled services provided

| | | |
|---|---------|---------|
| Debit Unbilled Accounts Receivable | 100,000 | |
| Credit Deferred Revenue | | 100,000 |

Similar to Real Estate taxes an allowance for uncollectible accounts must be estimated and recorded. Specific account and historical trend analysis is the recommended way to estimate the amount.

To record the uncollectible allowance

| | | |
|---|--------|--------|
| Debit Deferred Revenue | 30,000 | |
| Credit Allowance for Uncollectible User Fees | | 30,000 |

An estimate for refunds must be recorded. The estimate can be based on historical trend analysis, refunds made subsequent to year-end and open requests for abatements.

To record estimated refunds at year-end

| | | |
|-------------------------------|-------|-------|
| Debit Revenue | 5,000 | |
| Credit Refunds payable | | 5,000 |

Each entity must decide on the length of time subsequent to year-end it will consider to meet the criteria of “available”. GASB limits the “available” time limit to not more than 60 days for Real Estate Taxes.

The Bureau recommends that the community use the same 60-day period for all receivables when recognizing revenue on the modified accrual basis of accounting.

To record available revenues

| | | |
|-------------------------------|--------|--------|
| Debit Deferred Revenue | 50,000 | |
| Credit Revenue | | 50,000 |

Conversion Entry to Government-Wide Financial Statements

Similar to Real Estate Taxes the only entry required to convert to the accrual basis of accounting is to eliminate the balance in the deferred revenue liability account.

To recognize revenue on the accrual basis

| | | |
|-------------------------------|---------|---------|
| Debit Deferred Revenue | 320,000 | |
| Credit Revenue | | 320,000 |

Transaction Type – User Fees in Proprietary Funds

Since the Fund Based financial statements and the Government-Wide financial statements both require the use of the accrual basis of accounting the entries above are exactly the same. The only difference is that Government-Wide entry is made during the conversion from UMAS to Fund Based.

Transaction Type – Departmental Revenues

In practice, many transactions presented as “Departmental Receivables” are in essence user fees and should be recorded as such. Most other departmental revenues such as licenses and permits are recorded on the cash basis. No receivable is recorded since an exchange had not occurred.

The potential receivable is not material in most cases and *the Bureau recommends that the community refrain from recording immaterial amounts*. Therefore the UMAS, Fund Based and Government-Wide financial statements will record these transactions in the same manner and no conversion adjustments are required.

Transaction Type – Fair Value of Investments

This transaction is covered by GASBS 31 - Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASBS 34 does not change the reporting requirements that are currently in effect. In practice most communities record the change in fair value of their investments as part of the UMAS year-end closing process. There is no difference between the modified and accrual basis’ of accounting.

Transaction Type – Investment Income

These transactions can generate an accrued investment receivable based on the type of investments in your portfolio. In Massachusetts the type of investment a community can acquire is limited by statute. Most communities limit their investments to money market, certificate of deposits, bonds, stocks and repurchase agreements.

In practice some communities post investment income one month in arrears since they do not receive the bank statement until the following month. If the amount in arrears at year-end is material, the cash and investment income should be recorded.

Investment in stocks, certificates of deposits and bonds pay interest or dividends at periodic intervals during the year and therefore can require the accrual of investment income, if material, at year-end.

Accrued investment income in most cases is considered “available” and therefore there is no difference between accrual and modified accrual basis of accounting.

UMAS Original Entry

In practice most communities record investment income on the cash basis and therefore do not make an “Accrued Investment Income” journal entry.

Conversion Entry to Fund Based

The Treasurer is required to analyze each investment and determine if an accrual is warranted. An example would be a bond that pays interest every six months with the next payment of \$30,000 due on September 30th. Therefore the interest earned through June 30th would represent three out of the six-month period or 50% of the amount paid in September.

To record the accrued interest receivable

| | | | |
|--------------|---------------------------------|--------|--------|
| Debit | Accrued Interest Receivable | 15,000 | |
| | Credit Investment Income | | 15,000 |

Conversion Entry to Government-Wide Financial Statements

No additional entry is required.

Transaction Type – Loans Receivable

Communities can offer various types of loans to citizens or local businesses. A common example is Community Development low interest rehabilitation loans. Many times the funding source for these loans are federal and state grants that are recorded in the Special Revenue Fund.

The issuance of a loan does not change the community’s net assets since it is only exchanging the type of asset (reduce cash and increase loans receivable). GASB requires long-term loans receivables be offset with a reservation of fund balance or restricted net assets. GASB also requires that unspent grant funds with a purpose restriction be classified as a reserved fund balance or restricted net asset.

UMAS Original Entry

To record grant to provide loans

| | | |
|-----------------------------|---------|---------|
| Debit Cash | 200,000 | |
| Credit Grant Revenue | | 200,000 |

To record issuance of loan

| | | |
|---------------------------------|---------|---------|
| Debit Grant expenditures | 200,000 | |
| Credit Cash | | 200,000 |

| | | |
|--------------------------------|---------|---------|
| Debit Loan Receivable | 200,000 | |
| Credit Deferred Revenue | | 200,000 |

To record repayment of loan principal and interest

| | | |
|------------------------------------|--------|--------|
| Debit Cash | 40,000 | |
| Credit Loan Interest Income | | 10,000 |
| Credit Program Revenue | | 30,000 |
| Debit Deferred Revenue | 30,000 | |
| Credit Loan Receivable | | 30,000 |

Conversion Entry to Fund Based Financial Statements

The conversion requires the elimination of the grant expenditures, program revenue and deferred revenue and the accrual of interest income.

To record loan interest accrual

| | | |
|---|-------|-------|
| Debit Accrued Loan Interest Receivable | 4,000 | |
| Credit Loan Interest Income | | 4,000 |

To eliminate balance sheet transactions from revenues/expenditures accounts

| | | |
|----------------------------------|---------|---------|
| Debit Program Revenue | 30,000 | |
| Debit Deferred Revenue | 170,000 | |
| Credit Grant Expenditures | | 200,000 |

The resulting remaining balance sheet amounts at year-end are as follows.

| | | |
|---|---------|---------|
| Debit Cash | 30,000 | |
| Debit Loans Receivable | 170,000 | |
| Credit Fund Balance Reserved for Loans | | 170,000 |
| Credit Fund Balance Reserved for Specific Purposes | | 30,000 |

Conversion Entry to Government-Wide Financial Statements

No additional adjustments are required

Transaction Type – Cherry Sheet Intergovernmental Revenue

These revenues are nonexchange transactions covered under GASBS 33.

They are period specific to a particular fiscal year and in most cases are collected during that fiscal year. If an amount is due at year-end then UMAS is required to record the receivable and revenue and no further conversion adjustments would be required.

Transaction Type – Entitlement Grants

These revenues are nonexchange transactions covered under GASBS 33.

Examples would include the Commonwealth Chapter 90 grants and federal Small Cities Community Development Grants. These grants usually contain provisions that allow the community to start spending against the grant after a specific date (time requirement) and they must spend the grant funds on specific programs (purpose restriction). These grants sometimes are confused with expenditure driven grants due to the fact the funds are drawn down after incurring an expense in accordance with the purpose restriction. In expenditure driven grants an eligibility requirement must be satisfied before the granting agency is liable for a payment.

Care must be taken when reviewing each grant contract to determine if there are purpose restrictions or eligibility requirements. The difference in the accounting treatment is significant.

UMAS Original Entry

An \$800,000 Federal Small Cities Community Development Grant is awarded to a community that begins on July 1, 2001 (FY2002). The community must spend the grant funds on the programs described in the grant contract (purpose restriction). As program expenditures are incurred the community submits a draw down request for the exact amount. The community must pay the contractor within one week of receiving the cash from the Federal Government.

To record the award as a receivable

| | | |
|-------------------------------------|---------|---------|
| Debit Entitlement Receivable | 800,000 | |
| Credit Deferred Revenue | | 800,000 |

To record a grant expenditure and payable

| | | |
|--------------------------------|---------|---------|
| Debit Expenditures | 100,000 | |
| Credit Accounts Payable | | 100,000 |
| Debit Deferred Revenue | 100,000 | |
| Credit Grant Revenue | | 100,000 |

To record the cash received from the Federal Government and payment of accounts payable

| | | |
|--------------------------------------|---------|---------|
| Debit Cash | 100,000 | |
| Credit Entitlement Receivable | | 100,000 |
| Debit Accounts Payable | 100,000 | |
| Credit Cash | | 100,000 |

Conversion Entry to Fund Based Financial Statements

No adjustment is required since the \$700,000 remaining in the receivable does not meet the revenue recognition “available” criteria as defined in GASBS 33.

Conversion Entry to Government-Wide Financial Statements

There is no available criterion under the accrual basis of accounting and revenue is recognized regardless of when the inflow of cash occurs in accordance with GASBS 33.

To recognize revenue of a nonexchange transaction for the accrual basis of accounting

| | | |
|-------------------------------|---------|---------|
| Debit Deferred Revenue | 700,000 | |
| Credit Grant Revenue | | 700,000 |

Transaction Type – Expenditure Driven/Reimbursement Grants

These are nonexchange transactions covered under GASBS 33.

In practice, for local Massachusetts governments there are not many grants that would be classified as expenditure driven/reimbursement grants. One State example would be the federally supported Medicaid program where the Federal Government will reimburse the State for 50% of Medicaid expenditures. The eligibility requirement is the fact that the expenditure must be incurred before a receivable and payable are created between the parties.

No entries are required until all eligibility requirements have been met and therefore the receivable is not recorded until the “expenditure” has occurred.

UMAS Original Entry

The community is eligible for the reimbursement grant

No entry made.

The community pays 100,000 in eligible expenditures and books the A/R

| | | |
|--|---------|---------|
| Debit Expenditure | 100,000 | |
| Credit Cash | | 100,000 |
| Debit Due from Federal Government | 100,000 | |
| Credit Grant Revenue | | 100,000 |

The community receives the grant reimbursement

| | | |
|---|---------|---------|
| Debit Cash | 100,000 | |
| Credit Due from Federal Government | | 100,000 |

Conversion Entry to Fund Based Financial Statements

No additional adjustment required.

Conversion Entry to Government-Wide Financial Statements

No additional adjustment required.

Transaction Type – Intergovernmental Subsidies

These subsidies are nonexchange transactions covered by GASBS 33.

The Commonwealth of Massachusetts' Water Pollution Abatement Trust and other entities provide subsidies to local governments for certain expenditures that can be funded through long-term debt. The subsidy can be for out-of-pocket expenses, principal and interest. The payment is normally made in annual installments.

The treatment of the subsidy for out-of-pocket expenses, principal and interest is accounted for in different manners. In most cases there will be various eligibility requirements that the community must comply with before the subsidy is due. The requirement is usually that the expense must be incurred.

This transaction cannot be adequately explained through just journal entries and therefore a worksheet is included in Appendix 3 of this Guide.

In our example, a community will construct a school in which the State will reimburse the community 60% of allowable costs and interest expense over a 20-year period. The Community has incurred \$1,000,000 in out-of-pocket expenses (\$600,000 in BAN interest costs and \$400,000 of eligible expenses funded by the General Fund), \$100,000,000 in bonded costs and long-term interest expense of 5% on the bonds.

Out-of-Pocket Expenses

As the community expends the \$1,000,000 in out-of-pocket expenses, the community will record a corresponding \$600,000 (60%) receivable. For the accrual basis, a corresponding revenue is recorded because this basis does not consider when the actual cash inflow occurs. For the modified accrual basis of accounting the revenue is deferred until the “available” criteria is satisfied.

Bonded Costs

The \$100,000,000 in bonded costs are 100% eligible expenses and the date of issuance is March 31, 2001. All eligibility requirements have been satisfied and therefore the full \$60,000,000 (60%) reimbursement due is recorded as a receivable. For the accrual basis, a corresponding revenue is recorded because this basis does not consider when the actual cash inflow occurs. For the modified accrual basis of accounting the revenue is deferred until the principal bond payment is made due to the available criteria not being satisfied.

Interest Costs

Total interest costs to be paid over the 20-year life of the bond are \$52,500,000. Until the interest expense is incurred, either accrued or paid, the final eligibility requirement has not been met. As the expense is incurred, a corresponding receivable of 60% of the interest expense is recorded. The modified accrual basis will defer the portion of the receivable that relates to the accrued interest expense.

State Subsidy Payments

The total amount of the subsidy can be calculated up-front since all costs are known. The \$92,100,000 amount is the sum of the \$60,000,000 principal subsidy, out-of-pocket subsidy of \$600,000 and the interest subsidy of \$31,500,000. The first payment of \$4,700,000 begins in FY2002 and the next 19 annual payments are in equal installments of \$4,600,000.

UMAS Original Entry

None at this time

Conversion Entry to Fund Based Financial Statements

FY2001

To Book 60% of the Capital Costs eligible for subsidy (total of \$100,000,000 bonded expense + \$1,000,000 out-of-pocket expense + \$1,250,000 interest expense accrual times 60%)

| | | |
|--------------------------------|------------|------------|
| Debit Due from State | 61,350,000 | |
| Credit Deferred Revenue | | 61,350,000 |

FY2002

To record the portion of the Cherry Sheet distribution allocated to the payment of the capital subsidy.

| | | |
|-------------------------------|-----------|-----------|
| Debit Deferred Revenue | 1,737,500 | |
| Credit Due from State | | 1,737,500 |

Conversion Entry to Government-Wide Financial Statements

FY2001 (Beginning Balance Adjustment)

To record the program revenue for capital grants related to education (60% of \$100,000,000 bonded expenses + \$1,000,000 of out-of-pocket expenses)

| | | |
|--|------------|------------|
| Debit Deferred Revenue | 60,600,000 | |
| Credit Program Revenue (beginning net assets) | | 60,600,000 |

To record accrued interest expense (100%)

| | | |
|--|-----------|-----------|
| Debit Interest Expense (beginning net assets) | 1,250,000 | |
| Credit Accrued Interest Expense | | 1,250,000 |

To record program revenue for operating grants related to interest expense (60%)

| | | |
|--|---------|---------|
| Debit Deferred Revenue | 750,000 | |
| Credit Program Revenue (beginning net assets) | | 750,000 |

FY2002

To reverse prior year interest expense accrual and record current accrual (100%)

| | | |
|--|-----------|-----------|
| Debit Accrued Interest Expense | 1,250,000 | |
| Credit Beginning Net Assets | | 1,250,000 |
| Debit Interest Expense | 1,187,500 | |
| Credit Accrued Interest Expense | | 1,187,500 |

To adjust the \$4,600,000 Cherry Sheet Subsidy received and recorded as intergovernmental revenue

| | | |
|---|-----------|-----------|
| Debit Intergovernmental Revenue | 4,600,000 | |
| Credit Due from State | | 1,787,500 |
| Credit Program Revenue operating grants - interest | | 2,812,500 |

The debt service payments and subsidies are known when the debt is taken and the subsidy is approved. Therefore the entire life of the payments can be calculated up-front and one time. All of the adjustments and year-end balances are scheduled out in Appendix 3 of the Guide.

Transaction Type – Grants

These are nonexchange transactions covered under GASBS 33.

The majority of Grants received by communities are State and Federal School Grants. These grants have a purpose restriction. An example is a Special Education Grant must be spent on Special Education. There is usually a time restriction, which requires the funds to be spent within the school year (September to August). Under these circumstances the entire grant becomes a receivable when the time period begins (September 1st). Under accrual accounting the revenue is recognized at the same time while under modified accrual accounting the revenue must meet the “available” criteria or it is deferred.

At the end of the fiscal year (June 30th) an analysis of all grants must be completed to determine the status of each grant (if material).

- Have all grant funds been received by June 30th?
- Are there unexpended grant funds?
- Is it probable that you will have to return grant funds?
- Is there a deficit at fiscal year-end?
- How will the deficit be funded?

The answers to these questions will determine the accounting treatment.

UMAS Original Entry

A \$500,000 Special Education Grant is awarded for the fiscal year 2002. The community received \$450,000 in grant funds and incurred \$480,000 of expenses through June 30, 2002. No additional expenses will be incurred subsequent to year-end. An additional receipt of \$30,000 was received in August 2002.

To record the original award on September 1, 2001

| | | |
|--------------------------------|---------|---------|
| Debit Due from State | 500,000 | |
| Credit Deferred Revenue | | 500,000 |

To record the receipt of \$450,000 during the year

| | | |
|-------------------------------|---------|---------|
| Debit Deferred Revenue | 450,000 | |
| Credit Due from State | | 450,000 |
| Debit Cash | 450,000 | |
| Credit Grant Revenue | | 450,000 |

To record the \$480,000 in expenses incurred during the year

| | | |
|---------------------------------|---------|---------|
| Debit Grant Expenditures | 480,000 | |
| Credit Cash | | 480,000 |

This will leave cash and fund balance deficits of \$30,000 along with due from State and deferred revenue of \$50,000. In FY2003 the following entries are needed.

To record the August 2002 receipt received

| | | |
|-------------------------------|--------|--------|
| Debit Cash | 30,000 | |
| Credit Grant Revenue | | 30,000 |
| Debit Deferred Revenue | 30,000 | |
| Credit Due from State | | 30,000 |

To reverse the remaining grant receivable and deferred revenue

| | | |
|-------------------------------|--------|--------|
| Debit Deferred Revenue | 20,000 | |
| Credit Due from State | | 20,000 |

Conversion Entry to Fund Based Financial Statements

To record available revenue for the modified accrual basis of accounting

| | | |
|-------------------------------|--------|--------|
| Debit Deferred Revenue | 30,000 | |
| Credit Grant Revenue | | 30,000 |

In FY2003 the community must reverse this entry during the fund-based conversion

| | | |
|--------------------------------------|--------|--------|
| Debit Grant Revenue | 30,000 | |
| Credit Beginning Fund Balance | | 30,000 |

Conversion Entry to Government-Wide Financial Statements

No entries required.

Transaction Type – Long-term Debt and Related Interest Expense

These transactions represent a fundamental difference between accrual and modified accrual bases of accounting for governmental funds. Below we will summarize the different accounting treatment for debt related transactions and balances.

- **Proceeds of Long-term Debt**
 - *Modified* – Recorded as an Other Financing Source in the operating statement.
 - GASBS 34 has eliminated the General Long-Term Obligation Account Group and the liability is not recorded in the Fund Based financial statements.
 - *Accrual* – Recorded as a liability on the Statement of Net Assets.
- **Payment of Debt Principal**
 - *Modified* – Recorded as a current expenditure in the operating statement.
 - *Accrual* – Recorded as a decrease to the liability on the Statement of Net Assets.
- **Payment of Interest Expense**
 - *Modified* – Recorded as a current expenditure in the operating statement.
 - *Accrual* – Recorded as an expense in the Statement of Activities.
 - Expense is adjusted for the net change between the accrued interest expense at the beginning and end of year.
- **Accrued Interest Expense**
 - *Modified* – Not recorded.
 - *Accrual* – Recorded as a liability on the Statement of Net Assets and an expense on the Statement of Activities.

UMAS Original Entry

To record the Proceeds of long-term debt

Capital Projects Fund

| | | |
|--------------------------------------|-----------|-----------|
| Debit Cash | 3,000,000 | |
| Credit OFS – proceeds of debt | | 3,000,000 |

General Long-term Obligations Account Group

| | | |
|-------------------------------------|-----------|-----------|
| Debit Amounts to be provided | 3,000,000 | |
| Credit Long-term Debt | | 3,000,000 |

To record the payment of principal

General Fund

| | | |
|--|---------|---------|
| Debit Expenditures – debt principal | 150,000 | |
| Credit Cash | | 150,000 |

General Long-term Obligations Account Group

| | | |
|--------------------------------------|---------|---------|
| Debit Long-term Debt | 150,000 | |
| Credit Amounts to be provided | | 150,000 |

To record the payment of interest expense

General Fund

| | | |
|---|--------|--------|
| Debit Expenditures – debt interest | 75,000 | |
| Credit Cash | | 75,000 |

To record accrued interest expense

No entry required.

Conversion Entry to Fund Based Financial Statements

No entry is required. The government will still record the amounts recorded in the General Long-Term Obligation Account Group however it will no longer be reported in the Fund Based financial statements.

Conversion Entry to Government-Wide Financial Statements

To adjust for the proceeds received from the issuance of debt

| | | |
|-------------------------------------|-----------|-----------|
| Debit OFS – proceeds of debt | 3,000,000 | |
| Credit Bonds payable | | 3,000,000 |

To adjust for the payment of debt principal

| | | |
|---|---------|---------|
| Debit Bonds Payable | 150,000 | |
| Credit Expenditures – debt principal | | 150,000 |

To record accrued interest expense

| | | |
|---|--------|--------|
| Debit Expenditures – debt interest | 37,500 | |
| Credit Accrued interest expense | | 37,500 |

Transaction Type – Compensated Absences Accrual

GASBS 16 - Accounting for Compensated Absences was issued in 1992 and effective for FY1994. GASBS 34 has not changed how the accrual is calculated. The only change relates to recording the long-term portion of the liability for governmental funds in the Government-Wide financial statements instead of the General Long-Term Obligations Account Group.

If your current financial statements do not have an independent auditors' opinion qualification for Compensated Absences then there are no conversion issues.

The Bureau recommends that when preparing the accrual your worksheets should include subtotals by functional activity. This will allow you to prepare the Statement of Activities report entry.

UMAS Original Entry

No entry required.

Conversion Entry to Fund Based Financial Statements

No entry required.

Conversion Entry to Government-Wide Financial Statements

To record the long-term portion of the compensated absence accrual.

| | | | |
|--------------|--|---------|---------|
| Debit | Expenditures – By function | 900,000 | |
| | Credit Accrued compensated absences | | 900,000 |

The charge to expenses on the Statement of Activities is the net change between the current year accrual and the reversal of the prior year accrual.

Transaction Type – Landfill Liability Accrual

GASBS 18 - Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs was issued in 1993 and effective for FY1994. GASBS 34 has not changed how the accrual is calculated. The only change relates to recording the long-term portion of the liability for governmental funds in the Government-Wide financial statements instead of the General Long-Term Obligations Account Group.

If you report your landfill activities as an Enterprise Fund then the accrual is recorded in that fund on both the Fund Based financial statements (Proprietary Funds) and the Government-Wide financial statements (Business-Type Activities).

If your current financial statements do not have an independent auditors' opinion qualification for the Landfill accrual then there are no conversion issues.

The Bureau recommends that when preparing the accrual your worksheets note what functional activity is used to pay for these costs, as it will be charged to the Statement of Activities report entry.

UMAS Original Entry

No entry required.

Conversion Entry to Fund Based Financial Statements

No entry required.

Conversion Entry to Government-Wide Financial Statements

To record the long-term portion of the landfill accrual.

| | | | |
|--------------|--|-----------|-----------|
| Debit | Expenditures – By function | 2,000,000 | |
| | Credit Accrued landfill liability | | 2,000,000 |

The charge to expenses on the Statement of Activities is the net change between the current year accrual and the reversal of the prior year accrual.

Transaction Type – Risk Financing Accrual

GASBS 10 - Accounting and Financial Reporting for Risk Financing and Related Insurance Issues and GASBS 30 - Risk Financing Omnibus have both been effective for several years. GASBS 34 has not changed how the accrual is calculated. The only change relates to recording the long-term portion of the liability for governmental funds in the Government-Wide financial statements instead of the General Long-Term Obligations Account Group. If your government currently reports its risk financing activities (self-insured health insurance fund) in an Internal Service Fund then the presentation does not change.

If your current financial statements do not have an independent auditors' opinion qualification for your Risk Financing Activities then there are no conversion issues.

The Bureau recommends that when preparing the accrual your worksheets note what functional activity is used to pay for these costs, as it will be charged to the Statement of Activities report entry.

UMAS Original Entry

No entry required.

Conversion Entry to Fund Based Financial Statements

No entry required.

Conversion Entry to Government-Wide Financial Statements

To record the long-term portion of risk financing activities.

| | | | |
|--------------|--|---------|---------|
| Debit | Expenditures – By function | 500,000 | |
| | Credit Accrued risk financing liability | | 500,000 |

The charge to expenses on the Statement of Activities is the net change between the current year accrual and the reversal of the prior year accrual.

Transaction Type – Equity Interest in Joint Ventures

GASBS 14 - The Financial Reporting Entity, was issued in 1991 with an effective date of FY1994. Among other things, this statement provides guidance on the reporting and disclosures of joint ventures. GASBS 34 has not changed the criterion that determines if an entity is a joint venture.

GASBS Statement 14, paragraph 69, defines a joint venture as "a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. . . ." Furthermore, paragraph 72 of that Statement provides: "For financial reporting purposes, there are two types of joint ventures: (a) joint ventures whose participants have equity interests and (b) joint ventures whose participants do not have equity interests. An equity interest in a joint venture is manifest in the ownership of shares of joint venture stock or by otherwise having an explicit, measurable right to the net resources of a joint venture that is usually based on an investment of financial or capital resources by a participating government. An equity interest may or may not change over time as a result of an interest in the net income or loss of the joint venture. An equity interest is explicit and measurable if the joint venture agreement stipulates that the participants have a present or future claim to the net resources of the joint venture and sets forth the method to determine the participants shares of the joint ventures net resources."

Each Primary Government must determine if any joint ventures should be included in its financial statements. This reporting requirement is not new due to GASBS 34 and therefore should not create "new" joint ventures. However government's should use GASBS 34 as an opportunity to review its relationships with other governments. We have listed some potential joint ventures below.

- Regional School Districts
- Regional Vocational School Districts
- Regional Agricultural School Districts
- Regional Water Districts
- Regional Sewer Districts
- Regional Refuse Districts
- Regional Transportation Authorities
- Regional Planning Authorities
- Consortiums

If an entity is determined to be a joint venture then the primary government must disclose the relationship in the notes and record, if any, its explicit, measurable equity interest in some or all of the joint venture's resources.

In the currently issued financial statements the equity interest in a joint venture would have been recorded in the General Fixed Assets Account Group. In practice, most communities did not present this Account Group and therefore the entry was never made.

In the Government-Wide financial statements the investment in the joint venture should be reported in a single line in the Statement of Net Assets. The change in the investment should be reported in a single line in the Statement of Activities.

For governmental funds that use the modified accrual basis of accounting the investment in joint venture should be reported to the extent that it represents a financial asset and not the underlying interest in capital assets.

UMAS Original Entry

No entry required.

Conversion Entry to Fund Based Financial Statements

To record the explicit measurable financial interest in the joint venture at year-end

| | | | |
|--------------|---|---------|---------|
| Debit | Investment in joint venture | 500,000 | |
| | Credit Change in investment in joint venture | | 100,000 |
| | Credit Net assets at the beginning of the year | | 400,000 |

Conversion Entry to Government-Wide Financial Statements

To record the remaining equity interest (in capital assets) at year-end

| | | | |
|--------------|---|-----------|-----------|
| Debit | Investment in joint venture | 2,000,000 | |
| | Credit Change in investment in joint venture | | 700,000 |
| | Credit Net assets at the beginning of the year | | 1,300,000 |

Transaction Type – Inventories

Inventories are commonly accounted for in governmental funds using the “Purchases Method” where all inventories are expensed when purchased. No year-end inventory is reported on the Statement of Net Assets unless it is material. GAAP also permits the use of the “Consumption Method” where accrual accounting is used and inventories are expensed when used and the value of inventory is reported at year-end.

In practice, most communities’ inventory on-hand is not material and therefore no adjustments are required for the purchases method.

Each community should determine up-front if it is likely to have “material” inventory and if so the Bureau recommends that the consumption method be used for the modified accrual and accrual bases of accounting, which would eliminate any conversion entries.

Transaction Type – Prepaid Expenses

Prepaid Expenses are accounted for in a manner similar to Inventories. Examples of possible prepaid expense would be insurance premiums or rent. If material, prepaid expenses must be reported as an asset on the Statement of Net Assets. However, the community has the option to just use the purchases method on the Fund Based financial statements.

The Bureau recommends that if a material prepaid expense balance is likely at year-end, the government should record the asset on both the modified accrual and accrual bases of accounting, which would eliminate any conversion entries.

Transaction Type – Capital Assets

The next chapter details how to inventory and value your capital assets. This section will take you through a series of adjustments you will need to record to prepare the Government-Wide financial statements.

Example 1

Public Works purchases a \$35,000 dump truck with an estimated useful life of 10 years.

UMAS Original Entry

To record the purchase of the asset

General Fund

| | | |
|--|--------|--------|
| Debit Expenditures – Public Works | 35,000 | |
| Credit Cash | | 35,000 |

General Fixed Assets Account Group

| | | |
|--|--------|--------|
| Debit Fixed Assets | 35,000 | |
| Credit Investment in general fixed assets | | 35,000 |

Conversion Entry to Fund Based Financial Statements

No entry required. The General Fixed Assets Account Group is not reported in the Fund Based financial statements.

Conversion Entry to Government-Wide Financial Statements

To record the fixed asset on the accrual basis

| | | |
|---|--------|--------|
| Debit Fixed Assets | 35,000 | |
| Credit Expenditures – Public Works | | 35,000 |

To record straight-line depreciation using the ½ year convention method (35,000 x 10% x ½)

| | | |
|--|-------|-------|
| Debit Public Works Expense | 1,750 | |
| Credit Accumulated depreciation | | 1,750 |

Example 2

A fire truck is purchased for \$400,000 with an estimated useful life of 10 years.

UMAS Original Entry

To record the purchase of the asset

Capital Projects Fund

| | | |
|---|---------|---------|
| Debit Expenditures – Public Safety | 400,000 | |
| Credit Cash | | 400,000 |

General Fixed Assets Account Group

| | | |
|--|---------|---------|
| Debit Fixed Assets | 400,000 | |
| Credit Investment in general fixed assets | | 400,000 |

Conversion Entry to Fund Based Financial Statements

No entry required. The General Fixed Assets Account Group is not reported in the Fund Based financial statements.

Conversion Entry to Government-Wide Financial Statements

To record the fixed asset on the accrual basis

| | | |
|--|---------|---------|
| Debit Fixed Assets | 400,000 | |
| Credit Expenditures – Public Safety | | 400,000 |

To record straight-line depreciation using the ½ year convention method

| | | |
|--|--------|--------|
| Debit Public Safety Expense | 20,000 | |
| Credit Accumulated depreciation | | 20,000 |

Example 3

A \$20,000,000 New High School is constructed over a two-year time period. Expenditures in year one are \$15,000,000 and \$5,000,000 in year two. The estimated useful life is 40 years.

UMAS Original Entry

To record the construction of the asset.

Year 1

Capital Projects

| | | |
|------------------------------------|------------|------------|
| Debit Expenditures – School | 15,000,000 | |
| Credit Cash | | 15,000,000 |

General Fixed Assets Account Group

| | | |
|--|------------|------------|
| Debit Fixed Assets (Construction in Progress) | 15,000,000 | |
| Credit Investment in general fixed assets | | 15,000,000 |

Year 2

Capital Projects

| | | |
|------------------------------------|-----------|-----------|
| Debit Expenditures – School | 5,000,000 | |
| Credit Cash | | 5,000,000 |

General Fixed Assets Account Group

| | | |
|---|------------|------------|
| Debit Fixed Assets | 20,000,000 | |
| Credit Investment in general fixed assets | | 5,000,000 |
| Credit Fixed Assets (Construction in Progress) | | 15,000,000 |

Conversion Entry to Fund Based Financial Statements

No entry required. The General Fixed Assets Account Group is not reported in the Fund Based financial statements.

Conversion Entry to Government-Wide Financial Statements

Year 1

To record the fixed asset on the accrual basis

| | | | |
|--------------|---|------------|------------|
| Debit | Fixed Assets – Construction in Progress | 15,000,000 | |
| | Credit Expenditures – Education | | 15,000,000 |

To record straight-line depreciation using the ½ year convention method

Depreciation does not start until the asset is placed into service.

Year 2 (placed in service)

To record the fixed asset on the accrual basis

| | | | |
|--------------|---|------------|------------|
| Debit | Fixed Assets | 20,000,000 | |
| | Credit Fixed Assets – Construction in Progress | | 15,000,000 |
| | Credit Expenditures – Education | | 5,000,000 |

To record straight-line depreciation using the ½ year convention method

| | | | |
|--------------|--|---------|---------|
| Debit | Education Expense | 250,000 | |
| | Credit Accumulated depreciation | | 250,000 |

Chapter 6

Capital Assets

Why is Capital Asset Accounting a Significant Issue in Massachusetts?

The GASB has always required that governments account for their General Fixed Assets and the Capital Assets of Proprietary Funds. They also allowed a government the options to record depreciation and infrastructure. In practice, many Massachusetts governments have not inventoried and valued their Capital Assets.

The current financial statements require the inclusion of the Governmental Funds Capital Assets in what is known as the General Fixed Assets Account Group. Most governments do not present this Account Group and, as a result, their financial statements have a qualified independent auditors' opinion for the noncapitalization of general fixed assets.

GASBS 34 does not change the accounting for the Governmental Fund financial statements related to capital assets and therefore your "old" general fund will be reported in the same manner as the "new" general fund. What changes is the elimination of the account group and the inclusion of depreciated Capital Assets in the accrual based Government-Wide financial statements. The transactions related to Capital Assets are significant and without a proper accounting of these assets the Government-Wide financial statements cannot be completed in accordance with GAAP.

Although GASBS 34 has eliminated the General Fixed Assets Account Group, you still need to track your Capital Assets.

The Bureau recommends that the General Fixed Assets Account Group be used in order to track your Capital Assets. A fixed asset management software program is a valuable tool to track each fixed asset record and should be considered.

For those Governments that already report their Governmental Funds Capital Assets, the only issue is to begin recording depreciation (infrastructure is covered later in this chapter). For those governments that have not previously accounted for their General Fixed Assets we will recommend action steps to begin the process. We have included a table of classes of assets and estimated useful lives in Appendix 1 of this Guide.

Capital Asset Inventory Control vs. Accounting for Financial Reporting

Before the "counting begins", a policy decision must be made by the community on the objective of its capital asset management control system. We have divided the policy decision into Capital Asset Inventory Control and Capital Asset Accounting for Financial Reporting Purposes.

The *minimum* GASBS 34 financial reporting requirements expect all “major” infrastructure assets and 80% of the value of all non-infrastructure assets to be capitalized. This will allow the government to prepare GASBS 34 financial statements. If the government’s objective is only to control its capital asset inventory for financial reporting purposes then the minimum requirements are acceptable. This policy decision will result in higher Capital Asset thresholds and not require the government to count assets that do not meet the capitalization thresholds.

If a government’s objective is complete Capital Asset Inventory Control, then many more items must be counted. We believe this method provides the government with a greater degree of control over all of its assets. This policy decision does not mean that all items counted must be valued and depreciated, it only means that all Capital Assets will be counted.

The Bureau recommends that if the government initially implements a Capital Asset Accounting System that it allows for an easy conversion to a full Capital Asset Inventory Control System in the future.

Recommended Steps to Inventory and Value Non-Infrastructure Assets

- Consider some questions before you begin
 - Has an inventory and valuation been conducted in the past? (1980 NCGA Statement 1)?
 - What system should be used to account for and track the inventory?
 - Who will count the assets (internal or hired external group)?
 - Who will value the assets?
 - What should be the goal of Capital Asset accounting?
 - How can cost be determined?
 - Historical cost (i.e., invoices)
 - Estimated historical cost based on replacement cost
 - Estimated historical cost based on existing information
 - Have you established capitalization thresholds?
 - What depreciation method should be used?
 - How can reasonable estimated useful lives be determined?
 - Experience and industry standards
 - Bureau recommended Useful Life Table (See Appendix 1)

- Make sure you meet the “minimum” requirements of GASBS 34 for financial reporting (identified above)

- Understand what Capital Assets are inventoried and valued
 - Buildings and Building Improvements
 - Land and Land Improvements
 - Easements
 - Machinery & Equipment
 - Vehicles
 - Library and Text Books
 - Software (intangible capital asset)
 - Works of Art and Historical Treasures
 - All assets with initial useful lives of greater than one (1) accounting period

- Determine how you will maintain the Capital Asset inventory
 - Use a proven Capital Asset Management Software package
 - Remember that depreciation is involved
 - Selecting a package designed for commercial applications may be an option

- Prioritize what is important - short-term vs. long-term goals
 - Capital Asset inventory control
 - Low dollar threshold
 - All assets counted
 - Capital Asset accounting for financial statement reporting (minimum requirements)
 - Higher dollar thresholds
 - Limited assets counted and valued

- Establish capitalization thresholds by class of asset
 - Refer to the Bureau recommend table in Appendix 1

- Identify the classes of assets and their functional activity
 - Classes can be land & land improvements, buildings & facilities, building improvements, machinery & equipment, vehicles and construction-in-progress
 - Functional activities would be general government, public safety, education, etc.

- Plan the initial inventory by location
 - REMEMBER that the initial process can be just counting significant assets based on your thresholds
 - List all land owned by the community by address (Assessor)
 - List all buildings, fields and other structures at each address
 - List each “Department” located in a building or responsible for the asset
 - Create a standard fixed asset record form to complete the count (see Exhibit 5 in Appendix 3 for a sample form)

- Focus on the assets of value. For example:
 - DPW Yard – dump trucks, loaders, backhoes, sanders, plows, etc.
 - Fire Station – fire trucks, ambulances, life saving equipment, communication equipment, etc.
 - Office environment – computers, copiers, telephone equipment, etc.

- Understand how to value the assets counted
 - The asset must be valued at historical cost (not market or replacement value)
 - Include all costs incurred to place the asset in-service (incl. freight & transportation, site prep, professional fees)
 - Capitalize interest ONLY for “Enterprise” assets
 - Donated assets are valued at Fair Market Value on the date of donation

- Use a logical progression of steps when valuing capital assets
 - Machinery, equipment and vehicles can be valued by using:
 1. Actual invoice (if available)
 2. Contact manufacturer or use price list
 3. Cost of a similar asset (acquired at about the same time)
 4. Deflate the current cost of the same asset to the year of acquisition
 - Land, Buildings and Facilities
 - Land should be valued at historical cost and not depreciated
 - Break out the land component if known
 - Treat the Building or Facility as ‘One Asset’
 - Do not break down each component (roof, furnace, etc.)
 - We recommend the use of a composite depreciation rate.
 - Site and Facility Improvements
 - GASB recommends that a cut-off date be established for retroactive application
 - Review projects for the last 3 to 5 years unless meaningful information is readily available for older years.
 - Use the actual cost if available
 - Bond Issue should be the most reliable source
 - Deflate the current cost of the same asset to the year of acquisition (Marshall & Swift Books are used by the Commonwealth for financial reporting purposes)
 - Past audits, Town reports, appropriation ledgers
 - Construction in Progress
 - Capitalized but do not depreciate
 - Start depreciation when asset is “Placed in Service”
 - Use project accounting to identify costs
- Depreciate Capital Assets over estimated useful life
 - To select useful lives use:
 - Bureau recommended table in Appendix 1
 - General guidelines from professional or industry organizations
 - Comparable assets of other governments
 - Internal information
 - Consider present condition and expected service demands
 - Reevaluate major asset estimated useful life
- Determine Residual or Salvage Value
 - Only allow for if significant
- Allocate assets that support all functions
 - Report depreciation in either a separate line (unallocated depreciation), general government or allocate to functions
 - GASB recommends that no allocation be made for a building that serves more than a few functions (community has the option to allocate)

- If an allocation is made, a reasonable method must be used (i.e., square footage, time used, etc.). The allocation rate is derived by dividing each department's occupied area by the total occupied areas. Common areas should not be factored in.
- Determine your Depreciation Method
 - ***The Bureau recommends the straight-line method***
- Determine which convention will be used for recording Depreciation in Year One
 - Assets are acquired throughout the year and therefore there are several choices on "how much" depreciation is reported in the year of acquisition and disposal.

The Bureau suggests that you consider the ease of maintaining your fixed asset records when selecting a convention.

- Half-Year Convention – ***Bureau recommended***
 - One-half year of depreciation in both the year of acquisition and disposal
- Full Month Convention – Best alternative method
 - Full month depreciation in month of acquisition and each month for the rest of the year

The Bureau believes there is no measurable benefit for the extra work required.

- Modified Half-Year, Mid-Month & Mid-Quarter Conventions – not recommended
- Consider group depreciation for a collection of similar assets
 - Examples would be "all computers" or sewer lines
- Consider composite depreciation for a collection of dissimilar assets
 - Example would be a building
- A single blended rate is used for both the group and composite depreciation methods
 - Estimated life can be based on a simple or weighted average of the assets in the group or the assessment of the life of the group as a whole

Reporting Capital Assets is a basic accounting procedure that is not difficult to implement. The work relates to the fact that Massachusetts must "catch-up" on a reporting deficiency. The GASB allows for reasonable estimates to be made when actual cost of an older asset is not readily available. Governments must accept the fact that estimates will have to be used to capture the cost. Once this "catch-up" is complete the additions and deletions from capital assets will all be accounted for using current financial information in your foundational ledgers.

The Bureau recommends that you begin the process now and utilize our recommendations contained in this Guide.

Infrastructure Capital Assets

Overview

The GASBS 34 requirement to value and report Infrastructure Capital Assets is the most controversial change in the new reporting model. This section provides our summary recommendations on how to value, account and maintain these assets. A comprehensive discussion on Infrastructure is located in Appendix 4.

Infrastructure is long-lived Capital Assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most Capital Assets. Examples include:

- Roadways - including all physical features between the limits of the rights-of-way.
- Bridges - including the deck, superstructure, columns, piers, and related facilities.
- Tunnels - including roadway, portals, lining, ventilation systems, and related facilities.
- Dams - including dam structure, spillways, powerhouse, diversion tunnels, and related facilities.
- Water and sewer systems - including pumping stations, collection and distribution pipeline systems, treatment plant, and related facilities.
- Drainage systems - including culverts, spillways, retention ponds, dams structures, and related facilities.
- Lighting systems - including masts, towers, lighting fixtures, and power/transformer facilities.
- Transit systems - including track, communication/signaling/control equipment, tunnels, bridges, power systems, and related facilities.
- Airport facilities - including runways, taxiways, aprons, and terminals.
- Port facilities - including docks, wharfs, staging areas, and related facilities

Reporting Requirements

The key elements of GASBS 34's infrastructure reporting requirements are summarized below:

- **Basis for Reporting** - Infrastructure assets must be reported in the annual financial statements of state and local governments.
 - All infrastructure assets acquired, renovated, restored, or improved after the effective date of GASBS 34 are to be reported on a prospective basis.
 - The effective date for complying with GASBS 34 *prospective reporting requirements* depends on the total annual revenues of the government in fiscal year 1999.
 - Governments with \$100 million or more in total annual revenues must comply in fiscal year 2002.

- Governments with at least \$10 million, but less than \$100 million, in total annual revenues must comply in fiscal year 2003.
 - Governments with less than \$10 million in total annual revenues must comply in fiscal year 2004.
 - All infrastructure assets acquired, renovated, restored, or improved between July 1, 1980 (for June 30th year-end) and the effective date of GASBS 34 are to be reported on a retroactive basis.
 - The effective date for complying with GASBS 34 *retroactive reporting requirements* is four years later.
 - Governments with \$100 million or more in total annual revenues must comply in fiscal year 2006.
 - Governments with at least \$10 million, but less than \$100 million, in total annual revenues must comply in fiscal year 2007.
 - Governments with less than \$10 million in total annual revenues are encouraged, but not required, to retroactively report on their existing major general infrastructure assets.
- **Level of Reporting** - At the transition date for retroactively reporting on the value of infrastructure built or improved in the fiscal years ending after June 30, 1980, the determination of major general infrastructure assets should be at either the network or subsystem level.
 - Infrastructure assets should be reported at the network level if the cost of the network is at least 10 percent of the total cost of all general capital assets reported in fiscal year 1999. Examples of infrastructure asset networks include the roadway network, water distribution network, sewer collection network, and lock and dam system.
 - Infrastructure assets should be reported at the subsystem level if the cost of the subsystem is at least 5 percent of the total cost of all general capital assets reported in fiscal year 1999. Examples of several subsystems of a network include arterial, collector, and local roads – which comprise a community’s total road network.
- **Initial Valuation Basis** - Infrastructure assets should be reported at historical cost or deflated replacement cost.
 - Historical costs represent the total cost of acquisition or construction, addition, and improvement since June 30, 1980, plus capitalized interest (for proprietary infrastructure assets only) and ancillary charges necessary to place the asset into its intended location and condition for use.

- If records are inadequate, historical costs may be estimated by calculating the current replacement value of a similar asset and deflating the cost by applying price-level indices to the year of acquisition or most recent improvement.
- Discounted replacement costs may be easier to determine and provide a more accurate basis for estimating the fiscal implications of depreciation and replacement of mature infrastructure assets
- **Current Valuation Basis** - Following initial capitalization, the value of infrastructure assets must either be depreciated or held constant if sufficient efforts can be demonstrated to preserve the condition of the assets.
 - The first method is called the Depreciation Approach and is generally used to reflect the declining service life of capital assets as they age.
 - The second method is called the Modified Approach and is associated with the concepts of asset management. The Modified Approach recognizes the effect of preservation efforts on the condition and value of infrastructure assets.
- **Depreciation Approach (*Bureau recommended*)** - If infrastructure assets are depreciated, the following applies:
 - GASB requires historical cost depreciation to be measured by allocating the net cost of depreciable assets over their estimated useful lives in a systematic and rational manner.
 - The net cost of an asset is the historical cost of the asset less its estimated salvage value at the end of the asset's useful life.
 - The useful life of an asset should consider the current condition of the asset and how long it is likely to meet service demands (see Appendix 1 for Bureau recommendations).
 - Governments may use any established method of depreciation that is based on the asset's estimated remaining useful life (see Appendix 1 for Bureau recommendations).
 - Composite methods may be used when depreciating groups of assets with different remaining service lives.
 - Capital assets that do not need to be reported using the depreciation approach include:
 - Inexhaustible assets, such as land, that do not depreciate in value.
 - Infrastructure assets whose condition is being effectively preserved, as reported using the Modified Approach.
- **Modified Approach** - The Modified Approach permits the current costs of preserving eligible infrastructure to be reported in lieu of depreciation. The requirements of this option are explained in detail in Appendix 4.

The Commonwealth of Massachusetts

The Commonwealth has been working on implementing GASBS 34 for some time now and is finalizing the accounting for its infrastructure assets. The Office of the State Comptroller, Massachusetts Highway Department, Our Bureau, Powers & Sullivan, the State's independent auditors and other departments have been involved in this process. Highlighted below are some of the major decisions made for the highway system.

- The "Depreciation Method" was selected.
- All infrastructure assets related to highways are considered a "Network".
- Depreciation will be calculated using a composite rate.
- The estimated useful life for all capitalized expenses is 40 years.
- The actual expenses incurred were used to calculate the cost.
 - Total expenses by fiscal year were compiled by using annual reports and accounting ledgers.
 - The fiscal years compiled were only the last "40" which equals the useful life. All prior capitalized expenses would be fully depreciated and have no "bottom-line" effect.
- The straight-line method has been selected for all capital assets.
- The actual number of lane miles owned by the Commonwealth is maintained on an ongoing basis, by community, by the Massachusetts Highway Department.

Due to the size and complexity of the State the project took several months to complete. However, some of the biggest hurdles were deciding which methods to use. Once the decisions were made the actual accounting was not difficult.

Recommended Procedures to Complete Infrastructure

We believe that most governments will find the Depreciation Approach easier to implement and maintain compared to the Modified Approach. The manner in which you obtain the historical cost is the same under both methods, the difference relates to whether you depreciate or maintain the condition level of the infrastructure assets.

The Bureau is recommending the use of the Depreciation Method, the same method used by the Commonwealth. We will not take issue with any entity that decides to use the Modified Approach, however, management should approve the decision.

The Bureau recommends the following action steps:

- Determine, through education, whether to use the Depreciation or Modified Approach.
- Determine the cost of your Capital Assets as of June 30, 1999 to be used as a base for Network and Subsystem criteria determination.
 - For governments that have only recently valued their General Fixed Assets, a reasonable estimate can be used for this determination.
 - For governments that have not valued the General Fixed Assets, common sense should be used when considering the major criteria for Networks and Subsystems.

The Bureau suggests that you always value any Network or Subsystem that is considered “borderline” when completing the threshold test.

- Decide up-front what type of infrastructure assets will be considered a network or subsystem.
 - Use a broad definition of a network. For example, a Highway Network would include the following:
 - Roadways
 - Bridges
 - Tunnels
 - Signage
 - Lighting
 - Sidewalks
 - Each of the items listed above could be considered a subsystem but the use of subsystems is not required or recommended.
 - Determine if “nonmajor” infrastructure assets will be valued
 - ***The Bureau recommends not valuing nonmajor infrastructure assets.***
- Meet with your engineers to determine what information is available.
 - Do they keep an accurate and up-to-date inventory of roadways, sidewalks, water lines, sewer lines and similar types of infrastructure assets?
 - Can they provide reasonable estimates of the current costs to construct these types of assets?
 - Have they maintained historical cost records of infrastructure assets?
 - Is the information maintained by year, asset, major addition or similar breakdown?
 - Is the Capital Asset management system automated and is it maintained annually?
 - Is the information available in time to complete a “timely” financial statement?
 - Can they provide the support needed to maintain the use of the Modified Approach?
- Review your historical records to determine if there is sufficient information to capture at least the last twenty years of infrastructure capital expenses.
 - Look at and accumulate accounting ledgers, town reports, annual audits, appropriation votes, bond issues, capital budgets and other departmental or state mandated reports.
- Based on the analysis of the aforementioned information, determine which method (Historical or Deflated Cost) to use to capture historical costs.
 - You can select different methods for different Networks (i.e., Deflated Cost method for the Highway Network and Historical Cost method for the Sewer Network).
 - The Historical or Deflated Cost Methods will not provide you with a perfect balance and either method is acceptable.

The Bureau recommends you use the method where the underlying data is determined to be the most accurate and readily available.

- We have provided detailed examples of each method in Appendix 3 of this Guide.

- Determine if any Network is related to an Enterprise Fund Type.
 - You cannot delay the capitalization of infrastructure assets for enterprise activities.
- Determine the Estimated Useful Life of each Network or Subsystem.
 - Refer to the Bureau recommended Useful Life Table in Appendix 1 of this Guide.

The Bureau recommends the composite depreciation method and the use of the Straight-line Method and Half-year convention method for depreciation.

Chapter 7

Management's Discussion and Analysis (MD&A)

Overview

The first section of the new reporting model is Management’s Discussion and Analysis (MD&A). Paragraph 8 of GASBS 34 states MD&A is an “objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions or conditions.” The MD&A will be written by the financial managers and provide the users with a fact based analysis of the financial statements that follow.

This chapter of our Guide discusses the required components of MD&A, the transmittal letter for a Comprehensive Annual Financial Report (CAFR) and suggestions on how to make it easily readable. We have not included an example of MD&A, as GASBS 34 and the GFOA’s Blue Book provide examples you can use as a guide.

Reported as Required Supplementary Information (RSI)

GASBS 34 has made MD&A a requirement if the government intends to present its basic financial statements in accordance with GAAP. The contents of MD&A must contain each of the required components discussed below. The AICPA Auditing Standards Board has issued the Statement on Auditing Standards (SAS) 52, Omnibus Statement on Auditing Standards that established standards for auditors reporting on RSI. If the MD&A is omitted or substantially deficient, the independent auditors’ opinion will include an explanatory paragraph explaining the deficiency.

The Bureau recommends that MD&A always be presented.

The Minimum Requirements of MD&A

The following requirements are listed in paragraph 11 of GASBS 34.

11. MD&A requirements established by this Statement are general rather than specific to encourage financial managers to effectively report only the most relevant information and avoid “boilerplate” discussion. At a minimum, MD&A should include:

- a. A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide. This discussion should include analyses that assist readers in **understanding why** measurements and results reported in fund financial statements either reinforce information in Government-Wide statements or provide additional information.*

b. Condensed financial information derived from Government-Wide financial statements comparing the current year to the prior year. At a minimum, governments should present the information needed to support their analysis of financial position and results of operations required in c, below, including these elements:

- (1) Total assets, distinguishing between capital and other assets
- (2) Total liabilities, distinguishing between long-term liabilities and other liabilities
- (3) Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts
- (4) Program revenues, by major source
- (5) General revenues, by major source
- (6) Total revenues
- (7) Program expenses, at a minimum by function
- (8) Total expenses
- (9) Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers
- (10) Contributions
- (11) Special and extraordinary items
- (12) Transfers
- (13) Change in net assets
- (14) Ending net assets

c. An analysis of the government's overall financial position and results of operations to assist users in assessing **whether financial position has improved or deteriorated** as a result of the year's operations. The analysis should address both Governmental and Business-Type Activities as reported in the Government-Wide financial statements and should include reasons for significant changes from the prior year, not simply the amounts or percentages of change. In addition, important economic factors, such as changes in the tax or employment bases that significantly affected operating results for the year should be discussed.

The Bureau suggests that the financial managers focus on why things changed and not the number or percentage change.

d. An analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.

The Bureau suggests that the financial managers focus on why things changed and not the number or percentage change.

e. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (or its equivalent). The analysis should include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity.

f. A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

g. A discussion by governments that use the modified approach to report some or all of their infrastructure assets including:

- (1) Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments
- (2) How the current assessed condition compares with the condition level the government has established
- (3) Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period.

h. A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).

- The word significant has not been fully defined in GASBS 34 but it should be interpreted in the same context as materiality.
- Examples of currently known facts, decisions or conditions are:
 - Change in bond rating
 - A major grant being awarded
 - A significant change in a tax rate or user fee
 - A major contract being awarded
 - A significant business locating in the community
 - A significant increase or decrease in state aid
- When discussing these issues avoid “what if” scenarios or the possible effect of an event.

The authors of the MD&A should not go beyond the 8 requirements listed above because it is RSI and the independent auditors may have difficulty being associated with issues outside of the exact requirements.

Who Should Write the MD&A?

GASBS 34 paragraph 11 states the following:

“The *financial managers* of governments are knowledgeable about the transactions, events, and conditions that are reflected in the government’s financial report and of the fiscal policies that govern its operations. MD&A provides financial managers with the opportunity to present both a short and long-term analysis of the government’s activities.”

It is clear that the GASB intended the financial managers of the government to be the ones who prepare this section. It is management's opportunity to tell its "story" as they are the most knowledgeable of the affairs of their government. The independent auditors role is defined in SAS 52 and should not write the MD&A.

10 Bureau Tips to help write the MD&A:

1. Use the GFOA's Blue Book or GASBS 34 example as a guideline.
2. Review the Basic Financial Statements with your independent auditor.
3. Enlist the Government's financial management team to assist in composing the MD&A.
4. Determine what sections of the MD&A can be written before year-end.
5. Focus on explaining "Why" numbers changed rather than the dollar or percentage change.
6. Avoid discussing "what if" and "possible" effects of events.
7. Share your thoughts with your peers of similar governments.
8. Make the document easily readable by using "Plain English". Refer to the SEC's publication "A Plain English Handbook" you can download for free from: www.sec.gov/news/extra/handbook.htm.
9. Avoid accounting terminology, acronyms, jargon and legalese and replace with short, common words.
10. Enlist a nonfinancial person to read your draft MD&A to see if what was written is understandable.

Letter of Transmittal

The letter of transmittal is not a requirement of GASBS 34 but is normally included as part of a Comprehensive Annual Financial Report (CAFR). The GFOA has established requirements, as part of their Certificate of Achievement of Excellence in Financial Reporting Program, for the letter of transmittal. The Letter of Transmittal is **not** audited and is **not** Required Supplementary Information.

The preparer should always meet the requirements of the MD&A and then prepare the Letter of Transmittal with strict attention being made to avoid duplication. The Letter of Transmittal can be used to discuss issues not allowed in the MD&A, as it is not RSI or audited.

The Bureau recommends the use of the GFOA's Blue Book as a guide to prepare a Letter of Transmittal and/or MD&A.

APPENDIX 1

Tables

Table Narratives and Tables

Narrative

Page one (1) of Appendix 1 contains narratives that summarize the information contained in each Table. Pages two (2) through 23 contain the Tables.

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Table 1 - Bureau Recommended Capital Assets, Depreciation and Estimated Useful Lives (Page 2)

Narrative

This Table provides the Bureau’s recommended capitalization and inventory control thresholds (segregated by Tier 1, 2 and 3 Governments) for the different classes of capital assets, whether or not the capital asset is subject to depreciation, and the recommended estimated useful lives associated with each capital asset. The table is not intended to be all-inclusive or establish the only possible useful lives of the assets listed.

Table 2 – UMAS Fund Structure to Basic Financial Statement Conversion (Page 8)

Narrative

This Table lists the various types of funds utilized by Massachusetts governments, in accordance with the UMAS fund structure, and identifies where these funds are presented on the GASBS 34 Fund Based financial statements and Government-Wide financial statements.

Table 3 – Typical Classifications of Program and General Revenues for Government-Wide Financial Reporting (Page 12)

Narrative

This Table lists the various types of revenues received and recorded by Massachusetts Governments and identifies the following:

- Determination of Program vs. “Non-program” revenue.
 - If the determination is Program revenue, the Table identifies the classification of such revenue (charges for services, operating grants and contributions or capital grants and contributions).
 - If the determination in “Non-program” revenue, the Table identifies the classification of such revenue (general revenue, special items or transfers).

- Functional expenditure the revenue is most commonly associated with.

Table 4 – Measurement Focus and Basis of Accounting by Fund Type (Page 20)

Narrative

This Table lists the Fund Categories and related Fund Types established by GASBS 34 and identifies each Fund Types measurement focus and basis of accounting.

Table 5 – Summary of Required Changes (Page 21)

Narrative

This Table provides a summary of the differences between the previous reporting model and the GASBS 34 reporting model.

TABLE 1

BUREAU RECOMMENDED CAPITAL ASSETS, DEPRECIATION AND ESTIMATED USEFUL LIVES

| Asset Type | Tier 1 | | Tier 2 | |
|-----------------------------------|-------------------|-----------------|-------------------|-----------------|
| | Inventory Control | Capitalize if > | Inventory Control | Capitalize if > |
| Non-Infrastructure | | | | |
| <i>Land:</i> | | | | |
| Structure on it | \$1 | \$50,000 | \$1 | \$25,000 |
| Open space | \$1 | \$50,000 | \$1 | \$25,000 |
| <i>Land improvements:</i> | | | | |
| Parking lots | \$1 | \$50,000 | \$1 | \$25,000 |
| Sidewalks | \$1 | \$50,000 | \$1 | \$25,000 |
| Fencing | \$1 | \$50,000 | \$1 | \$25,000 |
| Athletic fields and tracks | \$1 | \$50,000 | \$1 | \$25,000 |
| Golf course | \$1 | \$50,000 | \$1 | \$25,000 |
| Initial landscaping | \$1 | \$50,000 | \$1 | \$25,000 |
| <i>Buildings and Facilities:</i> | | | | |
| City/Town hall | \$1 | \$250,000 | \$1 | \$100,000 |
| Schools | \$1 | \$250,000 | \$1 | \$100,000 |
| Police station | \$1 | \$250,000 | \$1 | \$100,000 |
| Fire station | \$1 | \$250,000 | \$1 | \$100,000 |
| Public works building | \$1 | \$250,000 | \$1 | \$100,000 |
| Library | \$1 | \$250,000 | \$1 | \$100,000 |
| Water treatment plant | \$1 | \$250,000 | \$1 | \$100,000 |
| Wastewater treatment plant | \$1 | \$250,000 | \$1 | \$100,000 |
| Weigh-station (landfill) | \$1 | \$250,000 | \$1 | \$100,000 |
| <i>Building Improvements:</i> | | | | |
| Roof replacement | \$1 | \$150,000 | \$1 | \$50,000 |
| HVAC systems | \$1 | \$150,000 | \$1 | \$50,000 |
| Carpet replacement | \$1 | \$150,000 | \$1 | \$50,000 |
| Electrical/plumbing | \$1 | \$150,000 | \$1 | \$50,000 |
| <i>Construction in Progress</i> | | | | |
| | | (1) | | (1) |
| <i>Machinery & Equipment:</i> | | | | |
| Backhoes | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Front-end loaders | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Bull dozers | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Tractors (and attachments) | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Mowers (and attachments) | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Fire engines | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Ambulances | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Fire hoses | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Medical equipment | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Buses | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Radio/communication equipment | | | | |
| 911 system | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Phone system | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Office equipment | | | | |
| Furniture and equipment | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Computers & printers | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Copiers | \$1,000 | \$5,000 | \$1,000 | \$5,000 |

| <i>Tier 3</i> | | | | | |
|-------------------|-----------------|-----------------------|-----------------------|---|--|
| Inventory Control | Capitalize if > | Depreciate (Y) or (N) | Estimated Useful Life | Comments | |
| \$1 | \$10,000 | N | N/A | | |
| \$1 | \$10,000 | N | N/A | | |
| \$1 | \$10,000 | Y | 20 | | |
| \$1 | \$10,000 | Y | 20 | | |
| \$1 | \$10,000 | Y | 20 | | |
| \$1 | \$10,000 | Y | 30 | | |
| \$1 | \$10,000 | Y | 30 | | |
| \$1 | \$10,000 | Y | 30 | | |
| \$1 | \$50,000 | Y | 40 | | |
| \$1 | \$50,000 | Y | 40 | | |
| \$1 | \$50,000 | Y | 40 | | |
| \$1 | \$50,000 | Y | 40 | | |
| \$1 | \$50,000 | Y | 40 | | |
| \$1 | \$50,000 | Y | 40 | | |
| \$1 | \$50,000 | Y | 40 | | |
| \$1 | \$50,000 | Y | 40 | | |
| \$1 | \$25,000 | Y | 20 | | |
| \$1 | \$25,000 | Y | 20 | | |
| \$1 | \$25,000 | Y | 7 | | |
| \$1 | \$25,000 | Y | 20 | | |
| | (1) | N | N/A | (1) Capitalize only if total cost is anticipated to exceed capitalization threshold | |
| \$500 | \$5,000 | Y | 7-10 | | |
| \$500 | \$5,000 | Y | 7-10 | | |
| \$500 | \$5,000 | Y | 7-10 | | |
| \$500 | \$5,000 | Y | 7-10 | | |
| \$500 | \$5,000 | Y | 15 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 5 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 7-10 | | |
| \$500 | \$5,000 | Y | 5 | | |
| \$500 | \$5,000 | Y | 5 | | |

Continued

TABLE 1

BUREAU RECOMMENDED CAPITAL ASSETS, DEPRECIATION AND ESTIMATED USEFUL LIVES

| Asset Type | Tier 1 | | Tier 2 | |
|---|-------------------|-----------------|-------------------|-----------------|
| | Inventory Control | Capitalize if > | Inventory Control | Capitalize if > |
| Non-Infrastructure (Continued) | | | | |
| <i>Machinery & Equipment (Continued)</i> | | | | |
| Recreational/athletic equipment | | | | |
| Scoreboards | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Golf carts | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Bleachers | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Radio towers | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Exercise machines | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Playground equipment | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Other athletic equipment | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Kitchen appliances | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Custodial equipment | | | | |
| Floor scrubbers | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Industrial vacuums | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Other | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| <i>Vehicles (Cars, Sports Utility and Pick-Up Trucks)</i> | | | | |
| Police | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Public works | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Administrative | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| Other | \$1,000 | \$5,000 | \$1,000 | \$5,000 |
| <i>Library Books and Textbooks</i> | | | | |
| Library books | \$1 | \$5,000 | \$1 | \$5,000 |
| Textbooks | \$1 | \$5,000 | \$1 | \$5,000 |
| Infrastructure | | | | |
| <i>Highways</i> | | | | |
| Initial building of road beds | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Paved - urban | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Paved - rural | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Unpaved | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Lighting Systems | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Signs/Guardrails | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| <i>Water & Sewer Systems</i> | | | | |
| Treatment Plants | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Pumping Stations | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Storage Towers | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Pipelines | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Reservoirs | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| <i>Drainage Systems</i> | | | | |
| | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| <i>Easements</i> | | | | |
| | \$50,000 | \$250,000 | \$25,000 | \$150,000 |

| <i>Tier 3</i> | | | | | |
|-------------------|-----------------|-----------------------|-----------------------|--|----------|
| Inventory Control | Capitalize if > | Depreciate (Y) or (N) | Estimated Useful Life | | Comments |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 10 | | |
| \$500 | \$5,000 | Y | 5 | | |
| \$500 | \$5,000 | Y | 5 | | |
| \$500 | \$5,000 | Y | 5 | | |
| \$500 | \$5,000 | Y | 5 | | |
| \$1 | \$5,000 | Y | 10 | | |
| \$1 | \$5,000 | Y | 3 | | |
| \$10,000 | \$50,000 | Y | 40 | | |
| \$10,000 | \$50,000 | Y | 20 | | |
| \$10,000 | \$50,000 | Y | 20 | | |
| \$10,000 | \$50,000 | Y | 50 | | |
| \$10,000 | \$50,000 | Y | 10 | | |
| \$10,000 | \$50,000 | Y | 5 | | |
| \$10,000 | \$50,000 | Y | 50 | | |
| \$10,000 | \$50,000 | Y | 50 | | |
| \$10,000 | \$50,000 | Y | 50 | | |
| \$10,000 | \$50,000 | Y | 50 | | |
| \$10,000 | \$50,000 | Y | 50 | | |
| \$10,000 | \$50,000 | Y | 50 | | |
| \$10,000 | \$50,000 | Y | 50 | | |
| \$10,000 | \$50,000 | N | N/A | | |

TABLE 1

BUREAU RECOMMENDED CAPITAL ASSETS, DEPRECIATION AND ESTIMATED USEFUL LIVES

| Asset Type | Tier 1 | | Tier 2 | |
|-------------------|-------------------|-----------------|-------------------|-----------------|
| | Inventory Control | Capitalize if > | Inventory Control | Capitalize if > |
| <i>Waterways:</i> | | | | |
| Dams | | | | |
| Concrete | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Steel, sheetpile | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Levees | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Canals - lined | \$50,000 | \$250,000 | \$25,000 | \$150,000 |
| Canals - unlined | \$50,000 | \$250,000 | \$25,000 | \$150,000 |

| <i>Tier 3</i> | | | | | |
|-------------------|-----------------|--|-----------------------|-----------------------|----------|
| Inventory Control | Capitalize if > | | Depreciate (Y) or (N) | Estimated Useful Life | Comments |
| \$10,000 | \$50,000 | | Y | 50 | |
| \$10,000 | \$50,000 | | Y | 50 | |
| \$10,000 | \$50,000 | | N | N/A | |
| \$10,000 | \$50,000 | | Y | 30 | |
| \$10,000 | \$50,000 | | N | N/A | |

TABLE 2

UMAS FUND STRUCTURE TO BASIC FINANCIAL STATEMENT CONVERSION

| | | <i>Governmental Fund Financial Statements</i> | | | |
|------|---------------------------------------|---|---------------|--------------|----------|
| Line | UMAS Funds | General | Stabilization | Debt Service | Nonmajor |
| 1 | <i>General Fund</i> | X | | | |
| | <i>Special Revenue Funds:</i> | | | | |
| 2 | Adult and continuing education | | | | X (1) |
| 3 | Ambulance receipts reserved | | | | X |
| 4 | Beach and pool receipts reserved | | | | X |
| 5 | Chapter 90 | | | | X |
| 6 | Community school program | | | | X |
| 7 | Elderly lunch program | | | | X (1) |
| 8 | Golf course receipts reserved | | | | X |
| 9 | Insurance reimbursements < \$20,000 | | | | X |
| 10 | Insurance reimbursements > \$20,000 | | | | X |
| 11 | Lost books | | | | X |
| 12 | Off-street parking receipts | | | | X |
| 13 | Recreation and parks revolving | | | | X (1) |
| 14 | Police and fire detail | | | | X |
| 15 | Sale of cemetery lots | | | | X |
| 16 | Sale of real estate | | | | X |
| 17 | School athletics | | | | X |
| 18 | School choice | | | | X |
| 19 | School lunch | | | | X (1) |
| 20 | School building rental | | | | X |
| 21 | Skating rink receipts reserved | | | | X |
| 22 | Solid waste collection/disposal | | | | X (1) |
| 23 | Summer school tuition | | | | X |
| 24 | Waterways improvement | | | | X |
| 25 | Wetlands protection receipts reserved | | | | X |
| 26 | Regional school district tuition | | | | X |
| 27 | School tuition - non-resident | | | | X |
| 28 | Parking meter receipts | | | | X |
| 29 | Culinary arts revolving | | | | X |
| 30 | Offset receipts | | | | X |
| 31 | Federal grants | | | | X |
| 32 | State grants | | | | X |
| 33 | <i>Debt Service Fund</i> | | | X | |
| | <i>Capital Projects Funds:</i> | | | | |
| 34 | Various capital projects | | | | X |
| 35 | Capital stabilization | | X | | |

| Line | Proprietary Fund Financial Statements | | Fiduciary Fund Financial Statements | | | | Government-Wide Financial Statements | |
|------|--|---------------------|--|---------------------|------------------------------|--------|---|--------------------------------|
| | Enterprise | Internal Service | Pension (and Other Employee Benefits) Trust | Investment Trust | Private- Purpose Trust | Agency | Governmental Activities | Business Type Activities |
| 1 | | | | | | | X | |
| 2 | X (1) | | | | | | X | |
| 3 | | | | | | | X | |
| 4 | | | | | | | X | |
| 5 | | | | | | | X | |
| 6 | | | | | | | X | |
| 7 | X (1) | | | | | | X | |
| 8 | | | | | | | X | |
| 9 | | | | | | | X | |
| 10 | | | | | | | X | |
| 11 | | | | | | | X | |
| 12 | | | | | | | X | |
| 13 | X (1) | | | | | | X | |
| 14 | | | | | | | X | |
| 15 | | | | | | | X | |
| 16 | | | | | | | X | |
| 17 | | | | | | | X | |
| 18 | | | | | | | X | |
| 19 | X (1) | | | | | | X | |
| 20 | | | | | | | X | |
| 21 | | | | | | | X | |
| 22 | X (1) | | | | | | X | |
| 23 | | | | | | | X | |
| 24 | | | | | | | X | |
| 25 | | | | | | | X | |
| 26 | | | | | | | X | |
| 27 | | | | | | | X | |
| 28 | | | | | | | X | |
| 29 | | | | | | | X | |
| 30 | | | | | | | X | |
| 31 | | | | | | | X | |
| 32 | | | | | | | X | |
| 33 | | | | | | | X | |
| 34 | | | | | | | X | |
| 35 | | | | | | | X | |

TABLE 2

UMAS FUND STRUCTURE TO BASIC FINANCIAL STATEMENT CONVERSION

| Line | UMAS Funds | Governmental Fund Financial Statements | | | |
|------|--|--|---------------|--------------|----------|
| | | General | Stabilization | Debt Service | Nonmajor |
| | <i>Enterprise Funds:</i> | | | | |
| 36 | Water | | | | |
| 37 | Sewer | | | | |
| 38 | Electric light | | | | |
| 39 | Golf course | | | | |
| 40 | Skating rink | | | | |
| 41 | Landfill | | | | |
| 42 | Other legally adopted | | | | |
| | | | | | |
| | <i>Trust Funds (Expendable):</i> | | | | |
| 43 | Health benefits | | | | |
| 44 | Workers' compensation | | | | |
| 45 | Municipal building insurance | | | | |
| 46 | Stabilization | | X | | |
| 47 | Unemployment compensation (State only) | | | | |
| 48 | Scholarship funds | | | | |
| 49 | Conservation | | | | X |
| 50 | Cemetery perpetual care | | | | X |
| 51 | Law enforcement trust | | | | X |
| 52 | Bequests | | | | X |
| | | | | | |
| | <i>Trust Funds (Nonexpendable):</i> | | | | |
| 53 | Cemetery perpetual care | | | | X |
| 54 | Bequests | | | | X |
| | | | | | |
| | <i>Agency:</i> | | | | |
| 55 | Massachusetts sales tax | | | | |
| 56 | Fishing and gaming fees | | | | |
| 57 | Other funds held on-behalf of others | | | | |
| | | | | | |
| 58 | <i>General Fixed Assets Account Group (2)</i> | | | | |
| | | | | | |
| 59 | <i>General Long-Term Obligations Account Group (2)</i> | | | | |

(1) In most cases this activity does not recover 100% of the cost of providing these services and/or is *not* material to the Basic Financial Statements, and therefore would be considered a special revenue (Governmental Category) activity. Each activity must be addressed individually

(2) No longer reported in the Basic Financial Statements.

(3) General fixed assets (including infrastructure) are depreciated and reported as capital assets.

(4) Long-term obligations (bonds payable, compensated absences, etc.) are reported as fund liabilities.

| Line | Proprietary Fund Financial Statements | | Fiduciary Fund Financial Statements | | | | Government-Wide Financial Statements | |
|------|--|---------------------|--|---------------------|------------------------------|--------|---|--------------------------------|
| | Enterprise | Internal Service | Pension (and Other Employee Benefits) Trust | Investment Trust | Private- Purpose Trust | Agency | Governmental Activities | Business Type Activities |
| | | | | | | | | |
| 36 | X | | | | | | | X |
| 37 | X | | | | | | | X |
| 38 | X | | | | | | | X |
| 39 | X | | | | | | | X |
| 40 | X | | | | | | | X |
| 41 | X | | | | | | | X |
| 42 | X | | | | | | | X |
| | | | | | | | | |
| 43 | | X | | | | | X | |
| 44 | | X | | | | | X | |
| 45 | | X | | | | | X | |
| 46 | | | | | | | X | |
| 47 | X | | | | | | | X |
| 48 | | | | | X | | | |
| 49 | | | | | | | X | |
| 50 | | | | | | | X | |
| 51 | | | | | | | X | |
| 52 | | | | | | | X | |
| | | | | | | | | |
| | | | | | | | | |
| 53 | | | | | | | X | |
| 54 | | | | | | | X | |
| | | | | | | | | |
| 55 | | | | | | X | X | |
| 56 | | | | | | X | X | |
| 57 | | | | | | X | X | |
| | | | | | | | | |
| 58 | | | | | | | X (3) | |
| | | | | | | | | |
| 59 | | | | | | | X (4) | |

TABLE 3

TYPICAL CLASSIFICATIONS OF PROGRAM AND GENERAL REVENUES FOR
GOVERNMENT-WIDE FINANCIAL REPORTING

| Line # | Fund/Revenue Types | Program Revenues | | |
|--------|---|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| 1 | GOVERNMENTAL ACTIVITIES | | | |
| 2 | | | | |
| 3 | General Fund | | | |
| 4 | Real estate and Personal Property Taxes | | | |
| 5 | Motor Vehicle and Other Excise Taxes | | | |
| 6 | Penalties and Interest on Taxes | | | |
| 7 | Licenses and Permits | | | |
| 8 | Licenses: | | | |
| 9 | Animal | X | | |
| 10 | Business | X | | |
| 11 | Funeral | X | | |
| 12 | Hackney | X | | |
| 13 | Marriage | X | | |
| 14 | Other | X | | |
| 15 | Permits: | | | |
| 16 | Alcoholic beverages | X | | |
| 17 | Alterations | X | | |
| 18 | Bars and clubs | X | | |
| 19 | Burial | X | | |
| 20 | Caterers | X | | |
| 21 | Certificate of fitness | X | | |
| 22 | Certificate of inspection | X | | |
| 23 | Certificate of occupancy | X | | |
| 24 | Dumpsters | X | | |
| 25 | Electrical | X | | |
| 26 | Fire alarms | X | | |
| 27 | Firearms | X | | |
| 28 | Gas/plumbing | X | | |
| 29 | Miscellaneous | X | | |
| 30 | New buildings | X | | |
| 31 | Oil burner inspection | X | | |
| 32 | Parking | X | | |
| 33 | Petroleum storage tanks | X | | |
| 34 | Pools/baths/tans | X | | |
| 35 | Research plans | X | | |
| 36 | Sale of food | X | | |
| 37 | Sidewalk/street | X | | |
| 38 | Smoke inspections | X | | |
| 39 | Street openings | X | | |
| 40 | Summer camps | X | | |
| 41 | Tank truck inspection | X | | |
| 42 | Temporary | X | | |
| 43 | Tobacco sales | X | | |
| 44 | Weights and measures | X | | |
| 45 | Intergovernmental | | | |
| 46 | Cherry Sheet: | | | |
| 47 | Education: | | | |
| 48 | Chapter 70 | | X | |
| 49 | Charter school reimbursement | | X | |
| 50 | Construction (Chapter 645) - bonded costs | | | X |
| 51 | Construction (Chapter 645) - unbonded costs | | | X |
| 52 | Construction (Chapter 645) - interest | | X | |
| 53 | Racial equality | | X | |
| 54 | School lunch | | X | |
| 55 | Transportation | | X | |
| 56 | Tuition of state wards | | X | |

"Non-Program" Revenues

| Line # | General Revenue | Special Items | Transfers, net | Functional Expenditure Most Commonly Associated | Comments |
|--------|-----------------|---------------|----------------|---|----------|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | X | | | Not applicable | |
| 5 | X | | | Not applicable | |
| 6 | X | | | Not applicable | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | Public Safety | |
| 10 | | | | General Government | |
| 11 | | | | Health and Human Services | |
| 12 | | | | General Government | |
| 13 | | | | General Government | |
| 14 | | | | Dependent upon license issued | |
| 15 | | | | | |
| 16 | | | | General Government | |
| 17 | | | | Public Safety | |
| 18 | | | | Public Safety | |
| 19 | | | | Health and Human Services | |
| 20 | | | | General Government | |
| 21 | | | | General Government | |
| 22 | | | | Public Safety | |
| 23 | | | | Public Safety | |
| 24 | | | | Public Works | |
| 25 | | | | Public Safety | |
| 26 | | | | Public Safety | |
| 27 | | | | Public Safety | |
| 28 | | | | Public Safety | |
| 29 | | | | Dependent upon permit issued | |
| 30 | | | | Public Safety | |
| 31 | | | | Public Safety | |
| 32 | | | | Public Safety | |
| 33 | | | | Public Works | |
| 34 | | | | General Government | |
| 35 | | | | General Government | |
| 36 | | | | Public Safety | |
| 37 | | | | Public Works | |
| 38 | | | | Public Safety | |
| 39 | | | | Public Works | |
| 40 | | | | General Government | |
| 41 | | | | Public Safety | |
| 42 | | | | Dependent upon permit issued | |
| 43 | | | | Public Safety | |
| 44 | | | | Public Safety | |
| 45 | | | | | |
| 46 | | | | | |
| 47 | | | | | |
| 48 | | | | Education | |
| 49 | | | | Education | |
| 50 | | | | Education | |
| 51 | | | | Education | |
| 52 | | | | Debt service | |
| 53 | | | | Education | |
| 54 | | | | Education | |
| 55 | | | | Education | |
| 56 | | | | Education | |

(Continued)

TABLE 3

TYPICAL CLASSIFICATIONS OF PROGRAM AND GENERAL REVENUES FOR
GOVERNMENT-WIDE FINANCIAL REPORTING

| Line # | Fund/Revenue Types | Program Revenues | | |
|--------|-----------------------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| 57 | General Government: | | | |
| 58 | Additional assistance | | | |
| 59 | Exemptions - blind | | | |
| 60 | Exemptions - elderly | | | |
| 61 | Exemptions - surviving spouse | | | |
| 62 | Exemptions - veterans | | | |
| 63 | Highway fund | | X | |
| 64 | Lottery | | | |
| 65 | Other state revenue | | | |
| 66 | Police career incentive | | X | |
| 67 | Regional public libraries | | X | |
| 68 | Room tax | | | |
| 69 | State owned land | | | |
| 70 | Veterans benefits | | X | |
| 71 | Other | | | |
| 72 | Medicaid reimbursement | | X | |
| 73 | MTRS gross up | | X | |
| 74 | Restricted | | X | |
| 75 | Unrestricted | | | |
| 76 | <i>Charges for Services</i> | | | |
| 77 | Application fees | X | | |
| 78 | Board of appeals fees | X | | |
| 79 | Cable fees | X | | |
| 80 | Conservation fees | X | | |
| 81 | Copies of certificates | X | | |
| 82 | Copies of reports | X | | |
| 83 | Municipal lien certificates | X | | |
| 84 | Other fees | X | | |
| 85 | Planning board fees | X | | |
| 86 | Police detail surcharge | X | | |
| 87 | Recreation fees | X | | |
| 88 | Registry clears | X | | |
| 89 | Rentals | X | | |
| 90 | Sale of compost bins | X | | |
| 91 | Sale of trash bags | X | | |
| 92 | Trash removal fees | X | | |
| 93 | Zoning board fees | X | | |
| 94 | <i>Fines and Forfeitures</i> | | | |
| 95 | Bad checks | X | | |
| 96 | Court fines | X | | |
| 97 | Library book fines | X | | |
| 98 | Other fines and forfeitures | X | | |
| 99 | Parking fines | X | | |
| 100 | Performance bond forfeitures | X | | |
| 101 | <i>Investment income</i> | | | |
| 102 | <i>Payments in Lieu of Taxes</i> | | | |
| 103 | <i>Miscellaneous</i> | | | |
| 104 | Various miscellaneous | | | |
| 105 | Restitution | | | |
| 106 | Refunds of prior year expenditure | | | |

"Non-Program" Revenues

| Line # | General Revenue | Special Items | Transfers, net | Functional Expenditure Most Commonly Associated | Comments |
|--------|-----------------|---------------|----------------|---|---|
| 57 | | | | | |
| 58 | X | | | Not applicable | |
| 59 | X | | | Not applicable | |
| 60 | X | | | Not applicable | |
| 61 | X | | | Not applicable | |
| 62 | X | | | Not applicable | |
| 63 | | | | Public Works | |
| 64 | X | | | Not applicable | |
| 65 | X | | | Not applicable | |
| 66 | | | | Public Safety | |
| 67 | | | | Culture and Recreation | |
| 68 | X | | | Not applicable | |
| 69 | X | | | Not applicable | |
| 70 | | | | Health and Human Services | |
| 71 | | | | | |
| 72 | | | | Education | |
| 73 | | | | Pension | |
| 74 | | | | Dependent upon restriction | |
| 75 | X | | | Not applicable | If the indirects of the pension costs are distributed, the matching MTRS revenue must be evenly distributed |
| 76 | | | | | |
| 77 | | | | Dependent upon application | |
| 78 | | | | General Government | |
| 79 | | | | General Government | |
| 80 | | | | General Government | |
| 81 | | | | Dependent upon certificate | |
| 82 | | | | Dependent upon reports | |
| 83 | | | | General Government | |
| 84 | | | | Dependent upon what fee is for | |
| 85 | | | | General Government | |
| 86 | | | | Public Safety | |
| 87 | | | | Culture and Recreation | |
| 88 | | | | General Government | |
| 89 | | | | Dependent upon facility rented | |
| 90 | | | | Public Works | |
| 91 | | | | Public Works | |
| 92 | | | | Public Works | |
| 93 | | | | General Government | |
| 94 | | | | | |
| 95 | | | | General Government | |
| 96 | | | | Public Safety | |
| 97 | | | | Culture and Recreation | |
| 98 | | | | Dependent upon fine or forfeiture | |
| 99 | | | | Public Safety | |
| 100 | | | | Public Safety | |
| 101 | X | | | Not applicable | |
| 102 | X | | | Not applicable | |
| 103 | | | | | |
| 104 | X | | | Not applicable | |
| 105 | X | | | Not applicable | |
| 106 | X | | | Not applicable | |

(Continued)

TABLE 3

TYPICAL CLASSIFICATIONS OF PROGRAM AND GENERAL REVENUES FOR
GOVERNMENT-WIDE FINANCIAL REPORTING

| Line # | Fund/Revenue Types | Program Revenues | | |
|--------|---|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| 107 | <i>Other Financing Sources</i> | | | |
| 108 | Transfers in: | | | |
| 109 | From special revenue funds | | | |
| 110 | From debt service reserve funds | | | |
| 111 | From capital projects funds | | | |
| 112 | From permanent funds | | | |
| 113 | From enterprise funds | | | |
| 114 | Capital leases | | | |
| 115 | Sale of capital assets | | | |
| 116 | Premium from issuance of bonds | | | |
| 117 | | | | |
| 118 | Special Revenue Funds | | | |
| 119 | <i>Revolving Funds, Receipts Reserved for</i> | | | |
| 120 | <i>Appropriation, Gifts and Contributions</i> | | | |
| 121 | Charges for services | X | | |
| 122 | Investment income | | X | X |
| 123 | Gifts and contributions | | X | X |
| 124 | Other revenues | X | | |
| 125 | <i>Operating Grants</i> | | X | |
| 126 | <i>Capital Grants</i> | | | X |
| 127 | <i>Other Financing Sources</i> | | | |
| 128 | Transfers in: | | | |
| 129 | From general fund | | | |
| 130 | From debt service reserve funds | | | |
| 131 | From capital projects funds | | | |
| 132 | From permanent funds | | | |
| 133 | From enterprise funds | | | |
| 134 | Capital leases | | | |
| 135 | Sale of capital assets | | | |
| 136 | Proceeds of bonds and notes | | | |
| 137 | | | | |
| 138 | Debt Service Reserve Fund | | | |
| 139 | <i>Investment Income - Legally Restricted</i> | | X | |
| 140 | <i>Investment Income - Not Legally Restricted</i> | | | |
| 141 | <i>Other Financing Sources</i> | | | |
| 142 | Transfers in: | | | |
| 143 | From general fund | | | |
| 144 | From special revenue fund | | | |
| 145 | From permanent fund | | | |
| 146 | | | | |
| 147 | Capital Projects Fund | | | |
| 148 | <i>Capital Grants</i> | | | X |
| 149 | <i>Investment Income</i> | | | X |
| 150 | <i>Gifts and Contributions</i> | | | X |
| 151 | <i>Other Revenues</i> | | | X |
| 152 | <i>Other Financing Sources</i> | | | |
| 153 | Transfers in: | | | |
| 154 | From general fund | | | |
| 155 | From special revenue funds | | | |
| 156 | From permanent funds | | | |
| 157 | Proceeds of bonds and notes | | | |
| 158 | | | | |

"Non-Program" Revenues

| Line # | General Revenue | Special Items | Transfers, net | Functional Expenditure Most Commonly Associated | Comments |
|--------|-----------------|---------------|----------------|---|--|
| 107 | | | | | |
| 108 | | | | | |
| 109 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 110 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 111 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 112 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 113 | | | X | Not applicable | |
| 114 | | | | Not applicable | Capitalized on Government-Wide Statements |
| 115 | | X | | Not applicable | Only gain (loss) on sale reported |
| 116 | | | | Not applicable | Bond premiums are amortized over the life of the bonds and recorded as a negative expenditure to Debt Service - Interest |
| 117 | | | | | |
| 118 | | | | | |
| 119 | | | | | |
| 120 | | | | | |
| 121 | | | | Dependent upon activity | |
| 122 | | | | Dependent upon activity | Could be classified as operating or capital, dependent upon the purpose of the fund |
| 123 | | | | Dependent upon activity | |
| 124 | | | | Dependent upon activity | |
| 125 | | | | Dependent upon grant purpose | |
| 126 | | | | Dependent upon grant purpose | |
| 127 | | | | | |
| 128 | | | | | |
| 129 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 130 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 131 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 132 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 133 | | | X | Not applicable | |
| 134 | | | | Not applicable | Capitalized on Government-Wide Statements |
| 135 | | X | | Not applicable | Only gain (loss) on sale reported |
| 136 | | | | Not applicable | Reported as a liability on the Government-Wide Statements |
| 137 | | | | | |
| 138 | | | | | |
| 139 | | | | Debt service | |
| 140 | X | | | Not applicable | |
| 141 | | | | | |
| 142 | | | | | |
| 143 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 144 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 145 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 146 | | | | | |
| 147 | | | | | |
| 148 | | | | Dependent upon capital purpose | |
| 149 | | | | Dependent upon capital purpose | |
| 150 | | | | Dependent upon capital purpose | |
| 151 | | | | Dependent upon capital purpose | |
| 152 | | | | | |
| 153 | | | | | |
| 154 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 155 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 156 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 157 | | | | Not applicable | Reported as a liability on the Government-Wide Statements |
| 158 | | | | | |

(Continued)

TABLE 3

TYPICAL CLASSIFICATIONS OF PROGRAM AND GENERAL REVENUES FOR
GOVERNMENT-WIDE FINANCIAL REPORTING

| Line # | Fund/Revenue Types | Program Revenues | | |
|--------|--|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| 159 | Permanent Funds | | | |
| 160 | Bequests | | X | |
| 161 | Gifts and Contributions | | X | |
| 162 | Investment Income - Legally Restricted | | X | |
| 163 | Investment Income - Not Legally Restricted | | | |
| 164 | Other Financing Sources | | | |
| 165 | Transfers in: | | | |
| 166 | From general fund | | | |
| 167 | From special revenue funds | | | |
| 168 | | | | |
| 169 | BUSINESS-TYPE ACTIVITIES | | | |
| 170 | | | | |
| 171 | Enterprise Funds | | | |
| 172 | Charges for Services | X | | |
| 173 | Operating Grants | | X | |
| 174 | Capital Grants | | | X |
| 175 | Investment Income - Restricted | | X | |
| 176 | Investment Income - Not Restricted | | | |
| 177 | Other Financing Sources | | | |
| 178 | Transfers in: | | | |
| 179 | From general fund | | | |
| 180 | From special revenue funds | | | |
| 181 | Gain on sale of capital assets | | | |

"Non-Program" Revenues

| Line # | General Revenue | Special Items | Transfers, net | Functional Expenditure Most Commonly Associated | Comments |
|--------|-----------------|---------------|----------------|---|--|
| 159 | | | | | |
| 160 | | | | Dependent upon fund purpose | |
| 161 | | | | Dependent upon fund purpose | |
| 162 | | | | Dependent upon fund purpose | |
| 163 | X | | | Not applicable | |
| 164 | | | | | |
| 165 | | | | | |
| 166 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 167 | | | | Not applicable | Eliminated on Government-Wide Statements |
| 168 | | | | | |
| 169 | | | | | |
| 170 | | | | | |
| 171 | | | | | |
| 172 | | | | Specific business-type activity | |
| 173 | | | | Specific business-type activity | |
| 174 | | | | Specific business-type activity | |
| 175 | | | | Specific business-type activity | |
| 176 | X | | | Not applicable | |
| 177 | | | | | |
| 178 | | | | | |
| 179 | | | X | Not applicable | |
| 180 | | | X | Not applicable | |
| 181 | | X | | Not applicable | |

(Concluded)

TABLE 4

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING BY FUND TYPE

| Fund Category and Fund Type | Measurement Focus | <i>Basis of Accounting</i> | |
|--|-----------------------------|----------------------------|--------------|
| | | Modified Accrual | Full Accrual |
| Governmental Fund Category | | | |
| General Fund Type | Current Financial Resources | X | |
| Special Revenue Fund Type | Current Financial Resources | X | |
| Debt Service Fund Type | Current Financial Resources | X | |
| Capital Projects Fund Type | Current Financial Resources | X | |
| Permanent Fund Type | Current Financial Resources | X | |
| Proprietary Fund Category | | | |
| Enterprise Fund Type | Economic Resources | | X |
| Internal Service Fund Type | Economic Resources | | X |
| Fiduciary Fund Category | | | |
| Pension (and other Employee Benefit) Trust Fund Type | Economic Resources | | X |
| Investment Trust Fund Type | Economic Resources | | X |
| Private-Purpose Trust Fund Type | Economic Resources | | X |
| Agency Fund Type | Economic Resources | | X |

TABLE 5

SUMMARY OF REQUIRED CHANGES

| Item | Previous Reporting Model | New Reporting Model (Implementation of GASB #34) |
|---|---|---|
| General Items | | |
| Reference to GAAP financial statements | General purpose financial statements | Basic financial statements and required supplementary information (RSI) |
| Highest level of reporting | Combined financial statements | Government-wide financial statements |
| Fund based financial reporting | Focus was on fund types | Focus is on major funds and nonmajor funds for governmental and enterprise funds, and fund types for internal service and fiduciary funds |
| Balance sheet | Combined balance sheet | Balance sheet presented for governmental funds, and separate statements of net assets presented for proprietary funds and fiduciary funds |
| Transfers between funds | Residual equity and operating | Transfers |
| Narrative introduction, overview and analysis | Not required | Management's discussion and analysis (RSI) |
| Budget to actual financial statement | Included final amended budget only | Includes original and final amended budget |
| Focus of budgetary comparison | Budgeted governmental funds | General fund and major individual special revenue funds |
| Location of budget to actual financial statement | Basic financial statement | Required supplementary information (option to report as basic financial statement) |
| Colleges and universities | Option to use specialized reporting model | Use government reporting model |
| Governmental entities using not-for-profit accounting | Option to use specialized reporting model | Use government reporting model |
| Governmental Funds | | |
| Fund types | General, special revenue, capital projects and debt service | General, special revenue, capital projects, debt service and permanent |
| Measurement focus | Current financial resources | Funds = current financial resources Government-wide = economic resources |
| Basis of accounting | Modified accrual | Funds = modified accrual Government-wide = full accrual |
| Capital assets (excluding infrastructure) | Reported in General Fixed Assets Account Group and no requirement to depreciate | Reported in government-wide financial statements and depreciated |

(Continued)

TABLE 5

SUMMARY OF REQUIRED CHANGES

| Item | Previous Reporting Model | New Reporting Model (Implementation of GASB #34) |
|--|---|--|
| Governmental Funds | | |
| Infrastructure | Not required | Reported in government-wide financial statements and depreciated |
| Long-term liabilities | Reported in general long-term obligations account group | Reported as liabilities in the government-wide financial statements |
| Statement of revenues, expenditures and changes in fund balances | Statement of revenues, expenditures and changes in fund balances | Required reconciliation of how total governmental fund balances and total changes in fund balances have been adjusted to report net assets and changes in net assets for governmental activities on the government-wide financial statements |
| Extraordinary and special items | Reported as revenues | Reported as other financing sources. Extraordinary items are defined as infrequent <i>and</i> unusual in nature, and special items are defined as either infrequent <i>or</i> unusual <i>and</i> within the control of management |
| Proprietary Funds | | |
| Determination of enterprise fund | Activities that were similar to private-sector and legal adoption of fund | Determination made in accordance with paragraph 67 of GASB statement 34 |
| Presentation of funds | Focus on fund types | Although presented on same financial statements, enterprise funds focus on major and nonmajor funds while internal service fund is reported in one column |
| Components of fund equity | Contributed capital and retained earnings | Net assets, which consist of invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets |
| Activity statement | Statement of revenues, expenses and changes in fund equity | Statement of revenues, expenses and changes in fund net assets. Required reconciliation of how total net assets and changes in net assets have been adjusted to report net assets and changes in net assets for business-type activities on the government-wide financial statements |
| Statement of cash flows | Direct or indirect method | Direct method |
| Segment information | Required in various situations for individual enterprise funds | Only required if individual enterprise fund, or identifiable activity within an individual enterprise fund, has revenue-backed debt outstanding |

TABLE 5

SUMMARY OF REQUIRED CHANGES

| Item | Previous Reporting Model | New Reporting Model (Implementation of GASB #34) |
|---|--|--|
| <i>Fiduciary Funds</i> | | |
| Fund types | Expendable trust, nonexpendable trust, pension trust, investment trust, and agency | Private-purpose trust, pension (and other employee benefit) trust, investment trust and agency |
| Measurement focus | Modified accrual for expendable trust and agency, remaining fund types were full accrual | Full accrual |
| Escheat property | Reported in expendable trust fund | Amounts that ultimately escheat to a governmental or proprietary fund are reported as an asset and liability of the respective fund. Escheat property held for individuals, private organizations or another government are reported in a private-purpose trust fund |
| State unemployment compensation fund | Reported in expendable trust fund | Reported in enterprise fund |
| IRC section 457 plans required to be reported | Reported in expendable trust fund | Reported in pension (and other employee benefits) trust fund |

(Concluded)

APPENDIX 2

Conversion from Old Reporting Model to the GASBS 34 Reporting Model

Previous Reporting Model's General Purpose Financial Statements

Narrative

Pages one (1) through seven (7) of Appendix 2 presents the general purpose financial statements as reported under the old reporting model. These financial statements will serve as the starting point of the conversion to the new GASBS 34 reporting model.

**ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET**

JUNE 30, 2000

| ASSETS AND OTHER DEBITS | Primary Government | | | |
|--|-------------------------|---------------------|----------------------|---------------------|
| | Governmental Fund Types | | | |
| | General | Special Revenue | Debt Service | Capital Projects |
| Cash and short-term investments | \$ 10,689,966 | \$ 6,736,932 | \$ 210,291 | \$ 2,855,810 |
| Investments | 3,495,057 | - | 10,144,364 | - |
| Receivables, net of allowance for uncollectibles: | | | | |
| Real estate and personal property taxes | 2,254,687 | - | - | - |
| Tax liens | 2,645,456 | - | - | - |
| Motor vehicle excise | 954,412 | - | - | - |
| User fees | 410,256 | - | - | - |
| Departmental and other | - | - | - | - |
| Interest and dividends | - | - | - | - |
| Intergovernmental | - | 365,508 | - | - |
| Loans | - | 2,384,578 | - | - |
| Due from other funds | 129,080 | - | - | - |
| Fixed assets, net of accumulated depreciation | - | - | - | - |
| Other assets | 116,449 | - | - | - |
| Amounts available for retirement of long-term obligations | - | - | - | - |
| Amounts to be provided for retirement of long-term obligations | - | - | - | - |
| TOTAL ASSETS AND OTHER DEBITS | \$ 20,695,363 | \$ 9,487,018 | \$ 10,354,655 | \$ 2,855,810 |
| | | | | |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | | | |
| | | | | |
| LIABILITIES: | | | | |
| Warrants payable | \$ 1,545,641 | \$ 783,659 | \$ - | \$ 2,278,023 |
| Accrued liabilities | 385,460 | 120,696 | - | - |
| Reserve for abatements | 877,987 | - | - | - |
| Liabilities due depositors | - | - | - | - |
| Other liabilities | 215,365 | - | - | - |
| Deferred revenues | 5,337,824 | - | - | - |
| Due to other funds | - | 105,734 | - | 23,346 |
| Accrued compensated absences | - | - | - | - |
| Bonds and notes payable | - | - | - | - |
| TOTAL LIABILITIES | 8,362,277 | 1,010,089 | - | 2,301,369 |
| | | | | |
| FUND EQUITY (DEFICIT) AND OTHER CREDITS: | | | | |
| Investment in general fixed assets | - | - | - | - |
| Contributed capital | - | - | - | - |
| Retained earnings | - | - | - | - |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances and continuing appropriations | 1,352,465 | - | - | - |
| Loans | - | 2,384,578 | - | - |
| Debt service | - | - | 10,354,655 | - |
| Nonexpendable trusts | - | - | - | - |
| Stabilization | - | - | - | - |
| Employees' pension benefits | - | - | - | - |
| Unreserved: | | | | |
| Designated for subsequent years' expenditures | 1,000,000 | - | - | - |
| Undesignated | 9,980,621 | 6,092,351 | - | 554,441 |
| TOTAL FUND EQUITY (DEFICIT) AND OTHER CREDITS | 12,333,086 | 8,476,929 | 10,354,655 | 554,441 |
| | | | | |
| TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS | \$ 20,695,363 | \$ 9,487,018 | \$ 10,354,655 | \$ 2,855,810 |

See notes to general purpose financial statements.

| Primary Government | | | | | | |
|---------------------------|-------------------|----------------------|-----------------------|-------------------------------|-------------------------|---------------------|
| Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Component Unit | |
| Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Obligations | Total (Memorandum Only) | Library |
| \$ 3,933,697 | \$ 603,670 | \$ 10,565,023 | \$ - | \$ - | \$ 35,595,389 | \$ 3,898,021 |
| - | - | 36,698,246 | - | - | 50,337,667 | 2,500,000 |
| - | - | - | - | - | 2,254,687 | - |
| - | - | - | - | - | 2,645,456 | - |
| - | - | - | - | - | 954,412 | - |
| 1,626,880 | - | - | - | - | 2,037,136 | - |
| - | - | 434,086 | - | - | 434,086 | - |
| - | - | 337,972 | - | - | 337,972 | - |
| - | - | 360,895 | - | - | 726,403 | - |
| - | - | - | - | - | 2,384,578 | - |
| - | - | - | - | - | 129,080 | - |
| 13,458,439 | - | - | 209,739,869 | - | 223,198,308 | 1,312,543 |
| - | 165,000 | - | - | - | 281,449 | 7,823 |
| - | - | - | - | 10,354,655 | 10,354,655 | - |
| - | - | - | - | 87,626,645 | 87,626,645 | - |
| <u>\$ 19,019,016</u> | <u>\$ 768,670</u> | <u>\$ 48,396,222</u> | <u>\$ 209,739,869</u> | <u>\$ 97,981,300</u> | <u>\$ 419,297,923</u> | <u>\$ 7,718,387</u> |
| | | | | | | |
| \$ 345,861 | \$ - | \$ 135,000 | \$ - | \$ - | \$ 5,088,184 | \$ 84,561 |
| 1,254 | 865,000 | - | - | - | 1,372,410 | 23,521 |
| - | - | - | - | - | 877,987 | - |
| 18,526 | - | 249,571 | - | - | 268,097 | - |
| - | - | - | - | - | 215,365 | 15,000 |
| - | - | - | - | - | 5,337,824 | - |
| - | - | - | - | - | 129,080 | - |
| 16,900 | - | - | - | 2,351,359 | 2,368,259 | - |
| 5,997,691 | - | - | - | 95,629,941 | 101,627,632 | - |
| <u>6,380,232</u> | <u>865,000</u> | <u>384,571</u> | <u>-</u> | <u>97,981,300</u> | <u>117,284,838</u> | <u>123,082</u> |
| | | | | | | |
| - | - | - | 209,739,869 | - | 209,739,869 | - |
| 3,691,106 | - | - | - | - | 3,691,106 | - |
| 8,947,678 | (96,330) | - | - | - | 8,851,348 | 7,595,305 |
| - | - | - | - | - | 1,352,465 | - |
| - | - | - | - | - | 2,384,578 | - |
| - | - | - | - | - | 10,354,655 | - |
| - | - | 99,521 | - | - | 99,521 | - |
| - | - | 4,211,493 | - | - | 4,211,493 | - |
| - | - | 43,245,127 | - | - | 43,245,127 | - |
| - | - | - | - | - | 1,000,000 | - |
| - | - | 455,510 | - | - | 17,082,923 | - |
| <u>12,638,784</u> | <u>(96,330)</u> | <u>48,011,651</u> | <u>209,739,869</u> | <u>-</u> | <u>302,013,085</u> | <u>7,595,305</u> |
| <u>\$ 19,019,016</u> | <u>\$ 768,670</u> | <u>\$ 48,396,222</u> | <u>\$ 209,739,869</u> | <u>\$ 97,981,300</u> | <u>\$ 419,297,923</u> | <u>\$ 7,718,387</u> |

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2000

| | Governmental Fund Types | | | | Fiduciary | Total (Memorandum only) |
|---|-------------------------|---------------------|----------------------|---------------------|----------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trusts | |
| REVENUES: | | | | | | |
| Real estate and personal property taxes, net of reserve for abatements | \$ 28,489,794 | \$ - | \$ - | \$ - | \$ - | \$ 28,489,794 |
| Motor vehicle and other excise taxes | 4,195,437 | - | - | - | - | 4,195,437 |
| Penalties and interest on taxes | 899,346 | - | - | - | - | 899,346 |
| Payments in lieu of taxes | 1,400,000 | - | - | - | 45,000 | 1,445,000 |
| Charges for services | 1,736,498 | 1,318,036 | - | - | - | 3,054,534 |
| Licenses and permits | 1,226,813 | - | - | - | - | 1,226,813 |
| Fines and forfeitures | 1,509,752 | - | - | - | - | 1,509,752 |
| Intergovernmental | 68,573,551 | 11,070,080 | - | 40,222 | - | 79,683,853 |
| Investment income | 1,741,769 | 64,189 | 1,450,805 | 67,663 | 180,247 | 3,504,673 |
| Sale of urban renewal land | - | 1,000,000 | - | - | - | 1,000,000 |
| Contributions | - | 791,576 | - | - | 195,000 | 986,576 |
| Miscellaneous | 101,054 | 335,191 | - | - | - | 436,245 |
| TOTAL REVENUES | 109,874,014 | 14,579,072 | 1,450,805 | 107,885 | 420,247 | ##### |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | 3,305,841 | 130,545 | - | - | - | 3,436,386 |
| Public safety | 14,344,186 | 1,404,494 | - | - | - | 15,748,680 |
| Education | 49,121,831 | 9,532,453 | - | - | 59,554 | 58,713,838 |
| Public works | 4,949,415 | 216,806 | - | - | - | 5,166,221 |
| Health and human services | 991,671 | 680,639 | - | - | 15,645 | 1,687,955 |
| Culture and recreation | 339,482 | 94,440 | - | - | 7,557 | 441,479 |
| Community and economic development | - | 1,613,958 | - | - | - | 1,613,958 |
| Pension benefits | 9,330,986 | - | - | - | - | 9,330,986 |
| Property and liability insurance | 204,266 | - | - | - | - | 204,266 |
| Fringe benefits | 7,219,304 | - | - | - | - | 7,219,304 |
| Claims and judgments | 156,831 | - | - | - | - | 156,831 |
| State and county charges | 1,974,875 | - | - | - | - | 1,974,875 |
| Capital outlay | - | - | - | 7,098,959 | - | 7,098,959 |
| Debt service: | | | | | | |
| Principal | 8,019,805 | - | - | - | - | 8,019,805 |
| Interest | 6,506,738 | - | - | - | - | 6,506,738 |
| TOTAL EXPENDITURES | 106,465,231 | 13,673,335 | - | 7,098,959 | 82,756 | ##### |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 3,408,783 | 905,737 | 1,450,805 | (6,991,074) | 337,491 | (888,258) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Proceeds of general obligation bonds | - | - | - | 3,000,000 | - | 3,000,000 |
| Operating transfers in | 1,912,020 | 250,000 | - | 610,565 | 1,535,000 | 4,307,585 |
| Operating transfers out | (2,013,500) | (615,928) | (620,858) | - | (250,000) | (3,400,286) |
| TOTAL OTHER FINANCING SOURCES (USES) | (101,480) | (265,928) | (620,858) | 3,610,565 | 1,285,000 | 3,907,299 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | 3,307,303 | 639,809 | 829,947 | (3,380,509) | 1,622,491 | 3,019,041 |
| FUND BALANCES AT BEGINNING OF YEAR | 9,025,783 | 7,837,120 | 9,524,708 | 3,934,950 | 3,044,512 | 33,367,073 |
| FUND BALANCES AT END OF YEAR | \$ 12,333,086 | \$ 8,476,929 | \$ 10,354,655 | \$ 554,441 | \$ 4,667,003 | \$ 36,386,114 |

See notes to general purpose financial statements.

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETARY BASIS - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2000

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|---------------------|--|
| REVENUES: | | | |
| Real estate and personal property taxes, net of reserve for abatements | \$ 28,046,859 | \$ 28,489,794 | \$ 442,935 |
| Motor vehicle and other excise taxes | 3,799,850 | 4,195,437 | 395,587 |
| Penalties and interest on taxes | 456,300 | 899,346 | 443,046 |
| Payments in lieu of taxes | 1,400,000 | 1,400,000 | - |
| Charges for services | 1,354,089 | 1,736,498 | 382,409 |
| Licenses and permits | 648,620 | 1,226,813 | 578,193 |
| Fines and forfeitures | 1,254,562 | 1,509,752 | 255,190 |
| Intergovernmental | 66,030,456 | 66,478,551 | 448,095 |
| Investment income | 1,500,000 | 1,741,769 | 241,769 |
| Miscellaneous | - | 101,054 | 101,054 |
| TOTAL REVENUES | 104,490,736 | 107,779,014 | 3,288,278 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 3,420,058 | 3,402,564 | 17,494 |
| Public safety | 14,400,256 | 14,225,310 | 174,946 |
| Education | 49,645,123 | 49,645,123 | - |
| Public works | 4,875,462 | 4,772,564 | 102,898 |
| Health and human services | 982,541 | 977,771 | 4,770 |
| Culture and recreation | 395,987 | 345,612 | 50,375 |
| Pension benefits | 7,235,986 | 7,235,986 | - |
| Property and liability insurance | 250,000 | 204,266 | 45,734 |
| Fringe benefits | 8,423,102 | 7,219,304 | 1,203,798 |
| Claims and judgments | 500,000 | 156,831 | 343,169 |
| State and county charges | 2,031,479 | 1,974,875 | 56,604 |
| Debt service: | | | |
| Principal | 8,019,805 | 8,019,805 | - |
| Interest | 6,506,738 | 6,506,738 | - |
| TOTAL EXPENDITURES | 106,686,537 | 104,686,749 | 1,999,788 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,195,801) | 3,092,265 | 5,288,066 |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating transfers in | 1,912,020 | 1,912,020 | - |
| Operating transfers out | (2,013,500) | (2,013,500) | - |
| Use of unreserved fund balance | 2,297,281 | 2,297,281 | - |
| Encumbrance reversions | - | 254,160 | 254,160 |
| TOTAL OTHER FINANCING SOURCES (USES) | 2,195,801 | 2,449,961 | 254,160 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | \$ - | \$ 5,542,226 | \$ 5,542,226 |

See notes to general purpose financial statements.

ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 2000

| | <i>Primary Government</i> | | | Total (Memorandum Only) | Component Unit | |
|---|---------------------------|---------------------|-------------------------|-------------------------------|---------------------|---------|
| | Proprietary Fund Types | | Fiduciary Fund Type | | | Library |
| | Enterprise | Internal Service | Nonexpendable Trusts | | | |
| OPERATING REVENUES: | | | | | | |
| Employer contributions | \$ - | \$ 1,357,578 | \$ - | \$ 1,357,578 | \$ - | |
| Employee contributions | - | 105,867 | - | 105,867 | - | |
| Charges for services | 8,158,223 | - | - | 8,158,223 | 43,178 | |
| Gifts and contributions | - | - | - | - | 1,500,000 | |
| TOTAL OPERATING REVENUES | 8,158,223 | 1,463,445 | - | 9,621,668 | 1,543,178 | |
| OPERATING EXPENSES: | | | | | | |
| Cost of services and administration | 1,545,979 | - | - | 1,545,979 | 2,149,368 | |
| MWRA assessment | 5,125,191 | - | - | 5,125,191 | - | |
| Depreciation | 420,867 | - | - | 420,867 | 105,264 | |
| Employee benefits | - | 1,768,631 | - | 1,768,631 | - | |
| TOTAL OPERATING EXPENSES | 7,092,037 | 1,768,631 | - | 8,860,668 | 2,254,632 | |
| OPERATING INCOME (LOSS) | 1,066,186 | (305,186) | - | 761,000 | (711,454) | |
| NONOPERATING REVENUES (EXPENSES): | | | | | | |
| Intergovernmental | 84,075 | - | - | 84,075 | 577,654 | |
| Investment income | 224,874 | 7,299 | - | 232,173 | 404,477 | |
| Interest expense | (348,298) | - | - | (348,298) | - | |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET | (39,349) | 7,299 | - | (32,050) | 982,131 | |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 1,026,837 | (297,887) | - | 728,950 | 270,677 | |
| OPERATING TRANSFERS: | | | | | | |
| Transfers out | (900,000) | (7,299) | - | (907,299) | - | |
| NET INCOME (LOSS) | 126,837 | (305,186) | - | (178,349) | 270,677 | |
| ADD: | | | | | | |
| Depreciation of fixed assets acquired from contributed capital | 206,152 | - | - | 206,152 | - | |
| INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCE | 332,989 | (305,186) | - | 27,803 | 270,677 | |
| RETAINED EARNINGS/FUND BALANCE (DEFICIT), Beginning of year | 8,614,689 | 208,856 | 99,521 | 8,923,066 | 7,324,628 | |
| RETAINED EARNINGS/FUND BALANCE (DEFICIT), End of year | \$ 8,947,678 | \$ (96,330) | \$ 99,521 | \$ 8,950,869 | \$ 7,595,305 | |
| Contributed capital at beginning of year | \$ 3,897,258 | | | | | |
| Less depreciation of fixed assets acquired from contributed capital | (206,152) | | | | | |
| Contributed capital at end of year | \$ 3,691,106 | | | | | |

See notes to general purpose financial statements.

ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2000

| | Primary Government | | | Total (Memorandum Only) | Component Unit Library |
|---|------------------------|---------------------|-------------------------|-------------------------------|----------------------------------|
| | Proprietary Fund Types | | Fiduciary Fund Type | | |
| | Enterprise | Internal Service | Nonexpendable Trusts | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ 1,066,186 | \$ (305,186) | \$ - | \$ 761,000 | \$ (711,454) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation | 420,867 | - | - | 420,867 | 105,264 |
| Other nonoperating revenues | 84,075 | - | - | 84,075 | 577,654 |
| Changes in assets and liabilities: | | | | | |
| User fees | 253,000 | - | - | 253,000 | - |
| Other assets | - | (45,000) | - | (45,000) | (1,135) |
| Warrants payable | 98,562 | - | - | 98,562 | 45,325 |
| Accrued liabilities | (21,024) | 375,000 | - | 353,976 | (5,545) |
| Liabilities due depositors | 15,252 | - | - | 15,252 | - |
| Other liabilities | - | - | - | - | 15,000 |
| Accrued compensated absences | 1,540 | - | - | 1,540 | - |
| Total adjustments | 852,272 | 330,000 | - | 1,182,272 | 736,563 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | 1,918,458 | 24,814 | - | 1,943,272 | 25,109 |
| CASH FLOWS (USED FOR) NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Operating transfers out | (900,000) | (7,299) | - | (907,299) | - |
| CASH FLOWS PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Acquisition and construction of capital assets | (1,154,250) | - | - | (1,154,250) | (125,410) |
| Proceeds from the issuance of bonds and notes | 93,225 | - | - | 93,225 | - |
| Interest expense | (348,298) | - | - | (348,298) | - |
| Principal payments on bonds and notes | (717,496) | - | - | (717,496) | - |
| NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | (2,126,819) | - | - | (2,126,819) | (125,410) |
| CASH FLOWS PROVIDED BY INVESTING ACTIVITIES: | | | | | |
| Investment income | 224,874 | 7,299 | - | 232,173 | 404,477 |
| NET INCREASE (DECREASE) IN CASH | (883,487) | 24,814 | - | (858,673) | 304,176 |
| CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR | 4,817,184 | 578,856 | 99,521 | 5,495,561 | 3,593,845 |
| CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR | \$ 3,933,697 | \$ 603,670 | \$ 99,521 | \$ 4,636,888 | \$ 3,898,021 |
| RECONCILIATION TO COMBINED BALANCE SHEET: | | | | | |
| Cash and short-term investments at end of year | \$ 3,933,697 | \$ 603,670 | \$ 99,521 | \$ 4,636,888 | \$ 3,898,021 |
| Cash and short-term investments at end of year, Pension Trust, Expendable Trust and Agency | - | - | 10,465,502 | 10,465,502 | - |
| CASH AND SHORT-TERM INVESTMENTS PER THE COMBINED BALANCE SHEET | \$ 3,933,697 | \$ 603,670 | \$ 10,565,023 | \$ 15,102,390 | \$ 3,898,021 |

See notes to general purpose financial statements.

PENSION TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR EMPLOYEES' PENSION BENEFITS
YEAR ENDED DECEMBER 31, 1999

| | |
|---|---------------|
| <u>ADDITIONS:</u> | |
| Employer contributions | \$ 5,101,916 |
| Employee contributions | 1,678,580 |
| Total contributions | 6,780,496 |
| Net investment income: | |
| Net appreciation in fair value of investments | 1,027,712 |
| Interest | 797,541 |
| Dividends | 187,792 |
| Total investment income | 2,013,045 |
| Less investment expense | (254,125) |
| Net investment income | 1,758,920 |
| Intergovernmental | 825,416 |
| Transfers from other systems | 254,163 |
| Total additions | 9,618,995 |
| <u>DEDUCTIONS:</u> | |
| Administration | 100,253 |
| Retirement benefits and refunds | 7,524,621 |
| Transfers to other systems | 65,234 |
| Total deductions | 7,690,108 |
| Net increase | 1,928,887 |
| Net assets available for employees' pension benefits at beginning of year (fund balance reserved for employees' pension benefits) | 41,316,240 |
| Net assets available for employees' pension benefits at end of year (fund balance reserved for employees' pension benefits) | \$ 43,245,127 |

See notes to general purpose financial statements.

Conversion Worksheet Narratives

Narrative

Pages eight (8) through 29 of Appendix 2 contain narratives to the conversion worksheets and schedules, which are located immediately following this narrative section. Each narrative contained herein describes the purpose of each conversion worksheet or schedule and references where specific amounts are coming from and/or are going to (if applicable).

Fund Financial Statements – General Fund Balance Sheet Conversion Worksheet (Page 30)

Narrative

This worksheet converts the General Fund balance sheet as reported under the old reporting model to the fund financial statements General Fund balance sheet reported under the GASBS 34 model.

The following provides an explanation for each of the conversion worksheet's columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the previous reporting model's General Fund balance sheet (our starting point). See page 1 of Appendix 2.
- Column 2 - Increases intergovernmental receivables and deferred revenue for the principal *and* interest portion of the long-term interest accrual attributable to School Construction Projects.
- Column 3 - Reclassifies statutory reserve for abatements to deferred revenues.
- Column 4 - Reclassifies Appellate Tax Board estimated tax refunds from deferred revenues to tax refunds payable.
- Column 5 - Reclassifies various activities (e.g., payroll withholdings) that were previously accounted for in the Agency Fund to the General Fund. This type of activity does not meet the specific criteria for an Agency Fund per GASBS 34.
- Column 6 - Reclassifies fund balance from "Undesignated" to "Undesignated: reported in General Fund". This is a change in the presentation of fund balance required by GASBS 34.
- Column 7 - General Fund balance sheet per GASBS 34 fund financial statements. See page 67 of Appendix 2.

Significant Issue

The most important issue to understand is that the General Fund balance remains the same after the conversion to the GASBS 34 Fund Based financial statements.

***Fund Financial Statements – Stabilization Fund Balance Sheet Conversion Worksheet
(Page 32)***

Narrative

This worksheet converts the Stabilization Fund balance sheet as reported under the old reporting model to the fund financial statements Stabilization Fund balance sheet reported under the GASBS 34 model. Although the Stabilization Fund does not meet the “Major Fund” criteria as established by GASBS 34, the Bureau recommends it be presented as such.

The following provides an explanation for each of the conversion worksheet’s columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the previous reporting model’s Stabilization Fund balance sheet (our starting point). Since the old reporting model required funds to be reported by generic fund type, the Stabilization Fund was not reported separately on the previously issued general purpose financial statements.
- Column 2 - Identifies the Stabilization Fund’s balance sheet as reported in the previous reporting model’s Trust & Agency Fund (page 2 of Appendix 2).
- Column 3 - Stabilization Fund balance sheet per GASBS 34 fund financial statements. See page 67 of Appendix 2.

Significant Issue

The most important issue to understand is that the Stabilization Fund balance remains the same after the conversion to the GASBS 34 Fund Based financial statements.

***Fund Financial Statements – Debt Service Fund Balance Sheet Conversion Worksheet
(Page 33)***

Narrative

This worksheet converts the Debt Service Fund balance sheet as reported under the old reporting model to the fund financial statements Debt Service Fund balance sheet reported under the GASBS 34 model. Although it does not meet the “Major Fund” criteria as established by GASBS 34, the Bureau recommends it be presented as such.

The following provides an explanation for each of the conversion worksheet’s columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the previous reporting model’s Debt Service Fund balance sheet (our starting point). See page 1 of Appendix 2.
- Column 2 - Reclassifies cash and short-term investments and investments to restricted since the assets of the fund are restricted for debt service.
- Column 3 - Debt Service Fund balance sheet per GASBS 34 fund financial statements. See page 67 of Appendix 2.

Significant Issue

The most important issue to understand is that the Debt Service Fund balance remains the same after the conversion to the GASBS 34 Fund Based financial statements.

Fund Financial Statements – Nonmajor Governmental Funds Balance Sheet Conversion Worksheet (Page 34)

Narrative

This worksheet converts the Special Revenue, Capital Projects, and Trust and Agency Funds balance sheets as reported under the old reporting model to the fund financial statements Nonmajor Governmental Funds balance sheet reported under the GASBS 34 model.

The following provides an explanation for each of the conversion worksheet's columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the previous reporting model's Special Revenue Fund balance sheet (our starting point). See page 1 of Appendix 2.
- Column 2 - Identifies the components of the previous reporting model's Capital Projects Fund balance sheet (our starting point). See page 1 of Appendix 2.
- Column 3 - Identifies the components of the previous reporting model's Trust & Agency Fund balance sheet (our starting point). See page 2 of Appendix 2.
- Column 4 - Identifies the total nonmajor governmental funds balance sheet from the previous reporting model (unadjusted). The sum of columns 1 – 3.
- Column 5 - Increases intergovernmental receivables and deferred revenue for the unbilled amount of the city's Chapter 90 Entitlement. This adjustment is the result of GASBS 33.
- Column 6 - Increases intergovernmental receivables and deferred revenue for the unbilled amount of the city's Small Cities Grant Entitlement. This adjustment is the result of GASBS 33.
- Column 7 - Reclassifies the Stabilization Fund, previously reported in the Trust & Agency Fund, to a separate Major Fund. See pages 32 and 67 of Appendix 2.
- Column 8 - Reclassifies the Pension Trust Fund, previously reported in the Trust & Agency Fund, to a separate "Statement of Fiduciary Net Assets". See page 75 of Appendix 2.
- Column 9 - Reclassifies Private-Purpose Trust Fund's, previously reported in the Trust & Agency Fund, to a separate "Statement of Fiduciary Net Assets". See page 75 of Appendix 2.
- Column 10 - Reclassifies items previously reported in the Agency Fund that does not meet the GASBS 34 criteria (e.g., payroll withholdings) to the General Fund. See page 31 of Appendix 2.

- Column 11 - Reclassifies components of Special Revenue fund balance from “Undesignated” to “Undesignated: reported in Special Revenue Fund” and “Reserved for: other specific purposes”. This is a change in the presentation of fund balance required by GASBS 34.
- Column 12 - Reclassifies fund balance from “Undesignated” to “Undesignated: reported in Capital Projects Fund”. This is a change in the presentation of fund balance required by GASBS 34.
- Column 13 - Reclassifies the Permanent Funds cash and short-term investments to restricted since the assets of the Permanent Funds are restricted by trust agreements.
- Column 14 - Reclassifies the Permanent Funds fund balances from “Reserved for Nonexpendable Trusts” to “Reserved for Perpetual Permanent Funds”, and from “Undesignated” to “Undesignated, reported in Permanent Funds”. This is a change in the presentation of fund balance required by GASBS 34.
- Column 15 - Nonmajor Governmental Funds balance sheet per GASBS 34 fund financial statements. The sum of columns 4 –14. See page 67 of Appendix 2.

Significant Issues

1. Columns 7, 8 and 9 only move funds to a different location in the new reporting model. The fund balance for these funds remains the same after conversion to the GASBS 34 Fund Based financial statements.
2. The fund balance of the remaining Nonmajor Funds remains the same after conversion to the GASBS 34 Fund Based financial statements.

Fund Financial Statements and Government-Wide Financial Statements – Proprietary Fund (Enterprise Fund) Statement of Net Assets Conversion Worksheet (Page 37)

Narrative

This worksheet converts the Enterprise Fund’s balance sheet as reported under the old reporting model to the fund financial statements and Government-Wide financial statements Statement of Net Assets reported under the GASBS 34 model.

The following provides an explanation for each of the conversion worksheet’s columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the previous reporting model’s Enterprise Fund balance sheet (our starting point). See page 2 of Appendix 2.
- Column 2 - Reclassifies the balance sheet’s assets and liabilities between current and noncurrent. This column also reclassifies fund equity (retained earnings and contributed capital) to net assets (unrestricted).
- Column 3 - Enterprise Fund net assets per GASBS 34 fund financial statements. See page 72 of Appendix 2.
- Column 4 - Records the Enterprise Fund’s portion of the Internal Service Fund’s net assets.
- Column 5 - Reclassifies a portion of “Unrestricted” net assets to “Invested in Capital Assets, net of Related Debt”.
- Column 6 - Business-Type Activities net assets per GASBS 34 Government-Wide financial statements. See page 64 of Appendix 2.

Significant Issues

1. Proprietary Funds are reported using the flow of economic resources measurement focus and the accrual basis of accounting for both the Fund Based and Government-Wide financial statements. This is the same reporting requirement of the old model.
2. The only change in conversion to the total Net Assets (Government-Wide financial statement) is the allocation of a portion of the Internal Service Fund’s ending balance related to the Business-Type Activities.
3. The \$9,633 adjustment would normally not be made since it is clearly immaterial to the financial statements. We have included this adjustment for demonstration purposes only.

Fund Financial Statements and Government-Wide Financial Statements – Proprietary Fund (Internal Service Fund) Statement of Net Assets Conversion Worksheet (Page 39)

Narrative

This worksheet identifies that the Internal Service Fund's balance sheet, as reported under the old reporting model, is the same (except for classifications) as the Fund Based financial statements Internal Service Fund's Statement of Net Assets reported under the GASBS 34 model.

Column 1 - Identifies the components of the previous reporting model's Internal Service Fund's balance sheet (our starting point). See pages 2 and 72 of Appendix 2.

Column 2 - Reclassifies the Internal Service Fund's balance sheet to Governmental Activities on the Government-Wide financial statements.

Column 3 - Internal Service Funds per GASBS 34 Government-Wide financial statements.

Significant Issue

The Internal Service Fund is eliminated during conversion to the GASBS 34 Government-Wide financial statement since its balances are included in the Governmental Activities or Business-Type Activities column (whichever activity the Internal Service Fund primarily provides services to).

Fund Financial Statements – Fiduciary Funds (Private-Purpose Trust Fund) Statement of Net Assets Conversion Worksheet (Page 40)

Narrative

This worksheet converts the Private-Purpose Trust Fund balance sheet as reported under the old reporting model to the fund financial statements Private-Purpose Trust Fund’s Statement of Net Assets reported under the GASBS 34 model.

The following provides an explanation for each of the conversion worksheet’s columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the previous reporting model’s Private-Purpose Trust Fund’s balance sheet (our starting point). Since the old reporting model required funds to be reported by generic fund type, Private-Purpose Trust Funds were not reported separately on the previously issued general purpose financial statements.
- Column 2 - Identifies the Private-Purpose Trust Fund’s balance sheet as reported in the previous reporting model’s Trust & Agency Fund. These amounts must be identified by analyzing the detail of the Trust Funds and determining what funds meet the “private-purpose” treatment as prescribed by GASBS 34.
- Column 3 - Private-Purpose Trust Funds Statement of Net Assets per GASBS 34 fund financial statements. See page 75 of Appendix 2.

Significant Issues

1. The Fund Based financial statements are the “top level” of reporting for all Fiduciary Funds. These amounts are not included in the Government-Wide financial statements.
2. In most instances, the fund balance will remain the same after conversion to the GASBS 34 Fund Based financial statements.

Fund Financial Statements – Fiduciary Funds (Pension Trust Fund) Statement of Net Assets Conversion Worksheet (Page 41)

Narrative

This worksheet converts the Pension Trust Fund balance sheet as reported under the old reporting model to the fund financial statements Pension Trust Fund's Statement of Net Assets reported under the GASBS 34 model.

The following provides an explanation for each of the conversion worksheet's columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the previous reporting model's Pension Trust Fund's balance sheet (our starting point). Since the old reporting model required funds to be reported by generic fund type, Pension Trust Funds were not reported separately on the previously issued general purpose financial statements.
- Column 2 - Identifies the Pension Trust Fund's balance sheet as reported in the previous reporting model's Trust & Agency Fund.
- Column 3 - Pension Trust Fund Statement of Net Assets per GASBS 34 fund financial statements. See page 75 of Appendix 2.

Significant Issues

1. The Fund Based financial statements are the "top level" of reporting for all Fiduciary Funds. These amounts are not included in the Government-Wide financial statements.
2. The only change is in the location of the Pension Trust Fund.

***Government-Wide Financial Statements – Component Unit Statement of Net Assets
Conversion Worksheet (Page 42)***

Narrative

This worksheet converts the Component Unit balance sheet as reported under the old reporting model to the Government-Wide financial statements Component Unit Statement of Net Assets reported under the GASBS 34 model.

The following provides an explanation for each of the conversion worksheet's columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the previous reporting model's Component Unit balance sheet (our starting point). See page 2 of Appendix 2.
- Column 2 - Reclassifies fund equity (retained earnings) to net assets (unrestricted and invested in capital assets, net of related debt).
- Column 3 - Component Unit Statement of Net Assets per GASBS 34 Government-Wide financial statements. See page 64 of Appendix 2.

Significant Issue

Total Net Assets remain the same after conversion.

Fund Financial Statements – Total Governmental Fund Types and Nonexpendable Trust Activity Conversion (Page 43)

Narrative

This worksheet converts the Total (Memorandum Only) column of the previous reporting model's Combined Statement of Revenues, Expenditures and Changes in Fund Balances (all Governmental Funds) to the Total Governmental Funds column of the Statement of Revenues, Expenditures and Changes in Fund Balances (Governmental Funds) as reported under the GASBS 34 model.

The following provides an explanation for each of the conversion worksheet's columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the total governmental funds activity from the previous reporting model's Combined Statement of Revenues, Expenditures and Changes in Fund Balances (our starting point). See page 3 of Appendix 2.
- Column 2 - Identifies the total nonexpendable trust fund activity from the previous reporting model's Combined Statement of Revenues, Expenses and Changes in Fund Equity (our starting point). See page 5 of Appendix 2.
- Column 3 - Identifies the total governmental fund types and nonexpendable trust fund activity from the previous reporting model. The sum of columns 1 – 2.
- Column 4 - Reclassifies the activity of the Private-Purpose Trust Funds to the Statement of Changes in Fiduciary Net Assets. See page 76 of Appendix 2.
- Column 5 - Reclassifies Capital Project Fund expenditures from capital outlay to specific functional line items. A detailed analysis of the activity is the method of obtaining this information.
- Column 6 - Reclassifies the proceeds from the sale of urban renewal land from "Revenues" to "Other Financing Sources – Sale of capital assets".
- Column 7 - Total Governmental Funds revenues and expenditures per GASBS 34 fund financial statements. The sum of columns 3 – 7. See page 68 of Appendix 2.

Significant Issue

The only change in fund balance is the reclassification of the Private-Purpose Trust Funds to the Fiduciary Fund financial statements.

***Government-Wide Financial Statements – Total Governmental Funds Balance Sheet
Conversion to Government-Wide Statement of Net Assets (Page 45)***

Narrative

This worksheet converts the Total Governmental Funds column of the GASBS 34 fund financial statements balance sheet to the Governmental Activities column of the GASBS 34 Government-Wide financial statements Statement of Net Assets.

The following provides an explanation for each of the conversion worksheet's columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the components of the total governmental funds balance sheet per GASBS 34. See page 67 of Appendix 2.
- Column 2 - Eliminates the Governmental Funds' due to/due from one another. See pages 1 and 2 of Appendix 2.
- Column 3 - Records the cost of capital assets (including infrastructure) at fiscal year-end. See page 47 of Appendix 2.
- Column 4 - Records the accumulated depreciation of capital assets at fiscal year-end. See page 48 of Appendix 2.
- Column 5 - Records the outstanding governmental bonds and notes payable at fiscal year-end, which were previously reported in the General Long-Term Obligations Account Group. See page 2 of Appendix 2. Note that these amounts must be segregated between current (less than one year) and noncurrent, which can be obtained from the detailed records.
- Column 6 - Records the compensated absence liability at fiscal year-end, which was previously reported in the General Long-Term Obligations Account Group. See page 2 of Appendix 2. Note that these amounts must be segregated between current (less than one year) and noncurrent, which can be obtained from the detailed records.
- Column 7 - Records the long-term interest accrued at fiscal year-end. This amount has not previously been reported and is calculated based on long-term interest due dates.
- Column 8 - Recognizes deferred revenue as revenue, unless the deferred revenue relates to cash obtained prior to the revenue due date (e.g., taxes paid in advance). Net assets must be restricted for restricted revenues that are being fully recognized (e.g., Chapter 90 entitlement). Revenues that are being recognized that relate to long-term debt (e.g., Chapter 645 reimbursement) increases the net assets invested in capital assets, net of related debt.

- Column 9 - Reclassifies the Internal Service Fund's statement of net assets to Governmental Activities. See page 72 of Appendix 2.
- Column 10 - Assigns the appropriate portion of the Internal Service Fund's total net assets to Business-Type Activities (Enterprise Fund(s)). This amount is reported as an internal balance.
- Column 11 - Reclassifies long-term portion of Chapter 645 accounts receivable to restricted.
- Column 12 - Total Governmental Activities column of the Government-Wide Statement of Net Assets. See page 64 of Appendix 2.

Significant Issues

The Governmental Funds Fund Based financial statements use the modified accrual basis of accounting and must be converted to the accrual basis of accounting.

The new GASBS 33 and 34 related adjustments that were previously not required include the following:

- Capitalization of infrastructure
- Recording depreciation on all general fixed assets
- Recognition of previously deferred revenue
- Accrual of long-term debt interest expense

All other assets and liabilities were previously required. The change is in where these amounts are reported.

Schedule of General Capital Assets by Function (Page 47)

Narrative

This schedule identifies the following information (by functional expenditure line item) regarding the City of Anywhere's capital assets:

- Column 1 - Cost of capital assets at beginning of year
- Column 2 - FY 2000 additions
- Column 3 - FY 2000 retirements
- Column 4 - Cost of capital assets at end of year. This amount was previously reported in the General Fixed Assets Account Group. See page 2 of Appendix 2.
- Column 5 - Accumulated depreciation at beginning of year
- Column 6 - Accumulated depreciation of retired capital assets
- Column 7 - Fiscal year 2000 depreciation expense
- Column 8 - Accumulated depreciation at end of year
- Column 9 - Capital assets, net

Significant Issue

This information is obtained from the detailed fixed asset records and is used in the conversion from the GASBS 34 fund financial statements to the Government-Wide financial statements.

Prior Period Adjustment Analysis – Statement of Activities (Page 49)

Narrative

This analysis converts the prior year fund balance, per the previous reporting model, to the prior year “net asset” balance per the GASBS 34 reporting model (Government-Wide financial statements).

This schedule contains references of where the information was obtained.

Government-Wide Financial Statements – Total Fund Financial Statements Governmental Funds Activity Conversion to Government-Wide Statement of Activities (Page 51)

Narrative

This worksheet converts the Total Governmental Funds column of the GASBS 34 fund financial statements Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities column of the GASBS 34 Government-Wide financial statements Statement of Activities.

The following provides an explanation for each of the conversion worksheet's columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

- Column 1 - Identifies the Total Governmental Funds revenues, expenditures and changes in fund balance. See page 68 of Appendix 2.
- Column 2 - Eliminates (by revenue type) the prior year's deferred revenue balance. See Appendix 2, page 49.
- Column 3 - Eliminates (by revenue type) the current year's deferred revenue balance. See page 67 of Appendix 2.
- Column 4 - Eliminates transfers between the Governmental Funds, which includes the Internal Service Fund for the Government-Wide financial statements.
- Column 5 - Eliminates (by functional line item) the prior year's compensated absence balances. See Appendix 2, page 49.
- Column 6 - Adds (by functional line item) the current year's compensated absence balances. This amount was previously reported "gross" in the General Long-Term Obligations Account Group. See page 2 of Appendix 2.
- Column 7 - Eliminates prior year long-term interest accrual. See page 49 of Appendix 2.
- Column 8 - Adds current year long-term interest accrual. See page 46 of Appendix 2.
- Column 9 - Eliminates the proceeds of general obligation bonds and debt service (principal) payments since bonds and notes payable are reported as a liability on the Government-Wide Statement of Net Assets. See pages 49 and 68 of Appendix 2.
- Column 10 - Capitalizes, thereby reducing, expenditures that meet the capitalization criteria and accounts for retirement/disposal of capital assets. See pages 47 and 48 of Appendix 2.
- Column 11 - Records the depreciation expense of capital assets by functional line item and accounts for the accumulated depreciation of retired/disposed capital assets. See page 48 of Appendix 2.

Column 12 - Records the activity of the Internal Service Fund. See page 73 of Appendix 2.

Column 13 - Assigns the appropriate portion (10% in this example, but determined by internal analysis) of the Internal Service Fund to Business-Type Activities.

Column 14 - Identifies the total revenues and total expenditures of the Governmental Activities on the Statement of Activities. See comments below.

Significant Issues

The “Fund Balances at End of Year” line at the bottom of the conversion schedule is directly traceable to the “Total Net Assets” line at the bottom of the Governmental Funds Balance Sheet Conversion to the Government-Wide Statement of Net Assets worksheet located on pages 45 and 46. Therefore the net “bottom-line” change is exactly the same when converting the Governmental Funds Balance Sheet to the Statement of Net Assets and converting the Governmental Funds Activity to the Statement of Activities.

The total expenditures identified in column 14 are directly traceable (by functional line item) to the expenditures identified in the Statement of Activities (page 65, Appendix 2).

The Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures identified in column 14 is directly traceable to the Change in Net Assets (page 66, Appendix 2).

Since the Statement of Activities is presented in a “net cost” format, several of the revenue types are not directly traceable to the Statement of Activities. Please read the narratives on the following pages that explain the revenue breakdown schedules.

Government-Wide Financial Statements – Schedule of Revenue Type Classifications (Page 55)

Narrative

This schedule provides a summary breakdown of the revenue classifications on the Statement of Activities, which is located on pages 65 and 66 of Appendix 2.

The following provides an explanation for each of the conversion worksheet's columns (indicated by a bolded number at the top of each column) and a reference to where the numbers are coming from and/or going to (if required):

Column 1 - Identifies the total revenues (by revenue type) from the conversion worksheet. See page 54 of Appendix 2.

Column 2 - Identifies the total program revenues (charges for services), by revenue type, reported on the Statement of Activities. See page 66 of Appendix 2.

Column 3 - Identifies the total program revenues (operating grants and contributions), by revenue type, reported on the Statement of Activities. See page 66 of Appendix 2.

Column 4 - Identifies the total program revenues (capital grants and contributions), by revenue type, reported on the Statement of Activities. See page 66 of Appendix 2.

Column 5 - Identifies the total general revenues, special items and transfers (net) reported on the Statement of Activities. These amounts can be individually traced to the Statement of Activities by revenue type. See page 66 of Appendix 2.

Significant Issue

This schedule is required to convert the revenues into the new financial statement format.

***Government-Wide Financial Statements – Schedule of General Revenues (by Revenue Type)
that are also Program Revenues (Page 57)***

Narrative

This schedule provides a detailed breakdown of the general revenue types that are also reported as program revenues. The amounts broken down on this schedule are derived from the Schedule of Revenue Type Classifications on pages 55 and 56 of Appendix 2.

Government-Wide Financial Statements – Schedule of Program Revenues (Charges for Services) Distribution to Functional Line Items (Page 58)

Narrative

This schedule provides a detailed breakdown (by functional line item) of the program revenues (charges for services) that are reported on the Statement of Activities. See page 66 of Appendix 2. The amounts broken down on this schedule are derived from the Schedule of Revenue Type Classifications on pages 55 and 56 of Appendix 2.

Government-Wide Financial Statements – Schedule of Program Revenues (Operating Grants and Contributions) Distribution to Functional Line Items (Page 60)

Narrative

This schedule provides a detailed breakdown (by functional line item) of the program revenues (operating grants and contributions) that are reported on the Statement of Activities. See page 66 of Appendix 2. The amounts broken down on this schedule are derived from the Schedule of Revenue Type Classifications on pages 55 and 56 of Appendix 2.

Conversion Worksheets

Narrative

Pages 30 through 63 of Appendix 2 contain conversion worksheets that are required to convert the old reporting model to the GASBS 34 reporting model.

CITY OF ANYWHERE, MASSACHUSETTS
FUND FINANCIAL STATEMENTS
GENERAL FUND BALANCE SHEET CONVERSION WORKSHEET

JUNE 30, 2000

| | 1 | GASBS 33 ADJUSTMENT |
|---|---|--|
| | General Fund Balance Sheet per FY 00 GPFS | 2 To record SBAB Reimbursement Receivable |
| ASSETS | | |
| Cash and short-term investments | \$ 10,689,966 | \$ - |
| Investments | 3,495,057 | |
| Receivables, net of allowance for uncollectibles: | | |
| Real estate and personal property taxes | 2,254,687 | |
| Tax liens | 2,645,456 | |
| Motor vehicle excise | 954,412 | |
| User fees | 410,256 | |
| Departmental and other | | |
| Intergovernmental | | 47,562,163 |
| Due from other funds | 129,080 | |
| Other assets | 116,449 | |
| TOTAL ASSETS | \$ 20,695,363 | \$ 47,562,163 |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES: | | |
| Warrants payable | \$ 1,545,641 | \$ - |
| Accrued liabilities | 385,460 | |
| Reserve for abatements/tax refunds payable | 877,987 | |
| Other liabilities | 215,365 | |
| Deferred revenues | 5,337,824 | 47,562,163 |
| TOTAL LIABILITIES | 8,362,277 | 47,562,163 |
| FUND BALANCES: | | |
| Reserved for: | | |
| Encumbrances and continuing appropriations | 1,352,465 | |
| Unreserved: | | |
| Designated for subsequent years' expenditures | 1,000,000 | |
| Undesignated | 9,980,621 | |
| Undesignated, reported in: | | |
| General fund | | |
| TOTAL FUND BALANCES | 12,333,086 | - |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 20,695,363 | \$ 47,562,163 |

| GASBS 34 RECLASSIFICATIONS | | | | |
|---|--|---------------------------|-------------------------------|---|
| 3 | 4 | 5 | 6 | 7 |
| To reclass Reserve for Abatements | To reclass ATB Case Liability (Tax Refunds) | To reclass Agency Fund | To reclass Fund Balance | General Fund Balance Sheet per GASBS 34 |
| \$ - | \$ - | \$ 229,485 | \$ - | \$ 10,919,451 |
| | | | | 3,495,057 |
| | | | | 2,254,687 |
| | | | | 2,645,456 |
| | | | | 954,412 |
| | | | | 410,256 |
| | | 155,086 | | 155,086 |
| | | | | 47,562,163 |
| | | | | 129,080 |
| | | | | 116,449 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 384,571</u> | <u>\$ -</u> | <u>\$ 68,642,097</u> |
| \$ - | \$ - | \$ 135,000 | \$ - | \$ 1,680,641 |
| (877,987) | 200,000 | | | 385,460 |
| | | 249,571 | | 200,000 |
| 877,987 | (200,000) | | | 464,936 |
| <u>-</u> | <u>-</u> | <u>384,571</u> | <u>-</u> | <u>53,577,974</u> |
| | | | | 1,352,465 |
| | | | | 1,000,000 |
| | | | (9,980,621) | - |
| | | | 9,980,621 | 9,980,621 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,333,086</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 384,571</u> | <u>\$ -</u> | <u>\$ 68,642,097</u> |

CITY OF ANYWHERE, MASSACHUSETTS
FUND FINANCIAL STATEMENTS
STABILIZATION FUND BALANCE SHEET CONVERSION WORKSHEET

JUNE 30, 2000

| | 1 | GASBS 34 RECLASSIFICATION | 3 |
|---------------------------------|--|--|--|
| | Stabilization Balance Sheet per FY 00 GPFS | 2 To reclass Expendable Trust Stabilization Funds | Stabilization Balance Sheet per GASBS 34 |
| ASSETS | | | |
| Cash and short-term investments | \$ - | \$ 4,211,493 | \$ 4,211,493 |
| FUND BALANCES | | | |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Stabilization | \$ - | \$ 4,211,493 | \$ 4,211,493 |

CITY OF ANYWHERE, MASSACHUSETTS

**FUND FINANCIAL STATEMENTS
DEBT SERVICE FUND BALANCE SHEET CONVERSION WORKSHEET**

JUNE 30, 2000

| | GASBS 34 RECLASSIFICATION | | |
|---------------------------------|--|--|--|
| | 1 Debt Service Fund Balance Sheet per FY00 GPFS | 2 To reclass Cash and Short-term investments and Investments | 3 Debt Service Balance Sheet per GASBS 34 |
| ASSETS | | | |
| Cash and short-term investments | \$ 210,291 | \$ (210,291) | \$ - |
| Investments | 10,144,364 | (10,144,364) | - |
| Cash - restricted | | 210,291 | 210,291 |
| Investments - restricted | | 10,144,364 | 10,144,364 |
| TOTAL ASSETS | \$ 10,354,655 | \$ - | \$ 10,354,655 |
| FUND BALANCE | | | |
| Reserved for: | | | |
| Debt service | \$ 10,354,655 | | \$ 10,354,655 |

CITY OF ANYWHERE, MASSACHUSETTS

**FUND FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS BALANCE SHEET CONVERSION WORKSHEET**

JUNE 30, 2000

| | 1 | 2 | 3 | 4 |
|---|--|---|---|--|
| | Special Revenue Fund Balance Sheet per FY 00 GPFS | Capital Projects Fund Balance Sheet per FY 00 GPFS | Trust and Agency Fund Balance Sheet per FY 00 GPFS | Nonmajor Governmental Funds Balance Sheet per FY 00 GPFS |
| ASSETS | | | | |
| Cash and short-term investments | \$ 6,736,932 | \$ 2,855,810 | \$ 10,565,023 | \$ 20,157,765 |
| Investments | | | 36,698,246 | 36,698,246 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Departmental and other | | | 434,086 | 434,086 |
| Interest and dividends | | | 337,972 | 337,972 |
| Intergovernmental | 365,508 | | 360,895 | 726,403 |
| Loans | 2,384,578 | | | 2,384,578 |
| Cash - restricted | | | | - |
| TOTAL ASSETS | \$ 9,487,018 | \$ 2,855,810 | \$ 48,396,222 | \$ 60,739,050 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Warrants payable | \$ 783,659 | \$ 2,278,023 | \$ 135,000 | \$ 3,196,682 |
| Accrued liabilities | 120,696 | | | 120,696 |
| Liabilities due depositors | | | 249,571 | 249,571 |
| Deferred revenues | | | | - |
| Due to other funds | 105,734 | 23,346 | | 129,080 |
| TOTAL LIABILITIES | 1,010,089 | 2,301,369 | 384,571 | 3,696,029 |
| FUND BALANCES: | | | | |
| Reserved for: | | | | |
| Stabilization | | | 4,211,493 | 4,211,493 |
| Loans | 2,384,578 | | | 2,384,578 |
| Pension benefits | | | 43,245,127 | 43,245,127 |
| Nonexpendable trusts | | | 99,521 | 99,521 |
| Perpetual permanent funds | | | | - |
| Other specific purposes | | | | - |
| Unreserved: | | | | |
| Undesignated | 6,092,351 | 554,441 | 455,510 | 7,102,302 |
| Undesignated, reported in: | | | | |
| Special revenue funds | | | | - |
| Capital projects funds | | | | - |
| Permanent funds | | | | - |
| TOTAL FUND BALANCES | 8,476,929 | 554,441 | 48,011,651 | 57,043,021 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 9,487,018 | \$ 2,855,810 | \$ 48,396,222 | \$ 60,739,050 |

| GASBS 33 ADJUSTMENTS | | GASBS 34 RECLASSIFICATIONS | | | | | |
|---|---|--|-------------------------------------|--|--|----------------------------------|-----------------------------------|
| 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| To record unbilled Chapter 90 Entitlement | To record unbilled Small Cities Grant Entitlement | To reclass Stabilization Funds to Major Fund | To reclass Pension Trust Fund | To reclass Private-Purpose Trust Funds | To reclass Agency Fund to General Fund | To reclass Special Revenue Funds | To reclass Capital Projects Funds |
| \$ - | \$ - | \$ (4,211,493) | \$ (5,569,014) (36,698,246) | \$ (166,609) | \$ (229,485) | \$ - | \$ - |
| | | | (279,000) (337,972) (360,895) | | (155,086) | | |
| 2,000,000 | 3,000,000 | | | | | | |
| <u>\$ 2,000,000</u> | <u>\$ 3,000,000</u> | <u>\$ (4,211,493)</u> | <u>\$ (43,245,127)</u> | <u>\$ (166,609)</u> | <u>\$ (384,571)</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ (135,000) | \$ - | \$ - |
| | | | | | (249,571) | | |
| 2,000,000 | 3,000,000 | | | | | | |
| <u>2,000,000</u> | <u>3,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(384,571)</u> | <u>-</u> | <u>-</u> |
| | | (4,211,493) | (43,245,127) | | | | |
| | | | | | | 2,356,417 | |
| | | | | (166,609) | | (6,092,351) | (554,441) |
| | | | | | | 3,735,934 | |
| | | | | | | | 554,441 |
| <u>-</u> | <u>-</u> | <u>(4,211,493)</u> | <u>(43,245,127)</u> | <u>(166,609)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 2,000,000</u> | <u>\$ 3,000,000</u> | <u>\$ (4,211,493)</u> | <u>\$ (43,245,127)</u> | <u>\$ (166,609)</u> | <u>\$ (384,571)</u> | <u>\$ -</u> | <u>\$ -</u> |

(Continued)

CITY OF ANYWHERE, MASSACHUSETTS
FUND FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS BALANCE SHEET CONVERSION WORKSHEET

JUNE 30, 2000

| | <u>GASBS 34 RECLASSIFICATIONS</u> | | 15 Nonmajor Governmental Funds Balance Sheet per GASBS 34 |
|---|---|--------------------------------------|---|
| | 13 | 14 | |
| | To reclass Trust Fund Cash Balances | To reclass Trust Fund Balances | |
| ASSETS | | | |
| Cash and short-term investments | \$ (388,422) | \$ - | \$ 9,592,742 |
| Investments | | | - |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other | | | - |
| Interest and dividends | | | - |
| Intergovernmental | | | 5,365,508 |
| Loans | | | 2,384,578 |
| Cash - restricted | <u>388,422</u> | | <u>388,422</u> |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,731,250</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Warrants payable | \$ - | \$ - | \$ 3,061,682 |
| Accrued liabilities | | | 120,696 |
| Liabilities due depositors | | | - |
| Deferred revenues | | | 5,000,000 |
| Due to other funds | | | <u>129,080</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>8,311,458</u> |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Stabilization | | | - |
| Loans | | | 2,384,578 |
| Pension benefits | | | - |
| Nonexpendable trusts | | (99,521) | - |
| Perpetual permanent funds | | 99,521 | 99,521 |
| Other specific purposes | | | 2,356,417 |
| Unreserved: | | | |
| Undesignated | | (288,901) | - |
| Undesignated, reported in: | | | |
| Special revenue funds | | | 3,735,934 |
| Capital projects funds | | | 554,441 |
| Permanent funds | | <u>288,901</u> | <u>288,901</u> |
| TOTAL FUND BALANCES | <u>-</u> | <u>-</u> | <u>9,419,792</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,731,250</u> |

(Concluded)

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CITY OF ANYWHERE, MASSACHUSETTS

**FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS
 PROPRIETARY FUND (ENTERPRISE FUND) STATEMENT OF NET ASSETS CONVERSION WORKSHEET**

JUNE 30, 2000

| | 1 | GASBS 34 RECLASS 2 | 3 |
|--|---|-----------------------------------|--|
| | Enterprise Fund per FY 00 GPFS | To Classify Balance Sheet | Fund Based Enterprise Fund Net Assets |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and short-term investments | \$ 3,933,697 | \$ (18,526) | \$ 3,915,171 |
| User fees, net of allowance for uncollectibles | 1,626,880 | | 1,626,880 |
| Internal balances | | | - |
| Total current assets | <u>5,560,577</u> | <u>(18,526)</u> | <u>5,542,051</u> |
| NONCURRENT: | | | |
| Restricted cash and short-term investments: | | | |
| Customer deposits | | 18,526 | 18,526 |
| Capital assets, net of accumulated depreciation | 13,458,439 | | 13,458,439 |
| Total noncurrent assets | <u>13,458,439</u> | <u>18,526</u> | <u>13,476,965</u> |
| TOTAL ASSETS | <u>19,019,016</u> | <u>-</u> | <u>19,019,016</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable | 345,861 | | 345,861 |
| Accrued liabilities | 1,254 | | 1,254 |
| Liabilities due depositors | 18,526 | (18,526) | - |
| Bonds and notes payable | 5,997,691 | (5,313,236) | 684,455 |
| Compensated absences | 16,900 | (15,210) | 1,690 |
| Total current liabilities | <u>6,380,232</u> | <u>(5,346,972)</u> | <u>1,033,260</u> |
| CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS: | | | |
| Customer deposits payable | | 18,526 | 18,526 |
| NONCURRENT: | | | |
| Bonds and notes payable | | 5,313,236 | 5,313,236 |
| Compensated absences | | 15,210 | 15,210 |
| Total noncurrent liabilities | <u>-</u> | <u>5,328,446</u> | <u>5,328,446</u> |
| TOTAL LIABILITIES | <u>6,380,232</u> | <u>-</u> | <u>6,380,232</u> |
| NET ASSETS | | | |
| Contributed capital | 3,691,106 | (3,691,106) | - |
| Retained earnings | 8,947,678 | (8,947,678) | - |
| Invested in capital assets, net of related debt | | | - |
| Unrestricted | | 12,638,784 | 12,638,784 |
| TOTAL NET ASSETS | <u>\$ 12,638,784</u> | <u>\$ -</u> | <u>\$ 12,638,784</u> |

| <u>GASBS 34</u> <u>ADJUSTMENT</u> <u>4</u> | <u>GASBS 34</u> <u>RECLASS</u> <u>5</u> | <u>6</u> Business-type Activities - Enterprise Fund per GASBS 34 |
|--|---|--|
| Internal Service Fund Allocation | To Reclassify Net Assets | |
| \$ - | \$ | \$ 3,915,171 |
| (9,633) | | 1,626,880 |
| <u>(9,633)</u> | | <u>(9,633)</u> |
| <u>(9,633)</u> | - | <u>5,532,418</u> |
| | | 18,526 |
| | | <u>13,458,439</u> |
| - | - | <u>13,476,965</u> |
| <u>(9,633)</u> | - | <u>19,009,383</u> |
| | | 345,861 |
| | | 1,254 |
| | | - |
| | | 684,455 |
| | | 1,690 |
| - | - | <u>1,033,260</u> |
| | | <u>18,526</u> |
| | | 5,313,236 |
| | | 15,210 |
| - | - | <u>5,328,446</u> |
| - | - | <u>6,380,232</u> |
| | | - |
| | | - |
| <u>(9,633)</u> | 7,460,748 <u>(7,460,748)</u> | 7,460,748 <u>5,168,403</u> |
| <u>\$ (9,633)</u> | <u>\$ -</u> | <u>\$ 12,629,151</u> |

CITY OF ANYWHERE, MASSACHUSETTS

**FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS
 PROPRIETARY FUND (INTERNAL SERVICE FUND) STATEMENT OF NET ASSETS CONVERSION WORKSHEET**

JUNE 30, 2000

CLASSIFICATION CHANGES ONLY

| | 1 | GASBS 34 RECLASS | 3 |
|---------------------------------|---|--|--|
| | Internal * Service Funds per FY 00 GPFS | 2 Reclass to Governmental Activities | Internal Service Fund per GASBS 34 |
| | | ** | |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and short-term investments | \$ 603,670 | \$ (603,670) | \$ - |
| NONCURRENT: | | | |
| Other assets | 165,000 | (165,000) | - |
| TOTAL ASSETS | <u>768,670</u> | <u>(768,670)</u> | <u>-</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Accrued liabilities | 865,000 | (865,000) | - |
| NET ASSETS | | | |
| Unrestricted | \$ <u>(96,330)</u> | \$ <u>96,330</u> | \$ <u>-</u> |

* Represents the balances per the FY 00 GPFS and Fund Based Statement of Net Assets (Proprietary Funds).

** If the Internal Service Fund provides services to an Enterprise Fund, an internal balance must be booked between the Governmental Activities and the Business-Type Activities for the Enterprise Fund's proportionate share of the Internal Service Fund's net assets (only if material).

CITY OF ANYWHERE, MASSACHUSETTS

FUND FINANCIAL STATEMENTS
 FIDUCIARY FUNDS (PRIVATE-PURPOSE TRUST FUND) STATEMENT OF NET ASSETS CONVERSION WORKSHEET

JUNE 30, 2000

| | 1 | GASBS 34 RECLASS | 3 | |
|---|---|---|--|---|
| | Private Purpose Trust Funds per FY 00 GPFS | 2 Reclass from Expendable Trust Fund | Private- Purpose Trust Funds- GASBS 34 | * |
| ASSETS | | | | |
| Cash and short-term investments | \$ - | \$ 166,609 | \$ 166,609 | |
| NET ASSETS | | | | |
| Held in trust for pension benefits and other purposes | \$ - | \$ 166,609 | \$ 166,609 | |

* Private-purpose trust funds are not reported in the Government-Wide financial statements.

CITY OF ANYWHERE, MASSACHUSETTS

FUND FINANCIAL STATEMENTS

JUNE 30, 2000

| | 1 | GASBS 34 RECLASS | 3 |
|---|---|--|--|
| | Pension Trust Fund per FY 00 GPFS | 2 Reclass from Trust & Agency Fund | Pension Trust Fund per GASBS 34 |
| ASSETS | | | |
| Cash and short-term investments | \$ - | \$ 5,569,014 | \$ 5,569,014 |
| Investments | - | 36,698,246 | 36,698,246 |
| Receivables, net of allowance for uncollectibles: | | | |
| Interest and dividends | - | 337,972 | 337,972 |
| Intergovernmental | - | 360,895 | 360,895 |
| Departmental and other | - | 279,000 | 279,000 |
| TOTAL ASSETS | - | 43,245,127 | 43,245,127 |
| NET ASSETS | | | |
| Held in trust for pension benefits and other purposes | \$ - | \$ 43,245,127 | \$ 43,245,127 |

* Pension trust funds are not reported in the Government-Wide financial statements.

CITY OF ANYWHERE, MASSACHUSETTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS
COMPONENT UNIT STATEMENT OF NET ASSETS CONVERSION WORKSHEET

JUNE 30, 2000

| | 1 | GASBS 34 RECLASS | 3 |
|---|--|--|---|
| | Component Units per FY 00 GPFS | 2 To Classify Net Assets | Component Units per GASBS 34 |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and short-term investments | \$ 3,898,021 | \$ | \$ 3,898,021 |
| Investments | 2,500,000 | | 2,500,000 |
| Other assets | 7,823 | | 7,823 |
| Total current assets | <u>6,405,844</u> | - | <u>6,405,844</u> |
| NONCURRENT: | | | |
| Capital assets, net of accumulated depreciation | <u>1,312,543</u> | | <u>1,312,543</u> |
| TOTAL ASSETS | <u>7,718,387</u> | - | <u>7,718,387</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable | 84,561 | | 84,561 |
| Accrued liabilities | 23,521 | | 23,521 |
| Other liabilities | 15,000 | | 15,000 |
| Total current liabilities | <u>123,082</u> | - | <u>123,082</u> |
| NET ASSETS | | | |
| Retained earnings | 7,595,305 | (7,595,305) | - |
| Invested in capital assets, net of related debt | | 1,312,543 | 1,312,543 |
| Unrestricted | | <u>6,282,762</u> | <u>6,282,762</u> |
| TOTAL NET ASSETS | <u>\$ 7,595,305</u> | <u>\$ -</u> | <u>\$ 7,595,305</u> |

* Component units are only required to be reported on the Government-Wide financial statements.

CITY OF ANYWHERE, MASSACHUSETTS

FUND FINANCIAL STATEMENTS
TOTAL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND ACTIVITY CONVERSION

FISCAL YEAR ENDED JUNE 30, 2000

| | 1 | 2 | 3 |
|---|--|---|----------------------|
| | Total column of FY 2000 Statement of Revenues & Expenditures (Governmental Funds) GPFS | Total column of FY 2000 Statement of Revenues & Expenses (Nonexpendable Trust Funds) GPFS | Sub-total |
| REVENUES: | | | |
| Real estate and personal property taxes, net of tax refunds | \$ 28,489,794 | \$ - | \$ 28,489,794 |
| Motor vehicle and other excise taxes | 4,195,437 | | 4,195,437 |
| Penalties and interest on taxes | 899,346 | | 899,346 |
| Licenses and permits | 1,226,813 | | 1,226,813 |
| Intergovernmental | 79,683,853 | | 79,683,853 |
| Charges for services | 3,054,534 | | 3,054,534 |
| Fines and forfeitures | 1,509,752 | | 1,509,752 |
| Investment income | 3,504,673 | | 3,504,673 |
| Sale of urban renewal land | 1,000,000 | | 1,000,000 |
| Contributions and donations | 986,576 | | 986,576 |
| Payments in lieu of taxes | 1,445,000 | | 1,445,000 |
| Miscellaneous | 436,245 | | 436,245 |
| TOTAL REVENUES | 126,432,023 | - | 126,432,023 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 3,436,386 | | 3,436,386 |
| Public safety | 15,748,680 | | 15,748,680 |
| Education | 58,713,838 | | 58,713,838 |
| Public works | 5,166,221 | | 5,166,221 |
| Community and economic development | 1,613,958 | | 1,613,958 |
| Health and human services | 1,687,955 | | 1,687,955 |
| Culture and recreation | 441,479 | | 441,479 |
| Pension benefits | 9,330,986 | | 9,330,986 |
| Property and liability insurance | 204,266 | | 204,266 |
| Fringe benefits | 7,219,304 | | 7,219,304 |
| Claims and judgments | 156,831 | | 156,831 |
| State and county charges | 1,974,875 | | 1,974,875 |
| Capital outlay | 7,098,959 | | 7,098,959 |
| Debt service: | | | |
| Principal | 8,019,805 | | 8,019,805 |
| Interest | 6,506,738 | | 6,506,738 |
| TOTAL EXPENDITURES | 127,320,281 | - | 127,320,281 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (888,258) | - | (888,258) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 4,307,585 | | 4,307,585 |
| Transfers out | (3,400,286) | | (3,400,286) |
| Proceeds of general obligation bonds | 3,000,000 | | 3,000,000 |
| Sale of capital assets | - | | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 3,907,299 | - | 3,907,299 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | 3,019,041 | - | 3,019,041 |
| FUND BALANCES AT BEGINNING OF YEAR | 33,367,073 | 99,521 | 33,466,594 |
| FUND BALANCES AT END OF YEAR | \$ 36,386,114 | \$ 99,521 | \$ 36,485,635 |

| 4 | 5 | 6 | 7 |
|--|---|---|---|
| To reclassify Private-purpose Trust Funds to Fiduciary Activities | To reclassify Nonmajor Capital Project Expenditures by Function | To reclassify Sales of Capital Assets | Total Governmental Funds per GASBS 34 |
| \$ - | \$ - | \$ - | \$ 28,489,794 |
| | | | 4,195,437 |
| | | | 899,346 |
| | | | 1,226,813 |
| | | | 79,683,853 |
| | | | 3,054,534 |
| | | | 1,509,752 |
| | | | 3,504,673 |
| (145,000) | | (1,000,000) | - |
| | | | 841,576 |
| | | | 1,445,000 |
| | | | 436,245 |
| <u>(145,000)</u> | <u>-</u> | <u>(1,000,000)</u> | <u>125,287,023</u> |
| | 294,409 | | 3,730,795 |
| | 511,910 | | 16,260,590 |
| (59,554) | 1,643,688 | | 60,297,972 |
| | 2,860,999 | | 8,027,220 |
| | 476,071 | | 2,090,029 |
| | 110,650 | | 1,798,605 |
| | 1,201,232 | | 1,642,711 |
| | | | 9,330,986 |
| | | | 204,266 |
| | | | 7,219,304 |
| | | | 156,831 |
| | | | 1,974,875 |
| | (7,098,959) | | - |
| | | | 8,019,805 |
| | | | 6,506,738 |
| <u>(59,554)</u> | <u>-</u> | <u>-</u> | <u>127,260,727</u> |
| <u>(85,446)</u> | <u>-</u> | <u>(1,000,000)</u> | <u>(1,973,704)</u> |
| | | | 4,307,585 |
| | | | (3,400,286) |
| | | 1,000,000 | 3,000,000 |
| | | | 1,000,000 |
| <u>-</u> | <u>-</u> | <u>1,000,000</u> | <u>4,907,299</u> |
| (85,446) | - | - | 2,933,595 |
| <u>(81,163)</u> | <u>-</u> | <u>-</u> | <u>33,385,431</u> |
| <u>\$ (166,609)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 36,319,026</u> |

CITY OF ANYWHERE, MASSACHUSETTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
 TOTAL GOVERNMENTAL FUNDS BALANCE SHEET CONVERSION TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS

JUNE 30, 2000

| | 1 | 2 | 3 | 4 |
|---|--|---|------------------------------|---|
| | Fund Based Total Governmental Funds | Elimination of Intrafund Balances | Cost of Capital Assets | Accumulated Depreciation of Capital Assets |
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and short-term investments | \$ 24,723,686 | \$ | \$ | \$ |
| Investments | 3,495,057 | | | |
| Receivables, net of allowance for uncollectibles: | | | | |
| Real estate and personal property taxes | 2,254,687 | | | |
| Tax liens | 2,645,456 | | | |
| Motor vehicle excise | 954,412 | | | |
| User fees | 410,256 | | | |
| Departmental and other | 155,086 | | | |
| Intergovernmental | 52,927,671 | | | |
| Loans | 2,384,578 | | | |
| Due from other funds | 129,080 | (129,080) | | |
| Internal balances | | | | |
| Other assets | 116,449 | | | |
| NONCURRENT: | | | | |
| Restricted: | | | | |
| Cash | 598,713 | | | |
| Investments | 10,144,364 | | | |
| Receivables, net of allowance for uncollectibles | | | | |
| Capital assets, net of accumulated depreciation | | | 209,739,869 | (81,712,424) |
| TOTAL ASSETS | <u>100,939,495</u> | <u>(129,080)</u> | <u>209,739,869</u> | <u>(81,712,424)</u> |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Warrants payable | 4,742,323 | | | |
| Accrued liabilities | 506,156 | | | |
| Tax refunds payable | 200,000 | | | |
| Other liabilities | 464,936 | | | |
| Deferred revenues | 58,577,974 | | | |
| Due to other funds | 129,080 | (129,080) | | |
| Accrued interest | | | | |
| Bonds and notes payable | | | | |
| Compensated absences | | | | |
| Workers' compensation | | | | |
| NONCURRENT: | | | | |
| Bonds and notes payable | | | | |
| Compensated absences | | | | |
| Workers' compensation | | | | |
| TOTAL LIABILITIES | <u>64,620,469</u> | <u>(129,080)</u> | <u>-</u> | <u>-</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | | | 209,739,869 | (81,712,424) |
| Restricted for: | | | | |
| Capital projects | 554,441 | | | |
| Debt service | 10,354,655 | | | |
| Streets | | | | |
| Community development | | | | |
| Loans | 2,384,578 | | | |
| Perpetual funds: | | | | |
| Expendable | 288,901 | | | |
| Nonexpendable | 99,521 | | | |
| Other purposes | 2,356,417 | | | |
| Unrestricted | 20,280,513 | | | |
| TOTAL NET ASSETS | <u>\$ 36,319,026</u> | <u>\$ -</u> | <u>\$ 209,739,869</u> | <u>\$ (81,712,424)</u> |

| 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|-----------------------------------|--|---|--|--|--|--|
| Outstanding Governmental Bonds Payable | Compensated Absence Balance | Accrue Long-term Interest Payable | Recognize Revenue for Full Accrual | Reclass of Internal Service Fund | Assign Business-Type Activities portion of Internal Service Fund | Reclassify Long-term portion of Chapter 645 Receivable | Government- Wide Governmental Activities Total |
| \$ | \$ | \$ | \$ | \$ | 603,670 | \$ | \$ |
| | | | | | | | 25,327,356 |
| | | | | | | | 3,495,057 |
| | | | | | | | 2,254,687 |
| | | | | | | | 2,645,456 |
| | | | | | | | 954,412 |
| | | | | | | | 410,256 |
| | | | | | | | 155,086 |
| | | | | | | (42,150,103) | 10,777,568 |
| | | | | | | | 2,384,578 |
| | | | | | | | - |
| | | | | | | | 9,633 |
| | | | | 165,000 | | 9,633 | 281,449 |
| | | | | | | | 598,713 |
| | | | | | | | 10,144,364 |
| | | | | | | 42,150,103 | 42,150,103 |
| | | | | | | | 128,027,445 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>768,670</u> | <u>9,633</u> | <u>-</u> | <u>229,616,163</u> |
| | | | | | | | 4,742,323 |
| | | | | | | | 630,456 |
| | | | | | | | 200,000 |
| | | | | | | | 464,936 |
| | | | (58,577,974) | | | | - |
| | | | | | | | - |
| | | 650,674 | | | | | 650,674 |
| 6,528,849 | | | | | | | 6,528,849 |
| | 235,136 | | | | | | 235,136 |
| | | | | 375,013 | | | 375,013 |
| 89,101,092 | | | | | | | 89,101,092 |
| | 2,116,223 | | | | | | 2,116,223 |
| | | | | <u>365,687</u> | | | <u>365,687</u> |
| <u>95,629,941</u> | <u>2,351,359</u> | <u>650,674</u> | <u>(58,577,974)</u> | <u>865,000</u> | <u>-</u> | <u>-</u> | <u>105,410,389</u> |
| (95,629,941) | | | 47,600,163 | | | | 79,997,667 |
| | | | | | | | 554,441 |
| | | | | | | | 10,354,655 |
| | | | 2,000,000 | | | | 2,000,000 |
| | | | 3,000,000 | | | | 3,000,000 |
| | | | | | | | 2,384,578 |
| | | | | | | | 288,901 |
| | | | | | | | 99,521 |
| | | | | | | | 2,356,417 |
| | | | | | | | 23,169,594 |
| <u>\$ (95,629,941)</u> | <u>\$ (2,351,359)</u> | <u>\$ (650,674)</u> | <u>\$ 5,977,811</u> | <u>\$ (96,330)</u> | <u>\$ 9,633</u> | <u>\$ -</u> | <u>\$ 124,205,774</u> |

CITY OF ANYWHERE, MASSACHUSETTS
SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION

JUNE 30, 2000

| <u>Function:</u> | 1 | <i>Functional Activity</i> | | 4 |
|--|--|----------------------------|------------------------------|--|
| | Cost of Capital Assets at beginning of year | 2 FY 2000 Additions | 3 FY 2000 Retirements | Cost of Capital Assets at end of year |
| General government | \$ 1,614,138 | \$ 424,868 | \$ (238,546) | \$ 1,800,460 |
| Public safety | 5,433,805 | 1,636,765 | (200,000) | 6,870,570 |
| Education | 110,051,880 | 1,941,933 | (913,245) | 111,080,568 |
| Public works | 73,456,011 | 3,307,635 | (125,980) | 76,637,666 |
| Health and human services | 1,354,621 | 110,650 | (45,890) | 1,419,381 |
| Culture and recreation | 1,254,632 | 1,201,232 | (28,300) | 2,427,564 |
| Community and economic development | 9,777,589 | 476,071 | (750,000) | 9,503,660 |
| Total by function | \$ <u>202,942,676</u> | 9,099,154 | \$ <u>(2,301,961)</u> | \$ <u>209,739,869</u> |
| | | A | B | |
| <u>Capitalizable expenditures were incurred in the following Governmental Funds:</u> | | | | |
| General Fund | | (2,000,195) | | |
| Capital Projects Fund | | <u>(7,098,959)</u> | | |
| Variance | | \$ <u>-</u> | | |

**Functional Depreciation Expense and
Accumulated Depreciation**

| <u>5</u> | <u>6</u> | <u>7</u> | <u>8</u> | <u>9</u> |
|--|---|--|--|------------------------|
| Accumulated Depreciation at beginning of year | Accumulated Depreciation of Retired Capital Assets | Fiscal Year 2000 Depreciation Expense | Accumulated Depreciation at End of Year | Capital Assets, net |
| \$ 470,717 | \$ (238,546) | 54,582 | \$ 286,753 | \$ 1,513,707 |
| 1,584,613 | (200,000) | 183,745 | 1,568,358 | 5,302,212 |
| 32,093,462 | (913,245) | 1,721,425 | 32,901,642 | 78,178,926 |
| 41,007,846 | (125,980) | 2,116,866 | 42,998,732 | 33,638,934 |
| 395,036 | (45,890) | 45,807 | 394,953 | 1,024,428 |
| 365,877 | (28,300) | 42,426 | 380,003 | 2,047,561 |
| 2,851,352 | 0 | 330,631 | 3,181,983 | 6,321,677 |
| <u>\$ 78,768,903</u> | <u>\$ (1,551,961)</u> | <u>4,495,482</u> | <u>\$ 81,712,424</u> | <u>\$ 128,027,445</u> |
| | B | C | | |

A Capital Asset Additions Journal Entry

| | | | |
|--------------------|-----------|-----------|--|
| Dr. Capital assets | 9,099,154 | | |
| Cr. Expenditures | | 9,099,154 | |

B Capital Asset Retirements Journal Entry

| | | | |
|------------------------------|-----------|-----------|--|
| Dr. Cash | 1,000,000 | | |
| Dr. Accumulated depreciation | 1,551,961 | | |
| Cr. Capital assets | | 2,301,961 | |
| Cr. Gain on sale of land | | 250,000 | |

C Capital Asset Depreciation Journal Entry

| | | | |
|------------------------------|-----------|-----------|--|
| Dr. Depreciation expense | 4,495,482 | | |
| Cr. Accumulated depreciation | | 4,495,482 | |

CITY OF ANYWHERE, MASSACHUSETTS
PRIOR PERIOD ADJUSTMENT ANALYSIS - STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2000

Governmental Activities

Governmental Activities Fund Balances/Retained Earnings at June 30, 1999:

Reference

| | | | |
|---|----|-------------------|------------------------------|
| General Fund | \$ | 9,025,783 | Appendix 2, page 3 |
| Special Revenue Fund | | 7,837,120 | Appendix 2, page 3 |
| Debt Service Reserve Fund | | 9,524,708 | Appendix 2, page 3 |
| Capital Projects Fund | | 3,934,950 | Appendix 2, page 3 |
| Trust Funds (now Permanent Funds) | | | |
| Pension Trust Fund | | 41,316,240 | Appendix 2, page 7 |
| Expendable Trust Funds | | 3,044,512 | Appendix 2, page 3 |
| Nonexpendable Trust Funds | | <u>99,521</u> | Appendix 2, page 5 |
| Total Trust Funds | | 44,460,273 | |
| Less: | | | |
| Pension Trust Fund | | (41,316,240) | From above |
| Private-Purpose Trust Funds | | <u>(81,163)</u> | Appendix 2, page 44 |
| Total Permanent Funds | | 3,062,870 | |
| Internal Service Fund: | | | |
| Internal Service Fund | | 208,856 | Appendix 2, page 5 |
| Internal Service Fund Retained Earnings attributable to Business-Type Activities | | <u>(20,886)</u> | 10% of ISF retained earnings |
| Total Internal Service Fund Retained Earnings attributable to Governmental Activities | | <u>187,970</u> | |
| Total Governmental Activities Fund Balances/ Retained Earnings at June 30, 1999 | | <u>33,573,401</u> | |

Other Adjustments:

| | | | |
|--|-----------|---------------------------|---------------------------|
| Capital assets (net) at June 30, 1999 | | 124,173,773 | App. 2, pages 47, 48 & 53 |
| Outstanding governmental bonds and notes payable at June 30, 1999 | | (100,649,746) | Appendix 2, page 52 |
| Governmental compensated absence balance at June 30, 1999 | | (2,131,182) | Appendix 2, page 52 |
| Elimination of deferred revenues at June 30, 1999 | | 63,297,426 | Appendix 2, page 51 |
| Accrued interest payable at June 30, 1999 | | <u>(717,089)</u> | Appendix 2, page 52 |
| Total other adjustments at June 30, 1999 | | <u>83,973,182</u> | |
| Governmental Activities balance at June 30, 1999 | \$ | <u>117,546,583</u> | Appendix 2, pages 54 & 66 |

CITY OF ANYWHERE, MASSACHUSETTS
PRIOR PERIOD ADJUSTMENT ANALYSIS - STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2000

| <i>Business-Type Activities</i> | | <u>Reference</u> |
|---|-----------------------------|---|
| Enterprise Fund Retained Earnings at June 30, 1999 | \$ 8,614,689 | Appendix 2, page 5 |
| Enterprise Fund Contributed Capital at June 30, 1999 | <u>3,897,258</u> | Appendix 2, page 5 |
| Total Enterprise Fund equity at June 30, 1999 (as newly defined) | <u>12,511,947</u> | |
| <u>Adjustments:</u> | | |
| Internal Service Fund Retained Earnings attributable to Enterprise Fund | <u>20,886</u> | 10% of prior year retained earnings, Appendix 2, page 5 |
| <i>Business-Type Activities balance at June 30, 1999</i> | <u>\$ 12,532,833</u> | Appendix 2, page 66 |

CITY OF ANYWHERE, MASSACHUSETTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS
TOTAL FUND FINANCIAL STATEMENTS GOVERNMENTAL FUNDS ACTIVITY
CONVERSION TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2000

| | 1 | 2 | 3 |
|---|--|--|--|
| | Fund Based Total Governmental Funds | Eliminate Prior year Deferred Revenue | Eliminate Current year Deferred Revenue |
| REVENUES: | | | |
| Real estate and personal property taxes, net of tax refunds | \$ 28,489,794 | \$ (4,260,938) | \$ 4,130,549 |
| Motor vehicle and other excise taxes | 4,195,437 | (1,354,621) | 954,412 |
| Penalties and interest on taxes | 899,346 | | |
| Licenses and permits | 1,226,813 | | |
| Intergovernmental | 79,683,853 | (57,180,613) | 52,927,671 |
| Charges for services | 3,054,534 | (501,254) | 410,256 |
| Fines and forfeitures | 1,509,752 | | |
| Investment income | 3,504,673 | | |
| Contributions and donations | 841,576 | | |
| Payments in lieu of taxes | 1,445,000 | | |
| Miscellaneous | 436,245 | | 155,086 |
| TOTAL REVENUES | 125,287,023 | (63,297,426) | 58,577,974 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 3,730,795 | | |
| Public safety | 16,260,590 | | |
| Education | 60,297,972 | | |
| Public works | 8,027,220 | | |
| Community and economic development | 2,090,029 | | |
| Health and human services | 1,798,605 | | |
| Culture and recreation | 1,642,711 | | |
| Pension benefits | 9,330,986 | | |
| Property and liability insurance | 204,266 | | |
| Fringe benefits | 7,219,304 | | |
| Claims and judgments | 156,831 | | |
| State and county charges | 1,974,875 | | |
| Debt service: | | | |
| Principal | 8,019,805 | | |
| Interest | 6,506,738 | | |
| TOTAL EXPENDITURES | 127,260,727 | - | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,973,704) | (63,297,426) | 58,577,974 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 4,307,585 | | |
| Transfers out | (3,400,286) | | |
| Proceeds of general obligation bonds | 3,000,000 | | |
| Sale and disposal of capital assets | 1,000,000 | | |
| TOTAL OTHER FINANCING SOURCES (USES) | 4,907,299 | - | - |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | 2,933,595 | (63,297,426) | 58,577,974 |
| FUND BALANCES AT BEGINNING OF YEAR | 33,385,431 | 63,297,426 | |
| FUND BALANCES AT END OF YEAR | \$ 36,319,026 | \$ - | \$ 58,577,974 |

| 4 | 5 | 6 | 7 | 8 | 9 |
|--|--|--|---|---|--|
| Eliminate Governmental Transfers | Eliminate Prior year Compensated Absence Liability | Add Current year Compensated Absence Liability | Eliminate Prior year Long-term Interest Accrual | Add Current year Long-term Interest Accrual | To record Long-Term Debt Activity |
| \$ | \$ | \$ | \$ | \$ | \$ |
| - | - | - | - | - | - |
| | (393,576) | 454,777 | | | |
| | (668,891) | 675,864 | | | |
| | (63,800) | 62,231 | | | |
| | (839,922) | 982,078 | | | |
| | (54,247) | 67,553 | | | |
| | (110,746) | 108,856 | | | |
| | | | (717,089) | 650,674 | (8,019,805) |
| - | (2,131,182) | 2,351,359 | (717,089) | 650,674 | (8,019,805) |
| - | 2,131,182 | (2,351,359) | 717,089 | (650,674) | 8,019,805 |
| (3,407,585) | | | | | |
| 3,407,585 | | | | | (3,000,000) |
| - | - | - | - | - | (3,000,000) |
| - | 2,131,182 | (2,351,359) | 717,089 | (650,674) | 5,019,805 |
| | (2,131,182) | | (717,089) | | (100,649,746) |
| \$ - | \$ - | \$ (2,351,359) | \$ - | \$ (650,674) | \$ (95,629,941) |

(Continued)

CITY OF ANYWHERE, MASSACHUSETTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
 TOTAL FUND FINANCIAL STATEMENTS GOVERNMENTAL FUNDS ACTIVITY
 CONVERSION TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2000

| | 10 | 11 |
|---|--|--|
| | To record Capital Asset Cost Activity | To record Accumulated Depreciation Activity |
| | <u> </u> | <u> </u> |
| <u>REVENUES:</u> | | |
| Real estate and personal property taxes, net of tax refunds | \$ | \$ |
| Motor vehicle and other excise taxes | | |
| Penalties and interest on taxes | | |
| Licenses and permits | | |
| Intergovernmental | | |
| Charges for services | | |
| Fines and forfeitures | | |
| Investment income | | |
| Contributions and donations | | |
| Payments in lieu of taxes | | |
| Miscellaneous | | |
| | <u> </u> | <u> </u> |
| TOTAL REVENUES | <u> -</u> | <u> -</u> |
| <u>EXPENDITURES:</u> | | |
| Current: | | |
| General government | (424,868) | 54,582 |
| Public safety | (1,636,765) | 183,745 |
| Education | (1,941,933) | 1,721,425 |
| Public works | (3,307,635) | 2,116,866 |
| Community and economic development | (476,071) | 330,631 |
| Health and human services | (110,650) | 45,807 |
| Culture and recreation | (1,201,232) | 42,426 |
| Pension benefits | | |
| Property and liability insurance | | |
| Fringe benefits | | |
| Claims and judgments | | |
| State and county charges | | |
| Debt service: | | |
| Principal | | |
| Interest | | |
| | <u> </u> | <u> </u> |
| TOTAL EXPENDITURES | <u> (9,099,154)</u> | <u> 4,495,482</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u> 9,099,154</u> | <u> (4,495,482)</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | |
| Transfers in | | |
| Transfers out | | |
| Proceeds of general obligation bonds | | |
| Sale and disposal of capital assets | (2,301,961) | 1,551,961 |
| | <u> </u> | <u> </u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u> (2,301,961)</u> | <u> 1,551,961</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | 6,797,193 | (2,943,521) |
| FUND BALANCES AT BEGINNING OF YEAR | <u>202,942,676</u> | <u>(78,768,903)</u> |
| FUND BALANCES AT END OF YEAR | <u>\$ 209,739,869</u> | <u>\$ (81,712,424)</u> |

| 12 | 13 | 14 |
|---|--|--|
| To record Internal Service Fund Activity | Assign Business-Type Activities portion of Internal Service Fund | Government- Wide Governmental Activities Total |
| \$ | \$ | \$ |
| | | 28,359,405 |
| | | 3,795,228 |
| | | 899,346 |
| | | 1,226,813 |
| | | 75,430,911 |
| | | 2,963,536 |
| | | 1,509,752 |
| 7,299 | | 3,511,972 |
| | | 841,576 |
| | | 1,445,000 |
| | | 591,331 |
| <u>7,299</u> | <u>-</u> | <u>120,574,870</u> |
| | | 3,421,710 |
| | | 14,814,543 |
| | | 60,075,895 |
| | | 6,978,607 |
| | | 1,944,589 |
| | | 1,747,068 |
| | | 482,015 |
| | | 9,330,986 |
| | | 204,266 |
| 305,186 | (30,519) | 7,493,971 |
| | | 156,831 |
| | | 1,974,875 |
| | | - |
| | | 6,440,323 |
| <u>305,186</u> | <u>(30,519)</u> | <u>115,065,679</u> |
| <u>(297,887)</u> | <u>30,519</u> | <u>5,509,191</u> |
| | | 900,000 |
| (7,299) | | - |
| | | - |
| | | 250,000 |
| <u>(7,299)</u> | <u>-</u> | <u>1,150,000</u> |
| (305,186) | 30,519 | 6,659,191 |
| <u>208,856</u> | <u>(20,886)</u> | <u>117,546,583</u> |
| <u>\$ (96,330)</u> | <u>\$ 9,633</u> | <u>\$ 124,205,774</u> |

(Concluded)

CITY OF ANYWHERE, MASSACHUSETTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
SCHEDULE OF REVENUE TYPE CLASSIFICATIONS

FISCAL YEAR ENDED JUNE 30, 2000

| | 1 Government- Wide Governmental Activities Total | 2 <i>Program Revenues</i> Charges for Services |
|--|---|---|
| Real estate and personal property taxes, net of tax refunds | \$ 28,359,405 | \$ - |
| Motor vehicle and other excise taxes | 3,795,228 | - |
| Penalties and interest on taxes | 899,346 | - |
| Licenses and permits | 1,226,813 | 1,226,813 |
| Intergovernmental | 75,430,911 | - |
| Charges for services | 2,963,536 | 2,963,536 |
| Fines and forfeitures | 1,509,752 | 1,509,752 |
| Investment income | 3,511,972 | - |
| Contributions and donations | 841,576 | - |
| Payments in lieu of taxes | 1,445,000 | - |
| Miscellaneous | 591,331 | - |
| Sub-total | <u>120,574,870</u> | <u>5,700,101</u> |
| Gain on sales of land | 250,000 | - |
| Transfers, net | 900,000 | - |
| Sub-total | <u>1,150,000</u> | <u>-</u> |
| Totals | \$ <u>121,724,870</u> | \$ <u>5,700,101</u> |

| | 3 | 4 | 5 |
|----|---------------------------------------|-------------------------------------|--|
| | Program Revenues | | General Revenue, Special Items and Transfers (net) |
| | Operating Grants and Contributions | Capital Grants and Contributions | |
| \$ | - | - | \$ 28,359,405 |
| | - | - | 3,795,228 |
| | - | - | 899,346 |
| | - | - | - |
| | 65,463,440 | 119,042 | 9,848,429 |
| | - | - | - |
| | - | - | - |
| | 1,630,858 | 67,664 | 1,813,450 |
| | 841,576 | - | - |
| | 45,000 | - | 1,400,000 |
| | - | - | 591,331 |
| | <u>67,980,874</u> | <u>186,706</u> | <u>46,707,189</u> |
| | - | - | 250,000 |
| | - | - | 900,000 |
| | <u>-</u> | <u>-</u> | <u>1,150,000</u> |
| \$ | <u><u>67,980,874</u></u> | <u><u>186,706</u></u> | <u><u>\$ 47,857,189</u></u> |

CITY OF ANYWHERE, MASSACHUSETTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
 SCHEDULE OF GENERAL REVENUES (BY REVENUE TYPE)
 THAT ARE ALSO PROGRAM REVENUES

FISCAL YEAR ENDED JUNE 30, 2000

| Fund/Revenue Source/Type | Amount |
|--|-----------------------------|
| General Fund: | |
| <u>Intergovernmental:</u> | |
| Cherry Sheet: | |
| Abatements | \$ 58,931 |
| Room tax | 2,797 |
| State land | 61,271 |
| Additional assistance | 4,274,507 |
| Lottery | <u>5,450,923</u> |
| Sub-total | <u>9,848,429</u> |
| | |
| <u>Investment income:</u> | |
| General investment income | <u>1,741,769</u> |
| | |
| <u>Payments in lieu of taxes:</u> | |
| Unrestricted payments in lieu of taxes | <u>1,400,000</u> |
| | |
| <i>Total General Fund</i> | <u>12,990,198</u> |
| | |
| Stabilization Funds: | |
| <u>Investment income:</u> | |
| General investment income | <u>64,382</u> |
| | |
| Total General Revenue Types that are also Classified as Program Revenues on the Government-Wide Statement of Activities | \$ <u>13,054,580</u> |

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CITY OF ANYWHERE, MASSACHUSETTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
 SCHEDULE OF PROGRAM REVENUES (CHARGES FOR SERVICES) DISTRIBUTION TO FUNCTIONAL LINE ITEMS

FISCAL YEAR ENDED JUNE 30, 2000

| Fund/Revenue Source | Example(s) of Revenue Source |
|--|---|
| General Fund: | |
| <u>Licenses and Permits:</u> | |
| Selectmen/Council | Alcoholic beverages and hackney |
| City Clerk | Marriage and dog |
| Public Safety | Firearms, gas, building, smoke inspection |
| Public Works | Storage tanks |
| Health and Human Services | Funeral director, burial |
| Sub-total | |
| | |
| <u>Fines and Forefeitures:</u> | |
| Treasurer | Bad checks |
| Public Safety | Parking, towing and court fines |
| Sub-total | |
| | |
| <u>Charges for Services:</u> | |
| City Clerk | Registry clears, application fees, copies |
| Treasurer | Municipal lien certificates |
| Public Safety | Detail surcharge, copies or reports |
| Public Works | Trash removal, liens, sale of compost bins |
| Sub-total | |
| <i>Total General Fund</i> | |
| | |
| Nonmajor Governmental Funds: | |
| <u>Charges for services:</u> | |
| Public Safety | Law enforcement revolving, parking meters |
| Education | School lunch, athletics, rental, student activity |
| Public Works | Various revolving |
| Culture & Recreation | Summer programs |
| <i>Total Nonmajor Governmental Funds</i> | |
| | |
| Total Program Revenues (Charges for Services) Reported on Government-Wide Statement of Activities | |

| <u>General Government</u> | <u>Public Safety</u> | <u>Education</u> | <u>Public Works</u> | <u>Health & Human Services</u> | <u>Culture & Recreation</u> | <u>Total</u> |
|-------------------------------|--------------------------|-------------------|-------------------------|--|-------------------------------------|--|
| \$ 172,940 17,542 | \$ - 1,008,549 | \$ - | \$ - 24,687 | \$ - 3,095 | \$ - | \$ 172,940 17,542 1,008,549 24,687 3,095 |
| <u>190,482</u> | <u>1,008,549</u> | <u>-</u> | <u>24,687</u> | <u>3,095</u> | <u>-</u> | <u>1,226,813</u> |
| 12,559 | 1,497,193 | | | | | 12,559 1,497,193 |
| <u>12,559</u> | <u>1,497,193</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,509,752</u> |
| 315,460 41,310 | 105,123 | | 1,183,607 | | | 315,460 41,310 105,123 1,183,607 |
| <u>356,770</u> | <u>105,123</u> | <u>-</u> | <u>1,183,607</u> | <u>-</u> | <u>-</u> | <u>1,645,500</u> |
| <u>559,811</u> | <u>2,610,865</u> | <u>-</u> | <u>1,208,294</u> | <u>3,095</u> | <u>-</u> | <u>4,382,065</u> |
| | 277,922 | 942,859 | 65,125 | | 32,130 | 277,922 942,859 65,125 32,130 |
| <u>-</u> | <u>277,922</u> | <u>942,859</u> | <u>65,125</u> | <u>-</u> | <u>32,130</u> | <u>1,318,036</u> |
| <u>\$ 559,811</u> | <u>\$ 2,888,787</u> | <u>\$ 942,859</u> | <u>\$ 1,273,419</u> | <u>\$ 3,095</u> | <u>\$ 32,130</u> | <u>\$ 5,700,101</u> |

CITY OF ANYWHERE, MASSACHUSETTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
 SCHEDULE OF PROGRAM REVENUES (OPERATING GRANTS AND CONTRIBUTIONS) DISTRIBUTION TO FUNCTIONAL LINE ITEMS

FISCAL YEAR ENDED JUNE 30, 2000

| Fund/Revenue Source/Department | Example(s) of Revenue Source |
|--|--|
| General Fund: | |
| <u>Intergovernmental</u> | |
| Public Safety | Cherry sheet - police career incentive |
| Education | Cherry sheet (Chapter 70, transportation), medicaid reimbursement |
| Public Works | Cherry sheet - highway |
| Health and Human Services | Cherry sheet - veterans |
| Pension | Mass. Teachers Retirement System (on-behalf payments) |
| Debt Service - Interest | Cherry sheet - interest reimbursement portion of Chapter 645 |
| <i>Total General Fund</i> | |
| Stabilization Funds: | |
| <u>Investment Income:</u> | |
| Community & Economic Development | Stabilization fund maintained specifically for community development |
| Debt Service Fund: | |
| <u>Investment Income:</u> | |
| Debt Service - Interest | Investment income from debt service fund |
| Nonmajor Governmental Funds: | |
| <u>Intergovernmental:</u> | |
| City Clerk | Elections grant |
| Public Safety | Federal and state grants (e.g., community policing) |
| Education | Federal and state grants (e.g., SPED) |
| Public Works | Federal and state grants (e.g., PWED) |
| Community & Economic Development | Federal and state grants (e.g., community development) |
| Health & Human Services | Federal and state grants (e.g., health evaluations) |
| Culture & Recreation | Federal and state grants (e.g., arts council) |
| Sub-total | |
| <u>Investment income:</u> | |
| Education | Revolving funds (e.g., adult basic education) |
| Health & Human Services | Revolving funds (e.g., elder services), Permanent funds |
| Culture & Recreation | Permanent funds |
| Community & Economic Development | Revolving funds (e.g., program income) |
| Sub-total | |
| <u>Contributions and donations:</u> | |
| Public Safety | Various gifts and donations |
| Education | Various gifts and donations |
| Public Works | Various gifts and donations |
| Health & Human Services | Various gifts and donations |
| Culture & Recreation | Various gifts and donations |
| Sub-total | |
| <u>Payments in lieu of taxes:</u> | |
| Community & Economic Development | Payment in lieu reserved for community development |
| <i>Total Nonmajor Governmental Funds</i> | |

Total Program Revenues (Operating Grants and Contributions) Reported on Government-Wide Statement of Activities

| General Government | Public Safety | Education | Public Works | Community & Economic Development | Health & Human Services | Culture & Recreation | Pension | Debt Service - Interest | Total |
|--------------------|---------------------|----------------------|-------------------|----------------------------------|-------------------------|----------------------|---------------------|-------------------------|----------------------|
| \$ - | \$ 174,563 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 174,563 |
| | | 46,432,192 | | | | | | | 46,432,192 |
| | | | 142,060 | | | | | | 142,060 |
| | | | | | 143,390 | | | | 143,390 |
| | | | | | | | 2,095,000 | | 2,095,000 |
| | | | | | | | | 4,784,975 | 4,784,975 |
| <u>-</u> | <u>174,563</u> | <u>46,432,192</u> | <u>142,060</u> | <u>-</u> | <u>143,390</u> | <u>-</u> | <u>2,095,000</u> | <u>4,784,975</u> | <u>53,772,180</u> |
| | | | | 104,188 | | | | | 104,188 |
| | | | | | | | | 1,450,805 | 1,450,805 |
| 3,781 | 1,278,109 | 8,065,812 | 35,300 | 1,494,644 | 699,334 | 114,280 | | | 3,781 |
| | | | | | | | | | 1,278,109 |
| | | | | | | | | | 8,065,812 |
| | | | | | | | | | 35,300 |
| | | | | | | | | | 1,494,644 |
| | | | | | | | | | 699,334 |
| | | | | | | | | | 114,280 |
| <u>3,781</u> | <u>1,278,109</u> | <u>8,065,812</u> | <u>35,300</u> | <u>1,494,644</u> | <u>699,334</u> | <u>114,280</u> | <u>-</u> | <u>-</u> | <u>11,691,260</u> |
| | | 9,585 | | | | | | | 9,585 |
| | | | | | 4,983 | | | | 4,983 |
| | | | | 53,371 | | 7,926 | | | 7,926 |
| | | | | | | | | | 53,371 |
| <u>-</u> | <u>-</u> | <u>9,585</u> | <u>-</u> | <u>53,371</u> | <u>4,983</u> | <u>7,926</u> | <u>-</u> | <u>-</u> | <u>75,865</u> |
| | 1,000 | 645,250 | | | | | | | 1,000 |
| | | | | | | | | | 645,250 |
| | | | | | 160,326 | | | | - |
| | | | | | | 35,000 | | | 160,326 |
| | | | | | | | | | 35,000 |
| <u>-</u> | <u>1,000</u> | <u>645,250</u> | <u>-</u> | <u>-</u> | <u>160,326</u> | <u>35,000</u> | <u>-</u> | <u>-</u> | <u>841,576</u> |
| | | | | 45,000 | | | | | 45,000 |
| <u>3,781</u> | <u>1,279,109</u> | <u>8,720,647</u> | <u>35,300</u> | <u>1,593,015</u> | <u>864,643</u> | <u>157,206</u> | <u>-</u> | <u>-</u> | <u>12,653,701</u> |
| <u>\$ 3,781</u> | <u>\$ 1,453,672</u> | <u>\$ 55,152,839</u> | <u>\$ 177,360</u> | <u>\$ 1,697,203</u> | <u>\$ 1,008,033</u> | <u>\$ 157,206</u> | <u>\$ 2,095,000</u> | <u>\$ 6,235,780</u> | <u>\$ 67,980,874</u> |

CITY OF ANYWHERE, MASSACHUSETTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
SCHEDULE OF PROGRAM REVENUES (CAPITAL GRANTS AND CONTRIBUTIONS)
DISTRIBUTION TO FUNCTIONAL LINE ITEMS

FISCAL YEAR ENDED JUNE 30, 2000

| Fund/Revenue Source/Department | Example(s) of Revenue Source |
|---|---|
| <i>Nonmajor Governmental Funds</i> | |
| <u>Intergovernmental:</u> | |
| Public Works | Federal and state grants (e.g., chapter 90) |
| Community & Economic Development | Federal and state grants (e.g., land acquisition) |
| Sub-total | |
| | |
| <u>Investment income:</u> | |
| Community & Economic Development | Revolving funds (e.g., urban renewal) |

Total Program Revenues (Capital Grants and Contributions) Reported on Government-Wide Statement of Activities

| <u>Public Works</u> | <u>Community & Economic Development</u> | <u>Total</u> |
|-------------------------|---|--------------------------|
| \$ 78,820 | \$ - | \$ 78,820 |
| <u>78,820</u> | <u>40,222</u> | <u>40,222</u> |
| | <u>67,664</u> | <u>67,664</u> |
| <u>\$ 78,820</u> | <u>\$ 107,886</u> | <u>\$ 186,706</u> |

Converted Basic Financial Statements and Additional Information under the GASBS 34 Reporting Model

Narrative

Pages 64 through 91 of Appendix 2 identifies the converted general purpose financial statements (old reporting model) to the new GASBS 34 reporting model.

The following financial statements are the “finished” product to be issued. All of the amounts are derived from the conversion statements and schedules presented in the prior sections of this Appendix.

STATEMENT OF NET ASSETS

JUNE 30, 2000

| | Primary Government | | | Component Unit |
|---|--------------------------------|---------------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | Library |
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and short-term investments | \$ 25,327,356 | \$ 3,915,171 | \$ 29,242,527 | \$ 3,898,021 |
| Investments | 3,495,057 | - | 3,495,057 | 2,500,000 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Real estate and personal property taxes | 2,254,687 | - | 2,254,687 | |
| Tax liens | 2,645,456 | - | 2,645,456 | |
| Motor vehicle excise | 954,412 | - | 954,412 | |
| User fees | 410,256 | 1,626,880 | 2,037,136 | |
| Departmental and other | 155,086 | - | 155,086 | |
| Intergovernmental | 10,777,568 | - | 10,777,568 | |
| Loans | 2,384,578 | - | 2,384,578 | |
| Internal balances | 9,633 | (9,633) | - | |
| Other assets | 281,449 | - | 281,449 | 7,823 |
| NONCURRENT: | | | | |
| Restricted: | | | | |
| Cash | 598,713 | 18,526 | 617,239 | |
| Investments | 10,144,364 | - | 10,144,364 | |
| Receivables, net of allowance for uncollectibles | 42,150,103 | - | 42,150,103 | |
| Capital assets, net of accumulated depreciation | 128,027,445 | 13,458,439 | 141,485,884 | 1,312,543 |
| TOTAL ASSETS | 229,616,163 | 19,009,383 | 248,625,546 | 7,718,387 |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Warrants payable | 4,742,323 | 345,861 | 5,088,184 | 84,561 |
| Accrued liabilities | 630,456 | 1,254 | 631,710 | 23,521 |
| Tax refunds payable | 200,000 | - | 200,000 | |
| Other liabilities | 464,936 | - | 464,936 | 15,000 |
| Accrued interest | 650,674 | - | 650,674 | |
| Bonds and notes payable | 6,528,849 | 684,455 | 7,213,304 | |
| Compensated absences | 235,136 | 1,690 | 236,826 | |
| Workers' compensation | 375,013 | - | 375,013 | |
| Liabilities payable from restricted assets | - | 18,526 | 18,526 | |
| NONCURRENT: | | | | |
| Bonds and notes payable | 89,101,092 | 5,313,236 | 94,414,328 | |
| Compensated absences | 2,116,223 | 15,210 | 2,131,433 | |
| Workers' compensation | 365,687 | - | 365,687 | |
| TOTAL LIABILITIES | 105,410,389 | 6,380,232 | 111,790,621 | 123,082 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 79,997,667 | 7,460,748 | 87,458,415 | 1,312,543 |
| Restricted for: | | | | |
| Capital projects | 554,441 | - | 554,441 | |
| Debt service | 10,354,655 | - | 10,354,655 | |
| Streets | 2,000,000 | - | 2,000,000 | |
| Community development | 3,000,000 | - | 3,000,000 | |
| Loans | 2,384,578 | - | 2,384,578 | |
| Perpetual funds: | | | | |
| Expendable | 288,901 | - | 288,901 | |
| Nonexpendable | 99,521 | - | 99,521 | |
| Other purposes | 2,356,417 | - | 2,356,417 | |
| Unrestricted | 23,169,594 | 5,168,403 | 28,337,997 | 6,282,762 |
| TOTAL NET ASSETS | \$ 124,205,774 | \$ 12,629,151 | \$ 136,834,925 | \$ 7,595,305 |

See notes to financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2000

| Functions/Programs | <u>Expenses</u> | <u>Indirect Expenses Allocation</u> |
|--------------------------------------|-----------------------|---|
| Primary Government: | | |
| <i>Governmental Activities:</i> | | |
| General government | \$ 3,421,710 | \$ - |
| Public safety | 14,814,543 | - |
| Education | 60,075,895 | - |
| Public works | 6,978,607 | - |
| Health and human services | 1,747,068 | - |
| Culture and recreation | 482,015 | - |
| Community and economic development | 1,944,589 | - |
| Pension benefits | 9,330,986 | - |
| Property and liability insurance | 204,266 | - |
| Fringe benefits | 7,493,971 | - |
| Claims and judgments | 156,831 | - |
| State and county charges | 1,974,875 | - |
| Interest | <u>6,440,323</u> | <u>-</u> |
| Total Governmental Activities | <u>115,065,679</u> | <u>\$ -</u> |
| <i>Business-Type Activities:</i> | | |
| Water and sewer services | <u>7,470,854</u> | |
| Total primary government | <u>\$ 122,536,533</u> | |
| Component Unit: | | |
| Library | <u>\$ 2,254,632</u> | |

See notes to financial statements.

| Program Revenues | | | Net (Expenses) Revenues and Changes in Net Assets | | | |
|---|--|--|--|-----------------------------|-----------------------|---------------------|
| Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | Component Unit |
| | | | Governmental Activities | Business-Type Activities | | Library |
| \$ 559,811 | \$ 3,781 | \$ - | \$ (2,858,118) | \$ - | \$ (2,858,118) | \$ - |
| 2,888,787 | 1,453,672 | - | (10,472,084) | - | (10,472,084) | - |
| 942,859 | 55,152,839 | - | (3,980,197) | - | (3,980,197) | - |
| 1,273,419 | 177,360 | 78,820 | (5,449,008) | - | (5,449,008) | - |
| 3,095 | 1,008,033 | - | (735,940) | - | (735,940) | - |
| 32,130 | 157,206 | - | (292,679) | - | (292,679) | - |
| - | 1,697,203 | 107,886 | (139,500) | - | (139,500) | - |
| - | 2,095,000 | - | (7,235,986) | - | (7,235,986) | - |
| - | - | - | (204,266) | - | (204,266) | - |
| - | - | - | (7,493,971) | - | (7,493,971) | - |
| - | - | - | (156,831) | - | (156,831) | - |
| - | - | - | (1,974,875) | - | (1,974,875) | - |
| - | 6,235,780 | - | (204,543) | - | (204,543) | - |
| <u>5,700,101</u> | <u>67,980,874</u> | <u>186,706</u> | <u>(41,197,998)</u> | <u>-</u> | <u>(41,197,998)</u> | <u>-</u> |
| <u>8,158,223</u> | <u>224,874</u> | <u>84,075</u> | <u>-</u> | <u>996,318</u> | <u>996,318</u> | <u>-</u> |
| <u>\$ 13,858,324</u> | <u>\$ 68,205,748</u> | <u>\$ 270,781</u> | <u>(41,197,998)</u> | <u>996,318</u> | <u>(40,201,680)</u> | <u>-</u> |
| <u>\$ 43,178</u> | <u>\$ 1,552,654</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(658,800)</u> |
| <i>General Revenues:</i> | | | | | | |
| Real estate and personal property, net of reserve for abatements | | | 28,359,405 | - | 28,359,405 | - |
| Motor vehicle and other excise taxes | | | 3,795,228 | - | 3,795,228 | - |
| Penalties and interest on taxes | | | 899,346 | - | 899,346 | - |
| Payments in lieu of taxes | | | 1,400,000 | - | 1,400,000 | - |
| Grants and contributions not restricted specific programs | | | 9,848,429 | - | 9,848,429 | 525,000 |
| Miscellaneous | | | 591,331 | - | 591,331 | - |
| Investment income | | | 1,813,450 | - | 1,813,450 | 404,477 |
| <i>Special Items:</i> | | | | | | |
| Gain on sales of land | | | 250,000 | - | 250,000 | - |
| Transfers, net | | | 900,000 | (900,000) | - | - |
| Total general revenues, special items and transfers | | | <u>47,857,189</u> | <u>(900,000)</u> | <u>46,957,189</u> | <u>929,477</u> |
| Change in Net Assets | | | 6,659,191 | 96,318 | 6,755,509 | 270,677 |
| Net Assets: | | | | | | |
| Beginning of the Year | | | <u>117,546,583</u> | <u>12,532,833</u> | <u>130,079,416</u> | <u>7,324,628</u> |
| End of the Year | | | <u>\$ 124,205,774</u> | <u>\$ 12,629,151</u> | <u>\$ 136,834,925</u> | <u>\$ 7,595,305</u> |

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2000

| ASSETS | General | Stabilization | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|----------------------|-----------------------------------|--------------------------------|
| Cash and short-term investments | \$ 10,919,451 | \$ 4,211,493 | \$ - | \$ 9,592,742 | \$ 24,723,686 |
| Investments | 3,495,057 | - | - | - | 3,495,057 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Real estate and personal property taxes | 2,254,687 | - | - | - | 2,254,687 |
| Tax liens | 2,645,456 | - | - | - | 2,645,456 |
| Motor vehicle excise | 954,412 | - | - | - | 954,412 |
| User fees | 410,256 | - | - | - | 410,256 |
| Departmental and other | 155,086 | - | - | - | 155,086 |
| Intergovernmental | 47,562,163 | - | - | 5,365,508 | 52,927,671 |
| Loans | - | - | - | 2,384,578 | 2,384,578 |
| Due from other funds | 129,080 | - | - | - | 129,080 |
| Other assets | 116,449 | - | - | - | 116,449 |
| Cash - restricted | - | - | 210,291 | 388,422 | 598,713 |
| Investments - restricted | - | - | 10,144,364 | - | 10,144,364 |
| TOTAL ASSETS | \$ 68,642,097 | \$ 4,211,493 | \$ 10,354,655 | \$ 17,731,250 | \$ 100,939,495 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Warrants payable | \$ 1,680,641 | \$ - | \$ - | \$ 3,061,682 | \$ 4,742,323 |
| Accrued liabilities | 385,460 | - | - | 120,696 | 506,156 |
| Tax refunds payable | 200,000 | - | - | - | 200,000 |
| Other liabilities | 464,936 | - | - | - | 464,936 |
| Deferred revenues | 53,577,974 | - | - | 5,000,000 | 58,577,974 |
| Due to other funds | - | - | - | 129,080 | 129,080 |
| TOTAL LIABILITIES | 56,309,011 | - | - | 8,311,458 | 64,620,469 |
| FUND BALANCES: | | | | | |
| Reserved for: | | | | | |
| Encumbrances and continuing appropriations | 1,352,465 | - | - | - | 1,352,465 |
| Stabilization | - | 4,211,493 | - | - | 4,211,493 |
| Loans | - | - | - | 2,384,578 | 2,384,578 |
| Debt service | - | - | 10,354,655 | - | 10,354,655 |
| Perpetual permanent funds | - | - | - | 99,521 | 99,521 |
| Other specific purposes | - | - | - | 2,356,417 | 2,356,417 |
| Unreserved: | | | | | |
| Designated for subsequent years' expenditures | 1,000,000 | - | - | - | 1,000,000 |
| Undesignated, reported in: | | | | | |
| General fund | 9,980,621 | - | - | - | 9,980,621 |
| Special revenue funds | - | - | - | 3,735,934 | 3,735,934 |
| Capital projects funds | - | - | - | 554,441 | 554,441 |
| Permanent funds | - | - | - | 288,901 | 288,901 |
| TOTAL FUND BALANCES | 12,333,086 | 4,211,493 | 10,354,655 | 9,419,792 | 36,319,026 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 68,642,097 | \$ 4,211,493 | \$ 10,354,655 | \$ 17,731,250 | \$ 100,939,495 |

See notes to financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2000

| | General | Stabilization | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|----------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds | \$ 28,489,794 | \$ - | \$ - | \$ - | \$ 28,489,794 |
| Motor vehicle and other excise taxes | 4,195,437 | - | - | - | 4,195,437 |
| Penalties and interest on taxes | 899,346 | - | - | - | 899,346 |
| Licenses and permits | 1,226,813 | - | - | - | 1,226,813 |
| Intergovernmental | 68,573,551 | - | - | 11,110,302 | 79,683,853 |
| Charges for services | 1,736,498 | - | - | 1,318,036 | 3,054,534 |
| Fines and forfeitures | 1,509,752 | - | - | - | 1,509,752 |
| Investment income | 1,741,769 | 168,570 | 1,450,805 | 143,529 | 3,504,673 |
| Contributions and donations | - | - | - | 841,576 | 841,576 |
| Payments in lieu of taxes | 1,400,000 | - | - | 45,000 | 1,445,000 |
| Miscellaneous | 101,054 | - | - | 335,191 | 436,245 |
| TOTAL REVENUES | 109,874,014 | 168,570 | 1,450,805 | 13,793,634 | 125,287,023 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 3,305,841 | - | - | 424,954 | 3,730,795 |
| Public safety | 14,344,186 | - | - | 1,916,404 | 16,260,590 |
| Education | 49,121,831 | - | - | 11,176,141 | 60,297,972 |
| Public works | 4,949,415 | - | - | 3,077,805 | 8,027,220 |
| Community and economic development | - | - | - | 2,090,029 | 2,090,029 |
| Health and human services | 991,671 | - | - | 806,934 | 1,798,605 |
| Culture and recreation | 339,482 | - | - | 1,303,229 | 1,642,711 |
| Pension benefits | 9,330,986 | - | - | - | 9,330,986 |
| Property and liability insurance | 204,266 | - | - | - | 204,266 |
| Fringe benefits | 7,219,304 | - | - | - | 7,219,304 |
| Claims and judgments | 156,831 | - | - | - | 156,831 |
| State and county charges | 1,974,875 | - | - | - | 1,974,875 |
| Debt service: | | | | | |
| Principal | 8,019,805 | - | - | - | 8,019,805 |
| Interest | 6,506,738 | - | - | - | 6,506,738 |
| TOTAL EXPENDITURES | 106,465,231 | - | - | 20,795,496 | 127,260,727 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 3,408,783 | 168,570 | 1,450,805 | (7,001,862) | (1,973,704) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 1,912,020 | 1,535,000 | - | 860,565 | 4,307,585 |
| Transfers out | (2,013,500) | (250,000) | (620,858) | (515,928) | (3,400,286) |
| Proceeds of general obligation bonds | - | - | - | 3,000,000 | 3,000,000 |
| Sale of capital assets | - | - | - | 1,000,000 | 1,000,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (101,480) | 1,285,000 | (620,858) | 4,344,637 | 4,907,299 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | 3,307,303 | 1,453,570 | 829,947 | (2,657,225) | 2,933,595 |
| FUND BALANCES AT BEGINNING OF YEAR | 9,025,783 | 2,757,923 | 9,524,708 | 12,077,017 | 33,385,431 |
| FUND BALANCES AT END OF YEAR | \$ 12,333,086 | \$ 4,211,493 | \$ 10,354,655 | \$ 9,419,792 | \$ 36,319,026 |

See notes to financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2000

| | |
|--|-----------------------|
| Total governmental fund balances (page 67) | \$ 36,319,026 |
| and, therefore, are not reported in the funds. | 128,027,445 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 58,577,974 |
| Internal service funds are used by management to account for health insurance and workers' compensation activities. | |
| the governmental activities in the Statement of Net Assets. | (96,330) |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | 9,633 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (650,674) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds | |
| Bonds and notes payable | (95,629,941) |
| Compensated absences | <u>(2,351,359)</u> |
| Net assets of governmental activities (page 64) | <u>\$ 124,205,774</u> |

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2000

| | | |
|---|----|-------------|
| Net change in fund balances - total governmental funds (page 68) | \$ | 2,933,595 |
| <p>Governmental funds report capital outlays as expenditures. However, in the</p> <p style="padding-left: 40px;">amount by which capital outlays exceeded depreciation in the current period.</p> | | |
| | | 4,603,672 |
| <p>In the Statement of Activities, only the <i>gain</i> on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold</p> | | |
| | | (750,000) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</p> | | |
| | | (4,719,452) |
| <p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-</p> <p style="padding-left: 40px;">transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | |
| | | 5,019,805 |
| <p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.</p> | | |
| | | 66,415 |
| <p>absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p> | | |
| | | (220,177) |
| <p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p> | | |
| <p style="padding-left: 40px;">The net activity of internal service funds is reported with Governmental Activities</p> | | (305,186) |
| <p style="padding-left: 40px;">Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds</p> | | 30,519 |
| Change in net assets of governmental activities (page 66) | \$ | 6,659,191 |

See notes to financial statements.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2000

| | Budgeted Amounts | | Actual Budgetary Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|--------------------------------|---|
| | Original Budget | Final Budget | | |
| REVENUES: | | | | |
| Real estate and personal property taxes, net of reserve for abatements | 28,046,859 | 28,046,859 | 28,489,794 | 442,935 |
| Motor vehicle and other excise taxes | 3,799,850 | 3,799,850 | 4,195,437 | 395,587 |
| Penalties and interest on taxes | 456,300 | 456,300 | 899,346 | 443,046 |
| Licenses and permits | 648,620 | 648,620 | 1,226,813 | 578,193 |
| Intergovernmental | 64,780,456 | 66,030,456 | 66,478,551 | 448,095 |
| Charges for services | 1,354,089 | 1,354,089 | 1,736,498 | 382,409 |
| Fines and forfeitures | 1,254,562 | 1,254,562 | 1,509,752 | 255,190 |
| Investment income | 1,500,000 | 1,500,000 | 1,741,769 | 241,769 |
| Payments in lieu of taxes | 1,400,000 | 1,400,000 | 1,400,000 | - |
| Miscellaneous | - | - | 101,054 | 101,054 |
| TOTAL REVENUES | 103,240,736 | 104,490,736 | 107,779,014 | 3,288,278 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | \$ 3,420,058 | \$ 3,420,058 | \$ 3,305,841 | \$ 114,217 |
| Public safety | 14,456,412 | 14,831,412 | 14,344,186 | 487,226 |
| Education | 49,865,254 | 50,565,254 | 49,121,831 | 1,443,423 |
| Public works | 4,978,456 | 5,063,456 | 4,949,415 | 114,041 |
| Health and human services | 1,005,645 | 1,045,645 | 991,671 | 53,974 |
| Culture and recreation | 405,697 | 455,697 | 339,482 | 116,215 |
| Pension benefits | 7,235,986 | 7,235,986 | 7,235,986 | - |
| Property and liability insurance | 250,000 | 250,000 | 204,266 | 45,734 |
| Fringe benefits | 8,423,102 | 8,423,102 | 7,219,304 | 1,203,798 |
| Claims and judgments | 500,000 | 500,000 | 156,831 | 343,169 |
| State and county charges | 2,031,479 | 2,031,479 | 1,974,875 | 56,604 |
| Debt service: | | | | |
| Principal | 8,019,805 | 8,019,805 | 8,019,805 | - |
| Interest | 6,506,738 | 6,506,738 | 6,506,738 | - |
| TOTAL EXPENDITURES | 107,098,632 | 108,348,632 | 104,370,231 | 3,978,401 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (3,857,896) | (3,857,896) | 3,408,783 | 7,266,679 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 1,912,020 | 1,912,020 | 1,912,020 | - |
| Transfers out | (2,013,500) | (2,013,500) | (2,013,500) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (101,480) | (101,480) | (101,480) | - |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES/ USE OF PRIOR YEAR BUDGETARY FUND BALANCE | (3,959,376) | (3,959,376) | 3,307,303 | 7,266,679 |
| BUDGETARY FUND BALANCE AT BEGINNING OF YEAR | 10,645,789 | 10,645,789 | 10,645,789 | - |
| BUDGETARY FUND BALANCE AT END OF YEAR | \$ 6,686,413 | \$ 6,686,413 | \$ 13,953,092 | \$ 7,266,679 |

See notes to financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2000

| | Business-type Activities - Enterprise Fund | Governmental Activities - Internal Service Funds |
|--|---|---|
| | Water and Sewer | |
| ASSETS | | |
| CURRENT: | | |
| Cash and short-term investments | \$ 3,915,171 | \$ 603,670 |
| User fees, net of allowance for uncollectibles | 1,626,880 | - |
| Total current assets | 5,542,051 | 603,670 |
| NONCURRENT: | | |
| Restricted cash and short-term investments: | | |
| Customer deposits | 18,526 | - |
| Capital assets, net of accumulated depreciation | 13,458,439 | - |
| Other assets | - | 165,000 |
| Total noncurrent assets | 13,476,965 | 165,000 |
| TOTAL ASSETS | 19,019,016 | 768,670 |
| LIABILITIES | | |
| CURRENT: | | |
| Warrants payable | 345,861 | - |
| Accrued liabilities | 1,254 | 865,000 |
| Bonds and notes payable | 684,455 | - |
| Compensated absences | 1,690 | - |
| Total current liabilities | 1,033,260 | 865,000 |
| CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS: | | |
| Customer deposits payable | 18,526 | - |
| NONCURRENT: | | |
| Bonds and notes payable | 5,313,236 | - |
| Compensated absences | 15,210 | - |
| Total noncurrent liabilities | 5,328,446 | - |
| TOTAL LIABILITIES | 6,380,232 | 865,000 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 7,460,748 | - |
| Unrestricted | 5,178,036 | (96,330) |
| TOTAL NET ASSETS | 12,638,784 | \$ (96,330) |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | (9,633) | |
| Net assets of business-type activities (page 64) | \$ 12,629,151 | |

See notes to financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2000

| | Business-type Activities - Enterprise Fund | Governmental Activities - Internal Service Fund |
|--|---|--|
| | Water and Sewer | |
| <u>OPERATING REVENUES:</u> | | |
| Charges for services | \$ 8,158,223 | \$ - |
| Employer contributions | - | 1,357,578 |
| Employee contributions | - | 105,867 |
| | <u>8,158,223</u> | <u>1,463,445</u> |
| <u>OPERATING EXPENSES:</u> | | |
| Cost of services and administration | 1,545,979 | - |
| MWRA assessment | 5,125,191 | - |
| Depreciation | 420,867 | - |
| Employee benefits | - | 1,768,631 |
| | <u>7,092,037</u> | <u>1,768,631</u> |
| TOTAL OPERATING EXPENSES | <u>7,092,037</u> | <u>1,768,631</u> |
| OPERATING INCOME (LOSS) | <u>1,066,186</u> | <u>(305,186)</u> |
| <u>NONOPERATING REVENUES (EXPENSES):</u> | | |
| Intergovernmental | 84,075 | - |
| Investment income | 224,874 | 7,299 |
| Interest expense | (348,298) | - |
| | <u>(39,349)</u> | <u>7,299</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET | <u>(39,349)</u> | <u>7,299</u> |
| INCOME (LOSS) BEFORE TRANSFERS | <u>1,026,837</u> | <u>(297,887)</u> |
| <u>TRANSFERS</u> | | |
| Transfers out | (900,000) | (7,299) |
| CHANGE IN NET ASSETS | <u>126,837</u> | <u>(305,186)</u> |
| NET ASSETS AT BEGINNING OF YEAR | <u>12,511,947</u> | <u>208,856</u> |
| NET ASSETS AT END OF YEAR | <u>12,638,784</u> | <u>\$ (96,330)</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | <u>(9,633)</u> | |
| Net assets of business-type activities (page 66) | <u>\$ 12,629,151</u> | |

See notes to financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2000

| | Business-type Activities - Enterprise Fund | Governmental Activities - Internal Service Fund |
|---|---|--|
| | Water and Sewer | Fund |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Receipts from customers and users | \$ 8,426,475 | \$ - |
| Receipts from interfund services provided | - | 1,463,445 |
| Payments to vendors | (5,596,969) | - |
| Payments to employees | (995,123) | - |
| Payments for interfund services used | - | (1,438,631) |
| | <u>1,834,383</u> | <u>24,814</u> |
| <u>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u> | | |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u> | | |
| Transfers out | (900,000) | (7,299) |
| Intergovernmental subsidy | 84,075 | - |
| | <u>(815,925)</u> | <u>(7,299)</u> |
| <u>NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES</u> | | |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | |
| Proceeds from the issuance of bonds and notes | 93,225 | - |
| Acquisition and construction of capital assets | (1,154,250) | - |
| Principal payments on bonds and notes | (717,496) | - |
| Interest expense | (348,298) | - |
| | <u>(2,126,819)</u> | <u>-</u> |
| <u>NET CASH (USED FOR) CAPITAL RELATED FINANCING ACTIVITIES</u> | | |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Investment income | 224,874 | 7,299 |
| | <u>224,874</u> | <u>7,299</u> |
| <u>NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS</u> | | |
| CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR (includes \$3,274 reported as restricted cash in the Enterprise Fund) | <u>4,817,184</u> | <u>578,856</u> |
| CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR (includes \$18,526 reported as restricted cash in the Enterprise Fund) | <u>\$ 3,933,697</u> | <u>\$ 603,670</u> |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u> | | |
| Operating income (loss) | \$ 1,066,186 | \$ (305,186) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | 420,867 | - |
| Changes in assets and liabilities: | | |
| User fees | 253,000 | - |
| Other assets | - | (45,000) |
| Warrants payable | 98,562 | - |
| Accrued liabilities | (21,024) | 375,000 |
| Liabilities due depositors | 15,252 | - |
| Accrued compensated absences | 1,540 | - |
| | <u>768,197</u> | <u>330,000</u> |
| Total adjustments | | |
| | <u>\$ 1,834,383</u> | <u>\$ 24,814</u> |
| <u>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u> | | |
| <u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u> | | |
| Borrowing under capital leases | - | - |
| Contributions of capital assets from General Fund | - | - |
| Purchase of equipment on account | - | - |
| Increase in fair value of investments | - | - |
| Capital asset trade-ins | - | - |

See notes to financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2000

| ASSETS | Pension Trust Fund (As of December 31, 1999) | Private Purpose Trust Funds |
|---|---|-----------------------------------|
| Cash and short-term investments | \$ 5,569,014 | \$ 166,609 |
| Investments | 36,698,246 | - |
| Receivables, net of allowance for uncollectibles: | | |
| Interest and dividends | 337,972 | - |
| Intergovernmental | 360,895 | - |
| Other | 279,000 | - |
| TOTAL ASSETS | <u>43,245,127</u> | <u>166,609</u> |
| NET ASSETS | | |
| Held in trust for pension benefits and other purposes | \$ <u>43,245,127</u> | \$ <u>166,609</u> |

See notes to financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2000

| | Pension Trust Fund (As of December 31, 1999) | Private Purpose Trust Funds |
|---|---|-----------------------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employer | \$ 5,101,916 | \$ - |
| Employee | 1,678,580 | - |
| Private donations | - | 145,000 |
| Total contributions | <u>6,780,496</u> | <u>145,000</u> |
| Net investment income: | | |
| Interest | 797,541 | - |
| Dividends | 187,792 | - |
| Net appreciation in fair value of investments | <u>1,027,712</u> | <u>-</u> |
| Total investment income | 2,013,045 | - |
| Less investment expense | <u>(254,125)</u> | <u>-</u> |
| Net investment income | <u>1,758,920</u> | <u>-</u> |
| Intergovernmental | 825,416 | - |
| Transfers from other systems | <u>254,163</u> | <u>-</u> |
| TOTAL ADDITIONS | <u>9,618,995</u> | <u>145,000</u> |
| DEDUCTIONS: | | |
| Retirement benefits | 7,524,621 | - |
| Administration | 100,253 | - |
| Transfers to other systems | 65,234 | - |
| Educational scholarships | <u>-</u> | <u>59,554</u> |
| TOTAL DEDUCTIONS | <u>7,690,108</u> | <u>59,554</u> |
| CHANGE IN NET ASSETS | 1,928,887 | 85,446 |
| NET ASSETS AT BEGINNING OF YEAR | <u>41,316,240</u> | <u>81,163</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 43,245,127</u> | <u>\$ 166,609</u> |

See notes to financial statements.

Additional Information

Narrative

The following combining statements are optional. If your community decides to present them they must follow the Notes to the Financial Statements and Required Supplementary Information.

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2000

Special Revenue Funds

| ASSETS | <u>Highway Improvement</u> | <u>Community Development</u> | <u>City Revolving</u> |
|---|--------------------------------|----------------------------------|---------------------------|
| Cash and short-term investments | \$ - | \$ 597,065 | \$ 140,378 |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental | 2,105,734 | 3,000,000 | - |
| Loans | - | 2,384,578 | - |
| Cash - restricted | - | - | - |
| TOTAL ASSETS | <u>\$ 2,105,734</u> | <u>\$ 5,981,643</u> | <u>\$ 140,378</u> |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES: | | | |
| Warrants payable | \$ - | \$ 138,160 | \$ 2,528 |
| Accrued liabilities | - | 9,203 | - |
| Deferred revenues | 2,000,000 | 3,000,000 | - |
| Due to other funds | 105,734 | - | - |
| TOTAL LIABILITIES | <u>2,105,734</u> | <u>3,147,363</u> | <u>2,528</u> |
| FUND BALANCES (DEFICITS): | | | |
| Reserved for: | | | |
| Loans | - | 2,384,578 | - |
| Perpetual permanent funds | - | - | - |
| Other specific purposes | - | - | - |
| Unreserved | - | 449,702 | 137,850 |
| TOTAL FUND BALANCES (DEFICITS) | <u>-</u> | <u>2,834,280</u> | <u>137,850</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 2,105,734</u> | <u>\$ 5,981,643</u> | <u>\$ 140,378</u> |

Special Revenue Funds

| Receipts Reserved | City Gifts | City State Grants | City Federal Grants | School Lunch | School Revolving | School Gifts |
|---------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| \$ 2,597,309 | \$ 103,628 | \$ 733,963 | \$ 210,288 | \$ 376,059 | \$ 120,870 | \$ 795,595 |
| - | - | - | - | 136,830 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 2,597,309</u> | <u>\$ 103,628</u> | <u>\$ 733,963</u> | <u>\$ 210,288</u> | <u>\$ 512,889</u> | <u>\$ 120,870</u> | <u>\$ 795,595</u> |
| | | | | | | |
| \$ - | \$ 1,945 | \$ 246,466 | \$ 52,483 | \$ 81,830 | \$ - | \$ 21,510 |
| - | 416 | 22,740 | 83,392 | 856 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>-</u> | <u>2,361</u> | <u>269,206</u> | <u>135,875</u> | <u>82,686</u> | <u>-</u> | <u>21,510</u> |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 101,267 | 464,757 | 74,413 | - | - | 774,085 |
| <u>2,597,309</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>430,203</u> | <u>120,870</u> | <u>-</u> |
| <u>2,597,309</u> | <u>101,267</u> | <u>464,757</u> | <u>74,413</u> | <u>430,203</u> | <u>120,870</u> | <u>774,085</u> |
| | | | | | | |
| <u>\$ 2,597,309</u> | <u>\$ 103,628</u> | <u>\$ 733,963</u> | <u>\$ 210,288</u> | <u>\$ 512,889</u> | <u>\$ 120,870</u> | <u>\$ 795,595</u> |

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2000

Special Revenue Funds

| ASSETS | School State Grants | School Federal Grants | Sub-total |
|---|---------------------------|-----------------------------|----------------------|
| Cash and short-term investments | \$ 756,744 | \$ 305,033 | \$ 6,736,932 |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental | - | 122,944 | 5,365,508 |
| Loans | - | - | 2,384,578 |
| Cash - restricted | - | - | - |
| TOTAL ASSETS | \$ 756,744 | \$ 427,977 | \$ 14,487,018 |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES: | | | |
| Warrants payable | \$ 225,004 | \$ 13,733 | \$ 783,659 |
| Accrued liabilities | 3,831 | 258 | 120,696 |
| Deferred revenues | - | - | 5,000,000 |
| Due to other funds | - | - | 105,734 |
| TOTAL LIABILITIES | 228,835 | 13,991 | 6,010,089 |
| FUND BALANCES (DEFICITS): | | | |
| Reserved for: | | | |
| Loans | - | - | 2,384,578 |
| Perpetual permanent funds | - | - | - |
| Other specific purposes | 527,909 | 413,986 | 2,356,417 |
| Unreserved | - | - | 3,735,934 |
| TOTAL FUND BALANCES (DEFICITS) | 527,909 | 413,986 | 8,476,929 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 756,744 | \$ 427,977 | \$ 14,487,018 |

Capital Projects Funds

| <u>School Buildings</u> | <u>Urban Renewal</u> | <u>Other Building Improvements</u> | <u>Public Works Improvements</u> | <u>Capital Equipment</u> | <u>Sub-total</u> |
|-----------------------------|--------------------------|--|--|------------------------------|---------------------|
| \$ 1,432,745 | \$ 251,773 | \$ 1,005,900 | \$ 165,392 | \$ - | \$ 2,855,810 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 1,432,745</u> | <u>\$ 251,773</u> | <u>\$ 1,005,900</u> | <u>\$ 165,392</u> | <u>\$ -</u> | <u>\$ 2,855,810</u> |
| | | | | | |
| \$ 1,175,520 | \$ 190,758 | \$ 494,238 | \$ 272,795 | \$ 144,712 | \$ 2,278,023 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 23,346 | 23,346 |
| <u>1,175,520</u> | <u>190,758</u> | <u>494,238</u> | <u>272,795</u> | <u>168,058</u> | <u>2,301,369</u> |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>257,225</u> | <u>61,015</u> | <u>511,662</u> | <u>(107,403)</u> | <u>(168,058)</u> | <u>554,441</u> |
| <u>257,225</u> | <u>61,015</u> | <u>511,662</u> | <u>(107,403)</u> | <u>(168,058)</u> | <u>554,441</u> |
| <u>\$ 1,432,745</u> | <u>\$ 251,773</u> | <u>\$ 1,005,900</u> | <u>\$ 165,392</u> | <u>\$ -</u> | <u>\$ 2,855,810</u> |

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2000

Permanent Funds

| ASSETS | <u>Public Safety</u> | <u>Public Works</u> | <u>Community and Economic Development</u> |
|---|--------------------------|-------------------------|---|
| Cash and short-term investments | \$ - | \$ - | \$ - |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental | - | - | - |
| Loans | - | - | - |
| Cash - restricted | <u>190</u> | <u>147</u> | <u>211,366</u> |
| TOTAL ASSETS | \$ <u>190</u> | \$ <u>147</u> | \$ <u>211,366</u> |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES: | | | |
| Warrants payable | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - |
| Deferred revenues | - | - | - |
| Due to other funds | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES (DEFICITS): | | | |
| Reserved for: | | | |
| Loans | - | - | - |
| Perpetual permanent funds | - | - | - |
| Other specific purposes | - | - | - |
| Unreserved | <u>190</u> | <u>147</u> | <u>211,366</u> |
| TOTAL FUND BALANCES (DEFICITS) | <u>190</u> | <u>147</u> | <u>211,366</u> |
| TOTAL LIABILITIES AND FUND EQUITY | \$ <u>190</u> | \$ <u>147</u> | \$ <u>211,366</u> |

Permanent Funds

| Health and Human Services | Culture and Recreation | Sub-total | Total Nonmajor Governmental Funds |
|---------------------------------|---------------------------|-------------------|--|
| \$ - | \$ - | \$ - | \$ 9,592,742 |
| - | - | - | 5,365,508 |
| - | - | - | 2,384,578 |
| <u>13,162</u> | <u>163,557</u> | <u>388,422</u> | <u>388,422</u> |
| <u>\$ 13,162</u> | <u>\$ 163,557</u> | <u>\$ 388,422</u> | <u>\$ 17,731,250</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 3,061,682 |
| - | - | - | 120,696 |
| - | - | - | 5,000,000 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>129,080</u> |
| | | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>8,311,458</u> |
| | | | |
| - | - | - | 2,384,578 |
| - | 99,521 | 99,521 | 99,521 |
| - | - | - | 2,356,417 |
| <u>13,162</u> | <u>64,036</u> | <u>288,901</u> | <u>4,579,276</u> |
| | | | |
| <u>13,162</u> | <u>163,557</u> | <u>388,422</u> | <u>9,419,792</u> |
| | | | |
| <u>\$ 13,162</u> | <u>\$ 163,557</u> | <u>\$ 388,422</u> | <u>\$ 17,731,250</u> |

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2000

Special Revenue Funds

| | <u>Highway Improvement</u> | <u>Community Development</u> | <u>City Revolving</u> |
|---|--------------------------------|----------------------------------|---------------------------|
| REVENUES: | | | |
| Intergovernmental | \$ 78,820 | \$ 995,096 | \$ - |
| Charges for services | - | - | 19,435 |
| Investment income | - | 40,364 | - |
| Contributions and donations | - | - | - |
| Payments in lieu of taxes | - | - | - |
| Miscellaneous | - | 57,066 | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 78,820 | 1,092,526 | 19,435 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | 2,284 |
| Education | - | - | - |
| Public works | 78,820 | - | 3,644 |
| Community and economic development | - | 1,613,958 | - |
| Health and human services | - | - | 904 |
| Culture and recreation | - | - | 5,139 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 78,820 | 1,613,958 | 11,971 |
| | <hr/> | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | (521,432) | 7,464 |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | 250,000 | - |
| Transfers out | - | (122,013) | - |
| Proceeds of general obligation bonds | - | - | - |
| Sale of capital assets | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 127,987 | - |
| | <hr/> | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | - | (393,445) | 7,464 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES AT BEGINNING OF YEAR | - | 3,227,725 | 130,386 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES (DEFICITS) AT END OF YEAR | \$ - | \$ 2,834,280 | \$ 137,850 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Special Revenue Funds

| Receipts Reserved | City Gifts | City State Grants | City Federal Grants | School Lunch | School Revolving | School Gifts |
|---------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| \$ - | \$ - | \$ 1,314,210 | \$ 1,301,513 | \$ 2,067,847 | \$ - | \$ - |
| 590,055 | - | - | - | 494,893 | 213,653 | - |
| 23,373 | - | - | 452 | - | - | - |
| - | 144,231 | - | - | - | - | 647,345 |
| - | - | - | - | - | - | - |
| 278,125 | - | - | - | - | - | - |
| <u>891,553</u> | <u>144,231</u> | <u>1,314,210</u> | <u>1,301,965</u> | <u>2,562,740</u> | <u>213,653</u> | <u>647,345</u> |
| 130,545 | - | - | - | - | - | - |
| - | 343 | 581,137 | 820,730 | - | - | - |
| - | - | 217,536 | 89,557 | 2,589,029 | 139,501 | 958,018 |
| 22,457 | 7,387 | 2,133 | 102,365 | - | - | - |
| - | - | - | - | - | - | - |
| - | 81,840 | 355,418 | 242,477 | - | - | - |
| - | 9,100 | 67,656 | 12,545 | - | - | - |
| <u>153,002</u> | <u>98,670</u> | <u>1,223,880</u> | <u>1,267,674</u> | <u>2,589,029</u> | <u>139,501</u> | <u>958,018</u> |
| 738,551 | 45,561 | 90,330 | 34,291 | (26,289) | 74,152 | (310,673) |
| - | - | - | - | - | - | - |
| (219,250) | - | (12,020) | - | - | - | - |
| - | - | - | - | - | - | - |
| 1,000,000 | - | - | - | - | - | - |
| <u>780,750</u> | <u>-</u> | <u>(12,020)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 1,519,301 | 45,561 | 78,310 | 34,291 | (26,289) | 74,152 | (310,673) |
| 1,078,008 | 55,706 | 386,447 | 40,122 | 456,492 | 46,718 | 1,084,758 |
| <u>\$ 2,597,309</u> | <u>\$ 101,267</u> | <u>\$ 464,757</u> | <u>\$ 74,413</u> | <u>\$ 430,203</u> | <u>\$ 120,870</u> | <u>\$ 774,085</u> |

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2000

| | <i>Special Revenue Funds</i> | | |
|---|------------------------------|-----------------------------|---------------------|
| | School State Grants | School Federal Grants | Sub-total |
| <u>REVENUES:</u> | | | |
| Intergovernmental | \$ 2,402,587 | \$ 2,910,007 | \$ 11,070,080 |
| Charges for services | - | - | 1,318,036 |
| Investment income | - | - | 64,189 |
| Contributions and donations | - | - | 791,576 |
| Payments in lieu of taxes | - | - | - |
| Miscellaneous | - | - | 335,191 |
| | <u>2,402,587</u> | <u>2,910,007</u> | <u>13,579,072</u> |
| <u>EXPENDITURES:</u> | | | |
| Current: | | | |
| General government | - | - | 130,545 |
| Public safety | - | - | 1,404,494 |
| Education | 2,236,009 | 3,302,803 | 9,532,453 |
| Public works | - | - | 216,806 |
| Community and economic development | - | - | 1,613,958 |
| Health and human services | - | - | 680,639 |
| Culture and recreation | - | - | 94,440 |
| | <u>2,236,009</u> | <u>3,302,803</u> | <u>13,673,335</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>166,578</u> | <u>(392,796)</u> | <u>(94,263)</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | |
| Transfers in | - | - | 250,000 |
| Transfers out | (63,812) | (98,833) | (515,928) |
| Proceeds of general obligation bonds | - | - | - |
| Sale of capital assets | - | - | 1,000,000 |
| | <u>(63,812)</u> | <u>(98,833)</u> | <u>734,072</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | 102,766 | (491,629) | 639,809 |
| FUND BALANCES AT BEGINNING OF YEAR | <u>425,143</u> | <u>905,615</u> | <u>7,837,120</u> |
| FUND BALANCES (DEFICITS) AT END OF YEAR | <u>\$ 527,909</u> | <u>\$ 413,986</u> | <u>\$ 8,476,929</u> |

Capital Projects Fund

| | School Buildings | Urban Renewal | Other Building Improvements | Public Works Improvements | Capital Equipment | Sub-total |
|----|------------------|------------------|-----------------------------|---------------------------|---------------------|-------------------|
| \$ | - | \$ 40,222 | \$ - | \$ - | \$ - | \$ 40,222 |
| | - | - | - | - | - | - |
| | - | 67,663 | - | - | - | 67,663 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | 107,885 | - | - | - | 107,885 |
| | - | - | 294,409 | - | - | 294,409 |
| | - | - | - | - | 511,910 | 511,910 |
| | 1,643,688 | - | - | - | - | 1,643,688 |
| | - | - | - | 2,860,999 | - | 2,860,999 |
| | - | 476,071 | - | - | - | 476,071 |
| | - | - | - | - | 110,650 | 110,650 |
| | - | - | 956,485 | - | 244,747 | 1,201,232 |
| | 1,643,688 | 476,071 | 1,250,894 | 2,860,999 | 867,307 | 7,098,959 |
| | (1,643,688) | (368,186) | (1,250,894) | (2,860,999) | (867,307) | (6,991,074) |
| | - | - | - | - | 610,565 | 610,565 |
| | - | - | - | - | - | - |
| | 1,000,000 | - | 300,000 | 1,700,000 | - | 3,000,000 |
| | - | - | - | - | - | - |
| | 1,000,000 | - | 300,000 | 1,700,000 | 610,565 | 3,610,565 |
| | (643,688) | (368,186) | (950,894) | (1,160,999) | (256,742) | (3,380,509) |
| | 900,913 | 429,201 | 1,462,556 | 1,053,596 | 88,684 | 3,934,950 |
| \$ | <u>257,225</u> | <u>\$ 61,015</u> | <u>\$ 511,662</u> | <u>\$ (107,403)</u> | <u>\$ (168,058)</u> | <u>\$ 554,441</u> |

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2000

| | <i>Permanent Funds</i> | | |
|---|------------------------|-----------------|--|
| | Public Safety | Public Works | Community and Economic Development |
| REVENUES: | | | |
| Intergovernmental | \$ - | \$ - | \$ - |
| Charges for services | - | - | - |
| Investment income | - | - | - |
| Contributions and donations | - | - | - |
| Payments in lieu of taxes | - | - | 45,000 |
| Miscellaneous | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | - | - | 45,000 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Education | - | - | - |
| Public works | - | - | - |
| Community and economic development | - | - | - |
| Health and human services | - | - | - |
| Culture and recreation | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | - | 45,000 |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Proceeds of general obligation bonds | - | - | - |
| Sale of capital assets | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES | - | - | 45,000 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES AT BEGINNING OF YEAR | 190 | 147 | 166,366 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES (DEFICITS) AT END OF YEAR | \$ 190 | \$ 147 | \$ 211,366 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Permanent Funds

| Health and Human Services | Culture and Recreation | Sub-total | Total Nonmajor Governmental Funds |
|---------------------------------|---------------------------|-------------------|--|
| \$ - | \$ - | \$ - | \$ 11,110,302 |
| - | - | - | 1,318,036 |
| 3,751 | 7,926 | 11,677 | 143,529 |
| 15,000 | 35,000 | 50,000 | 841,576 |
| - | - | 45,000 | 45,000 |
| - | - | - | 335,191 |
| <u>18,751</u> | <u>42,926</u> | <u>106,677</u> | <u>13,793,634</u> |
| - | - | - | 424,954 |
| - | - | - | 1,916,404 |
| - | - | - | 11,176,141 |
| - | - | - | 3,077,805 |
| - | - | - | 2,090,029 |
| 15,645 | - | 15,645 | 806,934 |
| - | 7,557 | 7,557 | 1,303,229 |
| <u>15,645</u> | <u>7,557</u> | <u>23,202</u> | <u>20,795,496</u> |
| <u>3,106</u> | <u>35,369</u> | <u>83,475</u> | <u>(7,001,862)</u> |
| - | - | - | 860,565 |
| - | - | - | (515,928) |
| - | - | - | 3,000,000 |
| - | - | - | 1,000,000 |
| - | - | - | 4,344,637 |
| 3,106 | 35,369 | 83,475 | (2,657,225) |
| <u>10,056</u> | <u>128,188</u> | <u>304,947</u> | <u>12,077,017</u> |
| <u>\$ 13,162</u> | <u>\$ 163,557</u> | <u>\$ 388,422</u> | <u>\$ 9,419,792</u> |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2000

| | <u>Employee Benefits</u> | <u>Workers' Compensation</u> | <u>Total</u> |
|---------------------------------|------------------------------|----------------------------------|--------------------|
| ASSETS | | | |
| CURRENT: | | | |
| Cash and short-term investments | \$ 368,937 | \$ 234,733 | \$ 603,670 |
| NONCURRENT: | | | |
| Other assets | <u> </u> | <u>165,000</u> | <u>165,000</u> |
| TOTAL ASSETS | <u>368,937</u> | <u>399,733</u> | <u>768,670</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Accrued liabilities | <u>124,300</u> | <u>740,700</u> | <u>865,000</u> |
| NET ASSETS (DEFICIT) | | | |
| Unrestricted deficit | <u>\$ 244,637</u> | <u>\$ (340,967)</u> | <u>\$ (96,330)</u> |

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2000

| | Employee Benefits | Workers' Compensation | Total |
|--|----------------------|--------------------------|--------------------|
| <u>OPERATING REVENUES:</u> | | | |
| Employer contributions | \$ 551,846 | \$ 805,732 | \$ 1,357,578 |
| Employee contributions | 105,867 | - | 105,867 |
| TOTAL OPERATING REVENUES | <u>657,713</u> | <u>805,732</u> | <u>1,463,445</u> |
| <u>OPERATING EXPENSES:</u> | | | |
| Employee benefits | 826,303 | 942,328 | 1,768,631 |
| OPERATING (LOSS) | <u>(168,590)</u> | <u>(136,596)</u> | <u>(305,186)</u> |
| <u>NONOPERATING REVENUES (EXPENSES):</u> | | | |
| Investment income | 6,424 | 875 | 7,299 |
| (LOSS) BEFORE TRANSFERS | <u>(162,166)</u> | <u>(135,721)</u> | <u>(297,887)</u> |
| <u>TRANSFERS:</u> | | | |
| Transfers out | (6,424) | (875) | (7,299) |
| CHANGE IN NET ASSETS | (168,590) | (136,596) | (305,186) |
| NET ASSETS (DEFICIT) AT BEGINNING OF YEAR | <u>413,227</u> | <u>(204,371)</u> | <u>208,856</u> |
| NET ASSETS (DEFICIT) AT END OF YEAR | <u>\$ 244,637</u> | <u>\$ (340,967)</u> | <u>\$ (96,330)</u> |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2000

| | Employee Benefits | Workers' Compensation | Total |
|---|----------------------|--------------------------|--------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | |
| Receipts from interfund services provided | \$ 657,713 | \$ 805,732 | \$ 1,463,445 |
| Payments for interfund services used | (661,303) | (777,328) | (1,438,631) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | (3,590) | 28,404 | 24,814 |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u> | | | |
| Transfers out | (6,424) | (875) | (7,299) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | |
| Investment income | 6,424 | 875 | 7,299 |
| NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS | (3,590) | 28,404 | 24,814 |
| CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR | 372,527 | 206,329 | 578,856 |
| CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR | \$ 368,937 | \$ 234,733 | \$ 603,670 |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u> | | | |
| Operating (loss) | \$ (168,590) | \$ (136,596) | \$ (305,186) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Changes in assets and liabilities: | | | |
| Other assets | | (45,000) | (45,000) |
| Accrued liabilities | 165,000 | 210,000 | 375,000 |
| Total adjustments | 165,000 | 165,000 | 330,000 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | \$ (3,590) | \$ 28,404 | \$ 24,814 |
| <u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u> | | | |
| Borrowing under capital leases | - | - | - |
| Contributions of capital assets from General Fund | - | - | - |
| Purchase of equipment on account | - | - | - |
| Increase in fair value of investments | - | - | - |
| Capital asset trade-ins | - | - | - |

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APPENDIX 3

Exhibits

Exhibit Narratives and Exhibits

Narrative

Pages one (1) and two (2) of Appendix 3 contains narratives that summarize the information contained in each Exhibit. Pages three (3) through 11 contain the Exhibits.

Exhibit 1 – Commonwealth School Subsidy Worksheet (Page 3)

Narrative

This Exhibit provides an illustrative example of calculating the receivable due to a community for Chapter 645 (now M.G.L. Chapter 70B) School Construction reimbursement. This Exhibit identifies the components of the receivable, the balance at the end of each fiscal year, payments received and how to classify these payments in the Statement of Activities in the Government-Wide financial statements. ***This Exhibit is provided as an example and is not intended to reconcile with the conversion worksheets.***

Exhibit 2 – Historical Cost Valuation Method for a Highway Network (Page 6)

Narrative

This Exhibit provides an illustrative example of calculating the estimated cost of road infrastructure using the Historical Cost Valuation Method. This Exhibit is preceded by a narrative (page 5) that provides an overview of the Exhibit and highlights its critical assumptions.

Exhibit 3 – Deflated Current Replacement Cost Method for a Highway Network (Page 8)

Narrative

This Exhibit provides an illustrative example of calculating the estimated cost of road infrastructure using the Deflated Current Replacement Cost Method. This Exhibit is preceded by a narrative (page 7) that provides an overview of the Exhibit and highlights its critical assumptions.

Exhibit 4 – Price Trends for Federal-Aid Highway Construction (Page 9)

Narrative

This Exhibit is used in conjunction with Exhibit 3 and identifies federal price trends related to highway construction, which allows us to estimate the costs of road infrastructure using deflating cost.

Exhibit 5 – Fixed Asset Control Card (Page 10)

Narrative

This Exhibit provides a sample fixed asset control card.

The Bureau recommends that, at a minimum, the information contained on this Exhibit be included in each Massachusetts government's fixed asset records.

Exhibit 6 – Sample Implementation Plan (Page 11)

Narrative

This Exhibit provides an illustrative example of a sample implementation plan for a Tier 2 entity (implementation date fiscal year 2003), and identifies the minimum items an implementation plan should address.

EXHIBIT 1

**CITY OF ANYWHERE, MASSACHUSETTS PUBLIC SCHOOLS SYSTEM
COMMONWEALTH SCHOOL SUBSIDY WORKSHEET
\$100,000,000 ISSUED 3/31/2001 AT 5% INTEREST RATE
COMMONWEALTH SUBSIDY IS 60% OF ALL ELIGIBLE EXPENSES**

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) |
|------------------|-----------|--|--------------------|-------------------|--------------------|---------------------------|----------------------------|---------------------------------|-------------------------|--|--|---|
| Fiscal Year | Subsidy % | Debt Outstanding at the end of Fiscal Year | Principal Payments | Interest Payments | Total Payments | Year-end Interest Accrual | Eligible BAN Interest Paid | Out-of-Pocket Eligible Expenses | Total Eligible Expenses | Chapter 645 A/R Balance Principal Only | Chapter 645 A/R Balance Out-of-Pocket Only | Chapter 645 A/R Balance BAN Interest Only |
| Issue 03/31/2001 | 60% | <u>100,000,000</u> | | | | | <u>600,000</u> | <u>400,000</u> | | | | |
| 2001 | 60% | 100,000,000 | - | | | 1,250,000 | 600,000 | 400,000 | 101,000,000 | 60,000,000 | 240,000 | 360,000 |
| 2002 | 60% | 95,000,000 | 5,000,000 | 5,000,000 | 10,000,000 | 1,187,500 | | | 5,000,000 | | | |
| 2003 | 60% | 90,000,000 | 5,000,000 | 4,750,000 | 9,750,000 | 1,125,000 | | | 4,750,000 | | | |
| 2004 | 60% | 85,000,000 | 5,000,000 | 4,500,000 | 9,500,000 | 1,062,500 | | | 4,500,000 | | | |
| 2005 | 60% | 80,000,000 | 5,000,000 | 4,250,000 | 9,250,000 | 1,000,000 | | | 4,250,000 | | | |
| 2006 | 60% | 75,000,000 | 5,000,000 | 4,000,000 | 9,000,000 | 937,500 | | | 4,000,000 | | | |
| 2007 | 60% | 70,000,000 | 5,000,000 | 3,750,000 | 8,750,000 | 875,000 | | | 3,750,000 | | | |
| 2008 | 60% | 65,000,000 | 5,000,000 | 3,500,000 | 8,500,000 | 812,500 | | | 3,500,000 | | | |
| 2009 | 60% | 60,000,000 | 5,000,000 | 3,250,000 | 8,250,000 | 750,000 | | | 3,250,000 | | | |
| 2010 | 60% | 55,000,000 | 5,000,000 | 3,000,000 | 8,000,000 | 687,500 | | | 3,000,000 | | | |
| 2011 | 60% | 50,000,000 | 5,000,000 | 2,750,000 | 7,750,000 | 625,000 | | | 2,750,000 | | | |
| 2012 | 60% | 45,000,000 | 5,000,000 | 2,500,000 | 7,500,000 | 562,500 | | | 2,500,000 | | | |
| 2013 | 60% | 40,000,000 | 5,000,000 | 2,250,000 | 7,250,000 | 500,000 | | | 2,250,000 | | | |
| 2014 | 60% | 35,000,000 | 5,000,000 | 2,000,000 | 7,000,000 | 437,500 | | | 2,000,000 | | | |
| 2015 | 60% | 30,000,000 | 5,000,000 | 1,750,000 | 6,750,000 | 375,000 | | | 1,750,000 | | | |
| 2016 | 60% | 25,000,000 | 5,000,000 | 1,500,000 | 6,500,000 | 312,500 | | | 1,500,000 | | | |
| 2017 | 60% | 20,000,000 | 5,000,000 | 1,250,000 | 6,250,000 | 250,000 | | | 1,250,000 | | | |
| 2018 | 60% | 15,000,000 | 5,000,000 | 1,000,000 | 6,000,000 | 187,500 | | | 1,000,000 | | | |
| 2019 | 60% | 10,000,000 | 5,000,000 | 750,000 | 5,750,000 | 125,000 | | | 750,000 | | | |
| 2020 | 60% | 5,000,000 | 5,000,000 | 500,000 | 5,500,000 | 62,500 | | | 500,000 | | | |
| 2021 | 60% | - | 5,000,000 | 250,000 | 5,250,000 | - | | | 250,000 | | | |
| Total | | <u>-</u> | <u>100,000,000</u> | <u>52,500,000</u> | <u>152,500,000</u> | <u>-</u> | <u>600,000</u> | <u>400,000</u> | <u>153,500,000</u> | <u>60,000,000</u> | <u>240,000</u> | <u>360,000</u> |

100%

- (3) Original debt less annual payments in column 4.
- (7) Accrued interest calculated by taking the next FY interest payment (5) multiplied by 1/4 of a year (April-June).
- (8) (9) The Components of out-of-pocket expenses include \$600,000 in BAN interest and \$400,000 in General Fund appropriations.
- (10) Total Eligible expenses are the sum of the \$100,000,000 bond issue (3), \$52,500,000 in annual interest payments (5), \$600,000 in BAN interest (8) and \$400,000 in out-of-pocket expenses (9) for a total of \$153,500,000.
- (17) The total due from the State is 60% of the \$153,500,000 in eligible expenses or \$92,100,000. The actual total due increases each year by 60% of the interest paid (14) and accrued (15) and decreases by the reversal of the prior year interest accrual (16).
- (18) The initial modified accrual entry is a Debit to Accounts Receivable and Credit to Deferred Revenue for \$61,350,000. The conversion to accrual basis is to Debit Deferred Revenue for \$61,350,000 and Credit Capital Grant Revenue for \$60,240,000 (\$60,000,000 + \$240,000) along with Operating Grant Revenue for \$1,110,000 (\$750,000 + \$360,000).
- (21) The Actual Outstanding A/R at the end of each year is the Cumulative A/R Balance (18) less the Cumulative Cherry Sheet Payments made (20). For modified accrual basis of accounting statements the A/R is fully deferred since the "available" criteria is not met.
- (22) This column represents the portion of the Capital Costs being reimbursed. The entire amount is recorded as revenue for the accrual basis and therefore all payments received in FY2002 and forward will represent the actual net decrease in A/R for each year. The accrual entry will Debit Intergovernmental Revenue and Credit A/R.
- (23) This column represents the actual full accrual interest expense that becomes eligible each year (15). We recommend that this amount is applied against the cash received first and therefore only a reclass entry is needed during the conversion to full accrual.

NOTE: THIS EXHIBIT IS PROVIDED AS AN EXAMPLE AND IS NOT INTENDED TO RECONCILE WITH THE CONVERSION WORKSHEETS

| (14) | (15) | (16) | (17) | (18) | (19) | (20) | (21) | (22) | (23) | (24) |
|--|--|---|---------------------------------|--|--|--|--|---|---|---------------------|
| Chapter 645 A/R Balance Interest Only | Chapter 645 A/R Balance Accrued Interest Only | Reverse P/Y Chapter 645 A/R Balance Accrued Interest Only | Annual Increase In A/R | Cumulative Chapter 645 A/R Balance at end of fiscal year | Total received from Cherry Sheet | Cumulative Total received from Cherry Sheet | Actual Chapter 645 A/R Balance at end of fiscal year | Accrual Cherry Sheet Payment Allocation | | |
| | | | | | | | | Program Revenue Capital Grants | Program Revenue Operating Grants | Total |
| - | 750,000 | | 61,350,000 | 61,350,000 | | | 61,350,000 | 1,110,000 | (1,110,000) | - |
| 3,000,000 | 712,500 | (750,000) | 2,962,500 | 64,312,500 | 4,700,000 | 4,700,000 | 59,612,500 | (1,737,500) | (2,962,500) | (4,700,000) |
| 2,850,000 | 675,000 | (712,500) | 2,812,500 | 67,125,000 | 4,600,000 | 9,300,000 | 57,825,000 | (1,787,500) | (2,812,500) | (4,600,000) |
| 2,700,000 | 637,500 | (675,000) | 2,662,500 | 69,787,500 | 4,600,000 | 13,900,000 | 55,887,500 | (1,937,500) | (2,662,500) | (4,600,000) |
| 2,550,000 | 600,000 | (637,500) | 2,512,500 | 72,300,000 | 4,600,000 | 18,500,000 | 53,800,000 | (2,087,500) | (2,512,500) | (4,600,000) |
| 2,400,000 | 562,500 | (600,000) | 2,362,500 | 74,662,500 | 4,600,000 | 23,100,000 | 51,562,500 | (2,237,500) | (2,362,500) | (4,600,000) |
| 2,250,000 | 525,000 | (562,500) | 2,212,500 | 76,875,000 | 4,600,000 | 27,700,000 | 49,175,000 | (2,387,500) | (2,212,500) | (4,600,000) |
| 2,100,000 | 487,500 | (525,000) | 2,062,500 | 78,937,500 | 4,600,000 | 32,300,000 | 46,637,500 | (2,537,500) | (2,062,500) | (4,600,000) |
| 1,950,000 | 450,000 | (487,500) | 1,912,500 | 80,850,000 | 4,600,000 | 36,900,000 | 43,950,000 | (2,687,500) | (1,912,500) | (4,600,000) |
| 1,800,000 | 412,500 | (450,000) | 1,762,500 | 82,612,500 | 4,600,000 | 41,500,000 | 41,112,500 | (2,837,500) | (1,762,500) | (4,600,000) |
| 1,650,000 | 375,000 | (412,500) | 1,612,500 | 84,225,000 | 4,600,000 | 46,100,000 | 38,125,000 | (2,987,500) | (1,612,500) | (4,600,000) |
| 1,500,000 | 337,500 | (375,000) | 1,462,500 | 85,687,500 | 4,600,000 | 50,700,000 | 34,987,500 | (3,137,500) | (1,462,500) | (4,600,000) |
| 1,350,000 | 300,000 | (337,500) | 1,312,500 | 87,000,000 | 4,600,000 | 55,300,000 | 31,700,000 | (3,287,500) | (1,312,500) | (4,600,000) |
| 1,200,000 | 262,500 | (300,000) | 1,162,500 | 88,162,500 | 4,600,000 | 59,900,000 | 28,262,500 | (3,437,500) | (1,162,500) | (4,600,000) |
| 1,050,000 | 225,000 | (262,500) | 1,012,500 | 89,175,000 | 4,600,000 | 64,500,000 | 24,675,000 | (3,587,500) | (1,012,500) | (4,600,000) |
| 900,000 | 187,500 | (225,000) | 862,500 | 90,037,500 | 4,600,000 | 69,100,000 | 20,937,500 | (3,737,500) | (862,500) | (4,600,000) |
| 750,000 | 150,000 | (187,500) | 712,500 | 90,750,000 | 4,600,000 | 73,700,000 | 17,050,000 | (3,887,500) | (712,500) | (4,600,000) |
| 600,000 | 112,500 | (150,000) | 562,500 | 91,312,500 | 4,600,000 | 78,300,000 | 13,012,500 | (4,037,500) | (562,500) | (4,600,000) |
| 450,000 | 75,000 | (112,500) | 412,500 | 91,725,000 | 4,600,000 | 82,900,000 | 8,825,000 | (4,187,500) | (412,500) | (4,600,000) |
| 300,000 | 37,500 | (75,000) | 262,500 | 91,987,500 | 4,600,000 | 87,500,000 | 4,487,500 | (4,337,500) | (262,500) | (4,600,000) |
| 150,000 | - | (37,500) | 112,500 | 92,100,000 | 4,600,000 | 92,100,000 | - | (4,487,500) | (112,500) | (4,600,000) |
| 31,500,000 | 7,875,000 | (7,875,000) | 92,100,000 | 92,100,000 | 92,100,000 | 92,100,000 | - | (60,240,000) | (31,860,000) | (92,100,000) |

60%

Historical Cost Valuation Method for a Highway Network (Exhibit 2)

Overview

Exhibit 2 illustrates the following and is *not* intended to reconcile to the conversion worksheets:

- The use of the Historical Cost Valuation Method to retroactively value a Highway Network as of June 30, 2001.
- The process of recording the activity (retirements, additions and depreciation expense) in the year of transition. Note that this process would be consistent from year to year.

Assumptions

The city's GASBS 34 implementation date is fiscal year 2002. The city has historical records that support the highway expenses incurred for each of the prior twenty-one fiscal years. Additionally, the following facts apply:

- The city has 200 lane miles of road constructed at different times.
- Actual costs incurred were \$80,400,000 between fiscal year 1981 and fiscal year 2001.
- Straight-line depreciation and a 40-year estimated useful life.
- Actual costs incurred during fiscal year 2002 totaled \$5,000,000 for the replacement of 10 miles of road.

Estimated Historical Cost

This has been calculated by using the actual accounting data accumulated (see Exhibit 2 for the amounts by fiscal year).

Accumulated Depreciation Calculation at June 30, 2001

- A composite annual depreciation rate of 2.5% is used (100%/40years).
- Apply the composite rate to each fiscal year's capital additions.
 - Multiply the Additions by the Rate by the Number of years the assets have been in service. The total is the accumulated depreciation at June 30, 2001.

EXHIBIT 2

HISTORICAL COST VALUATION METHOD FOR A HIGHWAY NETWORK

| Year | Cost Per Year | Lane Miles | Years of Accumulated Depreciation | 40 Year Life Depreciation Rate | Accumulated Depreciation | Net Book Value at 06/30/01 |
|------|----------------------|------------|-----------------------------------|--------------------------------|--------------------------|----------------------------|
| 1981 | \$ 2,500,000 | 5 | 20 | 0.025 | \$ 1,250,000 | \$ 1,250,000 |
| 1982 | 2,325,000 | 2 | 19 | 0.025 | 1,104,375 | 1,220,625 |
| 1983 | 3,275,000 | 2 | 18 | 0.025 | 1,473,750 | 1,801,250 |
| 1984 | 2,650,000 | 6 | 17 | 0.025 | 1,126,250 | 1,523,750 |
| 1985 | 2,720,000 | 8 | 16 | 0.025 | 1,088,000 | 1,632,000 |
| 1986 | 2,380,000 | 4 | 15 | 0.025 | 892,500 | 1,487,500 |
| 1987 | 3,150,000 | 2 | 14 | 0.025 | 1,102,500 | 2,047,500 |
| 1988 | 3,350,000 | 4 | 13 | 0.025 | 1,088,750 | 2,261,250 |
| 1989 | 2,600,000 | 7 | 12 | 0.025 | 780,000 | 1,820,000 |
| 1990 | 3,710,000 | 8 | 11 | 0.025 | 1,020,250 | 2,689,750 |
| 1991 | 3,290,000 | 3 | 10 | 0.025 | 822,500 | 2,467,500 |
| 1992 | 3,650,000 | 7 | 9 | 0.025 | 821,250 | 2,828,750 |
| 1993 | 4,850,000 | 9 | 8 | 0.025 | 970,000 | 3,880,000 |
| 1994 | 4,925,000 | 10 | 7 | 0.025 | 861,875 | 4,063,125 |
| 1995 | 4,000,000 | 12 | 6 | 0.025 | 600,000 | 3,400,000 |
| 1996 | 5,050,000 | 17 | 5 | 0.025 | 631,250 | 4,418,750 |
| 1997 | 5,075,000 | 18 | 4 | 0.025 | 507,500 | 4,567,500 |
| 1998 | 5,200,000 | 20 | 3 | 0.025 | 390,000 | 4,810,000 |
| 1999 | 5,300,000 | 22 | 2 | 0.025 | 265,000 | 5,035,000 |
| 2000 | 5,400,000 | 24 | 1 | 0.025 | 135,000 | 5,265,000 |
| 2001 | 5,000,000 | 10 | 0 | 0.025 | - | 5,000,000 |
| | \$ 80,400,000 | 200 | | | \$ 16,930,750 | \$ 63,469,250 A |

Average Cost per Lane Mile (80,400,000 / 200) \$ 402,000 E

COMPUTING ANNUAL DEPRECIATION EXPENSE IN YEAR OF CONVERSION

| | Cost | Accumulated Depreciation | Net Book Value |
|---|----------------------|--------------------------|----------------------|
| Beginning balance (cost) of Highway Infrastructure (06/30/01) | \$ 80,400,000 | \$ 16,930,750 | \$ 63,469,250 |
| B Retirements (10 miles replaced X Average Cost per Lane Mile E) | (4,020,000) | (4,020,000) | - |
| C Additions - current | 5,000,000 | | 5,000,000 |
| Current depreciation | | 2,034,500 | (2,034,500) |
| Ending balance (cost) of Highway Infrastructure (06/30/02) | <u>\$ 81,380,000</u> | <u>\$ 14,945,250</u> | <u>\$ 66,434,750</u> |
| Depreciation Rate | <u>0.025</u> | | |
| Depreciation expense for fiscal year 2002 | <u>2,034,500 D</u> | | |

A Entry to book FY 01 Infrastructure Assets: DR. Infrastructure Assets, CR. Accumulated Depreciation, CR. Net Assets (Invested in Capital Assets, net of related debt).

B Entry to book FY 02 retirements: DR. Accumulated Depreciation, CR. Infrastructure Assets.

C Entry to book FY 02 additions: DR. Infrastructure Assets, CR. Cash (Expense if a year-end entry).

D Entry to book FY 02 depreciation: DR. Depreciation Expense, CR. Accumulated Depreciation.

Deflated Current Replacement Cost Method for a Highway Network (Exhibit 3)

Overview

Exhibit 3 illustrates the following and is *not* intended to reconcile to the conversion worksheets:

- The use of the Deflated Current Replacement Cost Method to retroactively value a Highway Network as of June 30, 2001.
- The process of recording the activity (retirements, additions and depreciation expense) in the year of transition. Note that this process would be consistent from year-to-year.

Assumptions

The city's GASBS 34 implementation date is fiscal year 2002. The city does not have historical records that support the highway expenses incurred for previous 21 fiscal years. The Highway Engineers have provided the number of lane miles constructed over the past 21 years along with the current replacement cost of an average lane mile. Additionally, the following facts apply:

- The city has 100 lane miles of road constructed during different fiscal years.
- Similar roads replacement costs (estimated by the Highway Engineer) is estimated to be \$500,000 per lane mile.
- The deflated index used is the "Price Trends for Federal-aid Highway Construction" (see Exhibit 4).
- Straight-line depreciation and a 40-year estimated useful life.
- Actual costs incurred during fiscal year 2002 totaled \$5,000,000 for the replacement of 10 miles of road.

Estimated Historical Cost

Using the lane miles constructed by year, calculate the weighted average age of the lane miles.

- Multiply each fiscal year's lane miles by its actual age.
- Add each fiscal year total and divide by the total lane miles to calculate the weighted average age.
- Using the Price Trends for Federal-aid Highway Construction table calculate the deflation index.
 - The numerator is the index corresponding to the weighted average age of the highway.
 - The denominator is the current year index.
 - Divide the numerator by the denominator to calculate the deflation index.
- Multiply the current replacement cost by the deflation index to calculate the estimated historical cost.

Accumulated Depreciation Calculation at June 30, 2001

- A composite annual depreciation rate of 2.5% is used (100%/40years).
- Apply the composite rate to total estimated historical cost.
 - Multiply the total historical cost by the Rate by the weighted average age. The total is the accumulated depreciation at June 30, 2001

EXHIBIT 3

DEFLATED CURRENT REPLACEMENT COST METHOD FOR A HIGHWAY NETWORK

| Year Acquired | Lane Miles | Age in 2000 Years | Miles X Age | Composite Index* |
|---|---------------|----------------------|------------------------|---|
| 1981 | 50 | 19 | 950 | |
| 1989 | 30 | 11 | 330 | |
| 1994 | 20 | 6 | 120 | |
| | <u>100</u> | | <u>1,400</u> | Index Year is 1987 100.0 |
| | | | | Current Year Index FY 2001 <u>136.5</u> |
| Weighted Average Age of Roads of Roads (1,400/100) | | | <u><u>14</u></u> years | Deflated Index (100.0/136.5) <u><u>0.732600733</u></u> |

Estimated Historical Cost (lane miles x average cost per lane mile x deflated index)

| | |
|--|-----------------------------|
| Number of Lane Miles | 100 |
| Current Replacement Cost per Lane Mile | <u>\$ 500,000</u> |
| Sub total | 50,000,000 |
| Multiply by the Deflated Index | <u>0.732600733</u> |
| Estimated Historical Cost | 36,630,037 |
| Annual Depreciation (2.5% (40 years)) | <u>915,751</u> |
| Accumulated Depreciation (14 years) | <u>12,820,513</u> |
| Net Book Value at 6/30/01 | <u>\$ 23,809,524</u> |

Average cost per lane mile = \$366,300 (\$36,630,037 / 100 lane miles) E

COMPUTING ANNUAL DEPRECIATION EXPENSE IN YEAR OF CONVERSION

| | Cost | Accumulated Depreciation | Net Book Value |
|--|----------------------|--------------------------------|----------------------|
| Beginning balance of Highway Infrastructure (06/30/01) | \$ 36,630,037 | \$ 12,820,513 | \$ 23,809,524 |
| Retirements (10 miles replaced X Average Cost/Lane Mile) | B (3,663,000) | (3,663,000) | - |
| Additions - current | C 5,000,000 | | 5,000,000 |
| Current depreciation | | 949,176 | (949,176) |
| Ending balance of Highway Infrastructure (06/30/02) | <u>\$ 37,967,037</u> | <u>\$ 10,106,689</u> | <u>\$ 27,860,348</u> |
| Depreciation Rate | | <u>0.025</u> | |
| Depreciation expense for fiscal year 2002 | | D <u><u>949,176</u></u> | |

A Entry to book FY 01 Infrastructure Assets: DR. Infrastructure Assets, CR. Accumulated Depreciation, CR. Net Assets (Invested in Capital Assets, net of related debt).

B Entry to book FY 02 retirements: DR. Accumulated Depreciation, CR. Infrastructure Assets.

C Entry to book FY 02 additions: DR. Infrastructure Assets, CR. Cash (Expense if a year-end entry).

D Entry to book FY 02 depreciation: DR. Depreciation Expense, CR. Accumulated Depreciation.

* See Exhibit 4

**EXHIBIT 5
CITY OF ANYWHERE, MASSACHUSETTS
FIXED ASSET CONTROL CARD**

PURCHASES

| | | | |
|------------------------------|--------------------------|---|-----------------------------|
| 1. Department: | 2. Address | 3. Location | |
| 4. Asset Description: | 5. Asset Value | 6. Valuation Method: | 7. Acquisition Date: |
| 8. Useful life: | 9. Salvage Value: | 10. Funding Source (PO or Donation): | |
| 11. Bar Code #: | 12. Make: | 13. Model Number: | 14. Serial Number: |

Department Head Signature

Date

Fixed Asset Manager Signature

Date

TRANSFERS

| | | |
|--|------------------------------------|---------------|
| _____ Department Transferred From | _____ Department Transferred To | _____ Date |
| _____ Department Head Signature | _____ Department Head Signature | _____ Date |
| _____ Fixed Asset Manager Signature | | _____ Date |

RETIREMENTS

| | |
|--------------------------------------|-------------|
| Retirement/Disposal Date: _____ | |
| Method of Disposal: _____ | |
| Department Head Signature: _____ | Date: _____ |
| Fixed Asset Manager Signature: _____ | Date: _____ |

**THIS FORM MUST BE COMPLETED BY THE APPROPRIATE DEPARTMENT HEAD AND SUBMITTED
TO THE FIXED ASSET DEPARTMENT AS A PERMANENT RECORD.
PLEASE RETAIN A COPY FOR YOUR RECORDS.**

EXHIBIT 6

SAMPLE IMPLEMENTATION PLAN

| Steps | Task | Team Member Responsible | Due Date | Completion Date |
|-------|---|-------------------------|------------|-----------------|
| 1 | Determine the implementation date | Accountant | 01/02/2002 | |
| 2 | Draft an Implementation Plan (Plan) | Accountant | 01/15/2002 | |
| 3 | Organize a management meeting to discuss the draft Plan | Accountant | 01/30/2002 | |
| 4 | Update the Plan | Accountant | 02/07/2002 | |
| 5 | Assemble a GASBS 34 Implementation Team | Mgmt Team | 02/15/2002 | |
| a | Consider the Accountant, Treasurer, Engineer and a representative of the elected officials. | | | |
| 6 | Identify financial reporting deficiencies with your independent auditor | Accountant | 02/28/2002 | |
| 7 | Estimate additional resources needed to eliminate the deficiencies (time and expense) | Mgmt Team | 03/15/2002 | |
| 8 | Create a Policy Statement for all financial reporting issues including items such as: | Mgmt Team | 03/15/2002 | |
| a | <i>Financial statement format</i> Major & nonmajor funds Enterprise Activity reporting Combining statements | | | |
| b | <i>Capital Asset Reporting</i> Capitalization thresholds Estimated useful lives Depreciation method Valuation methods Inventory counting procedures Capital asset record keeping <i>Infrastructure determination</i> Network & subsystem Retroactive reporting timeline Depreciation or Modified Approach | | | |
| c | <i>Policies on accounting estimates</i> Estimate of uncollectible accounts Compensated absences Landfill closure Claims and judgments | | | |
| d | <i>Other accounting issues</i> Inventory Prepaid expenses | | | |
| 9 | Complete capital asset inventory count | All depart's | 06/30/2002 | |
| 10 | Value the capital asset inventory | Accountant | 08/31/2002 | |
| 11 | Establish procedures to maintain the capital asset inventory | Accountant | 9/31/2002 | |
| 12 | Complete "Pro Forma" GASBS 34 financial statements based on the current general purpose financial statements | Accountant | 03/31/2003 | |

APPENDIX 4

Comprehensive Discussion of Infrastructure

Comprehensive Discussion of Infrastructure

1. BACKGROUND ON CAPITAL ASSET/INFRASTRUCTURE REPORTING

This Appendix presents insights regarding the historical context for the inclusion of infrastructure in the reporting requirements of GASBS 34. It also discusses several of the key issues that prompted intense debate among advocates and detractors of the final form which the infrastructure reporting requirements took when the Statement was originally issued in 1999.

Historical Context For Infrastructure Treatment In Financial Statements Of Government And Enterprise Agencies

Perhaps the most significant and far-reaching new requirements of GASBS 34 deal with the reporting of general infrastructure assets owned by state and local governments. GASB defines public infrastructure assets as *long-lived capital assets associated with Governmental Activities that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets*. Public infrastructure assets include: roads, bridges, tunnels, water and sewer systems, pipelines, levees and dams, airports, transitways, ports and harbors, and fixed lighting systems. Capital assets that have shorter service lives, such as buildings, equipment, furniture, and computer hardware, are excluded from GASB's definition of infrastructure assets. These shorter-term capital assets were supposed to be covered by prior reporting requirements of GASB, which called for their inclusion in the balance sheets of annual government financial reports. However, for many state and local jurisdictions, these capital assets have been omitted from the annual financial statements.

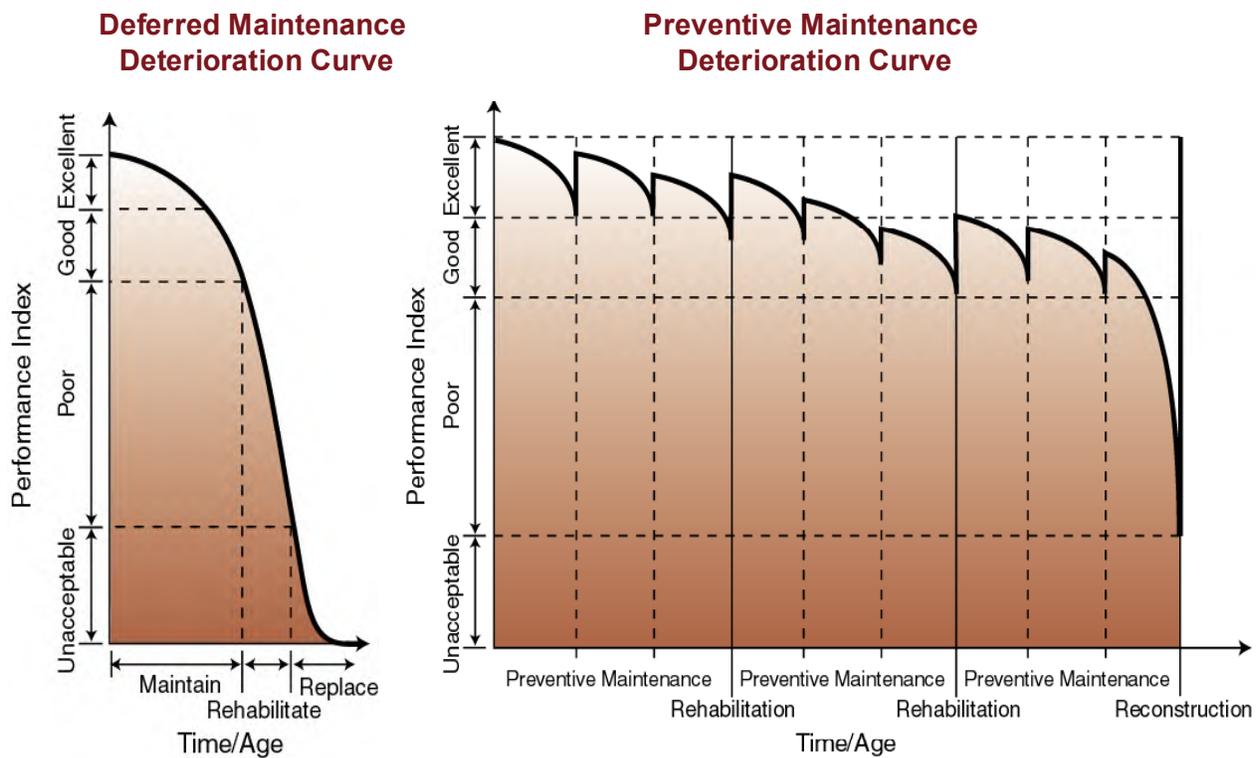
The omission of infrastructure assets from prior government financial reporting requirements reflected traditional perspectives of public officials towards these long-lived capital assets. Public agencies have long budgeted for infrastructure assets in a capital improvement program, which consisted of periodic outlays for specific facilities. Funding for infrastructure assets was accumulated from a variety of sources, often including multiple levels of government. In most cases, major capital assets were paid for on a pay-as-you-go basis. Because of their much longer service lives, it was believed that infrastructure assets would retain their economic value for many years with little annual decline. In addition, it was generally perceived that there was nothing to be gained from depreciating public infrastructure assets due to the absence of tax liability for these assets. As a result of these various factors, infrastructure assets were expensed in the year of construction.

The lack of annual reporting for infrastructure assets has resulted in their being treated as sunk costs by the government agencies responsible for their upkeep. Maintenance of these assets was a local operating expense, which competed with other governmental programs for scarce budget dollars. Once paid for up front, state and local jurisdictions could ignore their infrastructure assets until they gradually deteriorated and needed to be replaced. Then the cycle of capital improvement program budgeting, funding, and construction would be repeated.

This approach to long-lived capital asset management has resulted in the premature deterioration of infrastructure assets across the nation. Because they are long lasting, infrastructure assets can

be ignored without the consequences showing up for many years. However, once they begin to deteriorate, the rate of deterioration accelerates quickly. As a result, infrastructure assets that have their maintenance deferred will need to be replaced more frequently than infrastructure assets that are preserved. In the case of highway infrastructure, the replacement cycle can be extended from three to four times with proper preventive maintenance. This is illustrated by the following charts (see Exhibit 1 below).

Exhibit 1 - Comparison of Deferred Maintenance versus Preventive Maintenance Impacts on Infrastructure Service Lives



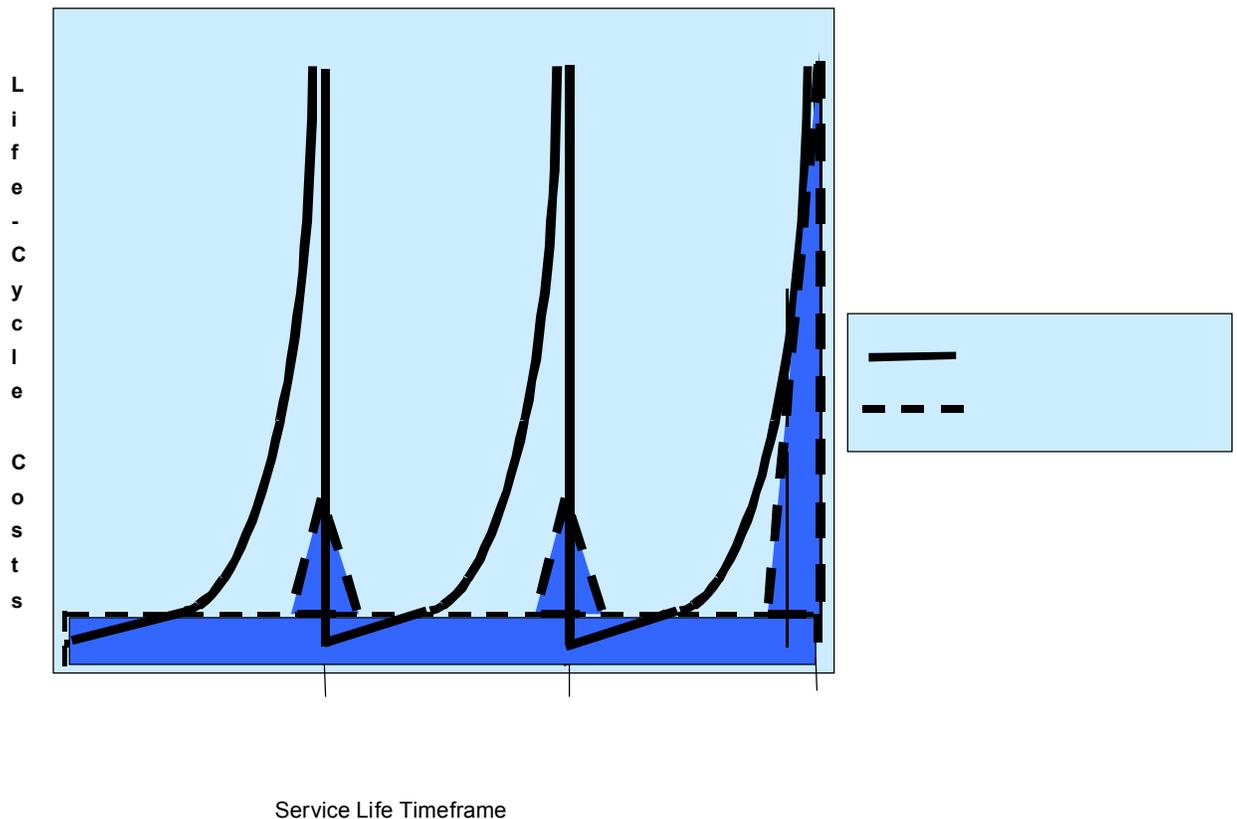
The chart on the left side of the exhibit shows how pavement condition changes over time when maintenance is deferred. While new pavements generally remain in good-to-excellent condition for several years with little or no upkeep, the rate of deterioration rapidly increases after 7 to 10 years. At approximately 15 to 20 years, the entire pavement structure must be replaced at high cost.

The chart on the right side of the exhibit demonstrates how periodic preventive maintenance efforts (such as crack sealing, drainage cleaning, or the application of thin overlays) can significantly extend the longevity of pavements, to 60 years or more. Hence, a pavement that lasts from 15 to 20 years without proper maintenance can last between 60 to 80 years with preventive maintenance efforts performed on a regular basis throughout the life of the asset. As a result, the life-cycle costs of highway infrastructure assets can be reduced from 75 to 90 percent with proper preventive maintenance, versus deferred maintenance efforts.^{i,ii}

Exhibit 2 shows the effects of deferred maintenance and preventive maintenance on the life-

cycle costs of pavements. The solid line reflects lower maintenance costs and much higher capital costs associated with deferred maintenance due to more frequent asset replacement. The dotted line reflects higher maintenance costs but much lower capital costs associated with preventive maintenance due to less frequent asset replacement.

Exhibit 2 - Comparison of Deferred Maintenance versus Preventive Maintenance Impacts on Infrastructure Life-Cycle Costs



Board Intent For Requiring Infrastructure Reporting

The Governmental Accounting Standards Board included infrastructure in Statement No. 34 to enable those who rely on state and local government financial reports to perform the following reports with respect to their infrastructure assets:

- Determine whether current year revenues covered the costs of current year services.
- Assess the service efforts and costs of infrastructure programs.
- Assess the government’s overall financial position and condition.
- Determine if the government’s financial position has improved or deteriorated during the year.
- Assess the service potential of physical resources with service lives that extent beyond the current reporting period.

Despite the desirability of these objectives, a number of concerns were raised early in the

formulation stages for GASBS 34. These included the following:

- The value of reporting on public infrastructure assets in comparison to the costs of such reporting efforts.
- The value of developing historical costs for infrastructure assets already built.
- The relevance of depreciating infrastructure assets already expensed as sunk costs.
- Potential encroachment on public policy and budgetary rights of state and local governments due to the heightened visibility of infrastructure and its maintenance needs created by GASBS 34 reporting.

In reviewing these and other concerns, GASB retained the infrastructure reporting requirements as part of Statement No. 34. In defending their decision, GASB concluded that infrastructure reporting was “essential to provide information for assessing financial position and changes in financial position, and for reporting the cost of programs and functions.”¹

Major Issues Associated with Defining Infrastructure Reporting Requirements

When considering whether to include infrastructure in the annual financial reporting requirements for state and local governments, they were struck by two major issues. The first involved the relative value of infrastructure assets in comparison to non-infrastructure capital assets. During their fact-finding efforts and subsequent deliberations on Statement No. 34, GASB considered two of the largest states in the country to assess the relative significance of infrastructure assets. In New York and California, the value of public infrastructure assets was estimated to be in the trillions of dollars. In New York State alone, it was estimated that a single department, the New York State Department of Transportation, was responsible for over \$100 billion in highway infrastructure assets. GASB discovered that the value of infrastructure assets was likely much larger than the value of non-infrastructure capital assets captured on the financial books of state and many local governments.

The second issue related to the apparent decline of many of the nation’s infrastructure systems, as noted by public infrastructure managers in the 1990s. This included the Interstate Highway System and many of the nation’s water and sewer systems. The rapid decline of many of these essential systems and networks suggested a deep-seated problem in how these assets were being managed once constructed. The problem was perceived to be a direct consequence of allowing state and local governments to omit infrastructure assets from their annual financial statements – which caused these assets to be treated as sunk costs by their responsible agencies. With the focus on the capital improvement program, deferred maintenance was permitted and increased the costs of infrastructure assets. This placed the responsible jurisdictions at greater financial risk by incurring more frequently the high costs of infrastructure capital replacement.

GASB determined that the absence of infrastructure assets from the financial statements of state and local governments masked the consequences of infrastructure deterioration and the fiscal consequences of their premature replacement. As a result, there was no early-warning mechanism to alert public officials, holders of public-sector bonds, or the general public of the costs to replace infrastructure assets, the impact of these costs on government budgets, or the consequences of losing these assets. GASB further concluded that by omitting infrastructure

¹ GASBS 34, para. 337.

assets from their balance sheets, state and local governments were not fully disclosing their financial situation.

Infrastructure assets contribute significantly to the viability of our nation's economy and the competitiveness of individual states and localities by providing accessibility, mobility, and such critical services as water supply and sewerage disposal. With trillions of dollars invested in the nation's infrastructure, public agencies are faced with the choice of preserving these invaluable assets at reasonable cost or deferring maintenance and having to prematurely replace them at a much higher cost. GASB's decision to require state and local governments to publicly account for the value and condition of infrastructure assets reflects the importance of these assets to the financial and economic viability of these jurisdictions. It also recognizes what maintenance engineers have long known - that it is more cost-effective over the long term to perform preventive maintenance on infrastructure than to defer maintenance and incur premature replacement.

Original Proposal and Alternative Approaches to Infrastructure Asset Reporting

GASB originally intended to require infrastructure assets to be reported on in the same manner as other capital assets, such as buildings and equipment. This meant identifying and valuing the asset, with the current value reflecting the remaining service life of the asset. State and local governments were expected to identify the historic costs of infrastructure assets and then depreciate the value based on how much of the asset's serviceable life had been used up. Respondents were given wide latitude regarding the method of depreciation to be used to determine the current book value of the asset.

During the review and comment period for the exposure drafts of Statement No. 34, representatives of numerous infrastructure agencies expressed concern regarding the applicability of depreciation methods for reporting on the current value of infrastructure. They argued that depreciation methods did not take into account on-going maintenance efforts to preserve the condition and value of infrastructure facilities. Representatives of the American Association of State Highway and Transportation Officials (AASHTO) suggested that an alternative method of determining the current value of infrastructure be allowed, based on the concepts of asset management.

Asset management represents a holistic and systematic approach to asset preservation that maximizes asset performance at minimum life-cycle costs. Preventive maintenance and scheduled replacement practices are examples of asset management. The manufacturing and extraction (e.g., mining and timber) industries have long used asset management techniques to maximize equipment availability and maintain shift productivity. With the maturing of the nation's highway systems in the 1980s and 1990s, numerous state departments of transportation began to introduce asset management concepts into their capital and maintenance programs. As a result, increasing resources were devoted to preventive treatments such as crack sealing, drainage cleaning, and pavement overlays. Where asset management approaches were used, infrastructure assets experienced longer service lives.

GASB acknowledged the legitimacy of highway agency claims that an alternative approach to depreciation reporting could be justified whenever preventive maintenance efforts could be shown to preserve the condition of infrastructure assets, thereby extending their service lives.

Based on the evidence presented by advocates for preservation-based asset management and

reporting, a **Modified Approach** to infrastructure reporting was postulated. This alternative approach was based on the concepts of asset management and permitted state and local governments to use the annual costs of preventive maintenance as a surrogate for annual depreciation expenses. Use of the **Modified Approach** required responsible agencies to demonstrate that the affected infrastructure assets were being preserved at or above a prescribed service condition, and that the amount budgeted to preserve the asset had indeed been spent.

By allowing state and local governments to report on efforts to preserve their infrastructure through the **Modified Approach**, instead of merely noting the costs of their construction and annual depreciation allowances, GASB recognized the value of preventive maintenance and other asset management approaches. This recognition mirrors what maintenance engineers, medical insurers, and auto mechanics have been telling the public for years – which it is more cost-effective to maintain an asset in good condition than to treat it once it has deteriorated or failed.

Other Considerations Regarding The Reporting of Long-Term Infrastructure Assets

Another issue that divided members of GASB and various stakeholder groups was whether to apply the new reporting requirements to only new or newly improved infrastructure assets, or to include infrastructure assets already built but never reported. Advocates for exempting all existing infrastructure assets argued that it would be too difficult to recreate the information needed to value infrastructure assets, particularly if these assets were built long ago and rehabilitated many times since. However, advocates for applying the new reporting requirements to all infrastructure assets, regardless of age, argued that a government's financial condition could not be adequately stated without including all assets currently in use. They further argued that older infrastructure assets might pose a greater fiscal challenge to state and local governments, since they are more likely to require expensive replacement.

As a compromise between these two opposing views, GASB decided to limit the reporting requirements to infrastructure built or improved after June 15, 1980. GASB also decided to phase in the infrastructure reporting requirements over a four-year period depending on the financial size of the community. The infrastructure reporting requirements were to be implemented initially for all new or newly improved infrastructure during fiscal years 2002, 2003, and 2004, depending on the size of the community. This was called *prospective reporting*. The reporting requirements expanded to include all infrastructure built or improved since mid-June of 1980. This was called *retroactive reporting*. This compromise allowed GASB to capture most of the infrastructure operating today in this country, without overburdening infrastructure agencies responsible for their administration.

Financial Management and Investment Considerations Associated with Infrastructure Asset Reporting

In structuring the infrastructure reporting requirements of Statement No. 34, GASB sought to strike a balance between the needs and costs associated with these requirements. One of the most significant needs recognized by GASB was that of providing public accountability over the costs and financing of public investments in infrastructure. Beyond the general public's interest in ensuring that infrastructure is properly maintained, GASB recognized the needs of those individuals and firms engaged in providing financing of public infrastructure facilities and programs. These include individual investors, finance firms, underwriting firms, and bond-rating agencies that act on and assess the credit-worthiness of governments when considering public

financing opportunities.

GASBS 34's infrastructure reporting requirements are intended to provide more comprehensive cost information upon which to make informed decisions about the ability of governments to repay their debts and support their public service obligations. For infrastructure financed by bonds, such information will be of value to the investment community in assessing the government's ability to service the debt and care for the facility once built. Bond-financed toll roads have used similar reporting requirements for decades, in compliance with bond covenants imposed by the lending institutions. Where infrastructure is paid by user fees or local taxes, both users and taxpayers can benefit from the knowledge that what they are paying for will provide lasting service and not be ignored as merely a sunk cost.

2. DEFINITION OF INFRASTRUCTURE ASSETS

GASB defines infrastructure assets as long-lived capital assets associated with Governmental Activities that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include:

- **Roadways** - including all physical features between the limits of the rights-of-way.
- **Bridges** - including the deck, superstructure, columns, piers, and related facilities.
- **Tunnels** - including roadway, portals, lining, ventilation systems, and related facilities.
- **Dams** - including dam structure, spillways, powerhouse, diversion tunnels, and related facilities.
- **Water and sewer systems** - including pumping stations, collection and distribution pipeline systems, treatment plant, and related facilities.
- **Drainage systems** - including culverts, spillways, retention ponds, dams structures, and related facilities.
- **Lighting systems** - including masts, towers, lighting fixtures, and power/transformer facilities.
- **Transit systems** - including track, communication/signaling/control equipment, tunnels, bridges, power systems, and related facilities.
- **Airport facilities** - including runways, taxiways, aprons, and terminals.
- **Port facilities** - including docks, wharfs, staging areas, and related facilities.

Capital assets excluded from the definition of infrastructure include:

- **Buildings** - since they are shorter-lived capital assets that were already covered by prior GASB statements.
- **Land** - since land does not depreciate (capital reporting under GASB is based on the cost of the asset at the time of acquisition, construction, or improvement – not the economic value of the asset).
- **Land Improvements** – including grading, since it does not depreciate.

- **Equipment** - including vehicles and machinery, since both are short-lived capital assets.

3. INFRASTRUCTURE REPORTING REQUIREMENTS

The key elements of GASBS 34's infrastructure reporting requirements are summarized below:

- **Basis for Reporting - Infrastructure assets must be reported in the annual financial statements of state and local governments.**
 - All infrastructure assets acquired, renovated, restored, or improved after the effective date of GASBS 34 are to be reported on a **prospective** basis.ⁱⁱⁱ
 - All infrastructure assets acquired, renovated, restored, or improved between June 30, 1980 and the effective date of GASBS 34 are to be reported on a **retroactive** basis.^{iv}
- **Level of Reporting - At the transition date for retroactively reporting on the value of infrastructure built or improved in the fiscal years ending after June 30, 1980, the determination of major general infrastructure assets should be at either the network or subsystem level.**
 - Infrastructure assets should be reported at the network level if the cost of the network is at least 10 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999.^v Examples of infrastructure asset networks include the roadway network, water distribution network, sewer collection network, and lock and dam system.
 - Infrastructure assets should be reported at the subsystem level if the cost of the subsystem is at least 5 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999.^{vi} Examples of several subsystems of a network include arterial, collector, and local roads – which comprise a community's total road network.
- **Initial Valuation Basis - Infrastructure assets should be reported at historical cost or discounted replacement cost.^{vii}**
 - Historical costs represent the total cost of acquisition or construction, addition, and improvement since June 30, 1980, plus capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use.^{viii}
 - If records are inadequate, historical costs may be estimated by calculating the current replacement value of a similar asset and deflating the cost by applying price-level indices to the year of acquisition or most recent improvement.^{ix}
 - The difference between historical cost and discounted replacement cost for older infrastructure assets could be significant, due to the effects of higher standards or requirements imposed by environmental/regulatory considerations. For mature infrastructure assets, it is likely that discounted replacement costs will be much

higher than historical costs.

- Discounted replacement costs may be easier to determine and provide a more accurate basis for estimating the fiscal implications of depreciation and replacement of mature infrastructure assets

- **Current Valuation Basis - Following initial capitalization, the value of infrastructure assets must either be depreciated or held constant if sufficient efforts can be demonstrated to preserve the condition of the assets.**^x

- The first method is called the Depreciation Approach and is generally used to reflect the declining service life of capital assets as they age.
- The second method is called the Modified Approach and is associated with the concepts of asset management. The Modified Approach recognizes the effect of preservation efforts on the condition and value of infrastructure assets.

Depreciation Approach - If infrastructure assets are depreciated, the following applies:

- GASB requires historical cost depreciation to be measured by allocating the net cost of depreciable assets over their estimated useful lives in a systematic and rational manner.^{xi}
- The net cost of an asset is the historical cost of the asset less its estimated salvage value at the end of the asset's useful life.^{xii}
- The useful life of an asset should consider the current condition of the asset and how long it is likely to meet service demands.^{xiii}
- Governments may use any established method of depreciation (such as straight-line or sum-of-the-years'-digits) that is based on the asset's estimated remaining useful life.^{xiv}
- Composite methods may be used when depreciating groups of assets with different remaining service lives.^{xv}
- Capital assets that do not need to be reported using the depreciation approach include:
 - Inexhaustible assets, such as land and land improvements that do not depreciate in value
 - Infrastructure assets whose condition is being effectively preserved, as reported using the Modified Approach^{xvi}
- Eligible infrastructure assets not being depreciated should have their maintenance and preservation costs expensed in the period incurred, while the costs of additions or improvements that increase the capacity or efficiency of infrastructure assets should be capitalized.^{xvii}
- Infrastructure assets not being depreciated should be reported separately from those that are being depreciated.^{xviii}

- **Modified Approach - The Modified Approach permits the current costs of**

preserving eligible infrastructure to be reported in lieu of depreciation. To use this alternative approach, governments must perform the following asset management functions:

- Maintain an up-to-date inventory of eligible infrastructure assets, using a classification scheme and level of detail to be determined by the respondent^{xix}
- Perform condition assessments of eligible infrastructure assets at least every three years, using a replicable basis of measurement and measurement scale to be determined by the respondent (for pavements, this may include the Pavement Serviceability Index - PSI, the International Roughness Index - IRI, or other recognized condition assessment methodology)^{xx}
- Summarize the results, noting any factors that may influence trends in the information reported^{xxi}
- Estimate the annual amount to maintain and preserve eligible infrastructure assets (or a prescribed percentage of the asset population) at or above established condition levels as determined by the respondent^{xxii}
- Ensure that the results of the three most recent condition assessments (over a nine-year reporting period) meet or exceed the established condition level^{xxiii}
- Compare the estimated amount required to maintain and preserve eligible infrastructure assets at or above the established condition level with the amounts actually expensed for each of the past five reporting periods^{xxiv}
- If the responding government is unable to demonstrate its ability to effectively preserve eligible infrastructure assets consistent with prescribed condition standards, it can either change the standards or revert to depreciating the asset.
- If extraordinary circumstances (such as a flood or other kind of disaster) prevent the responding government from preserving eligible infrastructure assets, the Modified Approach can still be used if the responding government explains the nature of the circumstances and the steps being taken to preserve the assets.

See Appendix A at the end of this chapter for a sample of reporting forms that reflect the types of information expected to be reported by respondents to the infrastructure reporting requirements of GASBS 34, particularly if the Modified Approach is used.

4. TIMEFRAME FOR INFRASTRUCTURE REPORTING

Exhibit 3 illustrates the major milestones associated with the infrastructure reporting requirements of GASBS 34, for governments of different sizes and infrastructure built before and after the effective date of the Statement.

Exhibit 3 - GASBS 34 Infrastructure Reporting Schedule

| Major Reporting Requirements | Fiscal Years Beginning After June 15 | | | | | | | | | |
|---|--------------------------------------|------|------|------|------|------|------|------|------|---------------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Determine Basis for Reporting <ul style="list-style-type: none"> • Value of General Capital Assets • Total Annual Revenues | | ■ | | | | | | | | |
| Report Prospectively on New Infrastructure <ul style="list-style-type: none"> • Phase 1 Governments • Phase 2 Governments • Phase 3 Governments | | | | | → | → | → | → | → | → |
| Report Retroactively on Infrastructure Built or Improved in Fiscal Years Ending After June 30, 1980 <ul style="list-style-type: none"> • Phase 1 Governments • Phase 2 Governments • Phase 3 Governments | | | | | | | | | → | → Optional |

Note: Phase 1 Governments have total annual revenues of \$100 million or more in fiscal year 1999
 Phase 2 Governments have total annual revenues of \$10 million up to \$100 million in fiscal year 1999
 Phase 3 Governments have total annual revenues of less than \$10 million in fiscal year 1999

- **Timeframe for Prospective Reporting** - The effective date for complying with GASBS 34's *prospective reporting requirements* depends on the total annual revenues of the government in the first fiscal year ending after June 15, 1999:^{xxv}
 - Governments with \$100 million or more in total annual revenues must comply in the fiscal year beginning after June 15, 2001.
 - Governments with at least \$10 million, but less than \$100 million, in total annual revenues, must comply in the fiscal year beginning after June 15, 2002.
 - Governments with less than \$10 million in total annual revenues must comply in the fiscal year beginning after June 15, 2003.

- **Timeframe for Retroactive Reporting - The effective date for complying with GASBS 34's *retroactive reporting requirements* is four years later:^{xxvi}**
 - Governments with \$100 million or more in total annual revenues must comply in the fiscal year beginning after June 15, 2005.
 - Governments with at least \$10 million, but less than \$100 million, in total annual revenues, must comply in the fiscal year beginning after June 15, 2006.
 - Governments with less than \$10 million in total annual revenues are encouraged, but not required, to retroactively report on their existing major general infrastructure assets.

5. IMPLEMENTATION CONSIDERATIONS

Outside of Enterprise Funds, most governmental units have never reported on infrastructure assets in their financial statements. Consequently, there is no consistency in the documentation of infrastructure facilities or the service methods and accomplishments associated with the maintenance or preservation of these long-lived assets.

When considering how prescriptive to make the infrastructure reporting requirements of Statement No. 34, GASB elected not to specify the level of detail or analytical methods needed to ensure compliance. Given the absence of infrastructure from prior financial reporting requirements and the controversial nature of these new requirements, GASB decided to provide individual respondents with broad discretion regarding how to interpret and apply these standards. It was GASB's hope that individual state and local governments would adapt the infrastructure reporting requirements of GASBS 34 to their specific circumstances and capabilities.

While respondents have wide latitude in how they respond to the infrastructure reporting requirements of GASBS 34, they must ultimately decide on the level of detail and methods for reporting that they will use. This section discusses the key strategic and tactical issues that respondents should consider in planning how they will report on their infrastructure assets. These issues pose a variety of challenges to state and local governments seeking to comply with the new financial reporting model.

Key Strategic Issues and Approaches

The following bullets highlight the major planning issues that public infrastructure agencies should consider in developing the necessary capabilities, resources, and approaches for responding to the infrastructure reporting requirements of GASBS 34. These strategic issues should be considered prior to attempting implementation.

- **Involve key stakeholders and all affected agencies in the response effort.**
 - The infrastructure reporting requirements of GASBS 34 will impact numerous functional areas, including budget, finance, accounting, planning, engineering, construction, maintenance, and operations. This requires a team approach to respond since the inputs for infrastructure reporting come from several functional units of government.
 - This will be a major challenge since many of these groups rarely interact with each other, often compete for resources and management attention.
 - An effective method to productively engage each of these groups is to form a GASBS 34 response team, composed of representatives of each Department. The responsibilities of the team should include:
 - Investigating the requirements and implications of GASBS 34's infrastructure reporting requirements for the overall government and its component units.
 - Determining how each of the affecting units of government will contribute to the response effort.
 - Assessing the existing capabilities and resources of the government to successfully respond to GASBS 34's infrastructure reporting requirements.

- Directing efforts to develop or obtain data, methodologies, and/or systems needed to facilitate compliance.
 - Communicating how the government and its component units are responding to GASBS 34's infrastructure reporting requirements.
 - Addressing and resolving disputes between the response team.
 - The team should meet early on in the process to discuss what GASBS 34 means, its implications for their units, possible approaches for responding to its infrastructure reporting requirements, availability of data/methods/systems to facilitate response, and strategies to achieve compliance. The team should also meet on a periodic basis to guide the response effort.
 - The team should serve as a catalyst for change, a coordinator and integrator of response efforts among departments, and a forum for airing and resolving disputes.
- **Consider options and long-term consequences to responding to GASBS 34 and implementing a life-cycle asset management and financing program versus pursuing the status quo.**
- GASB provides state and local governments with wide latitude in how to account and report on infrastructure assets. GASBS 34 allows respondents to either depreciate the value of their infrastructure assets as they age or leave the value recorded in the balance sheet unchanged if they can demonstrate that the assets are being effectively preserved.
 - As the implementation date for GASBS 34 approached, most governments with infrastructure were planning to use the Depreciation Approach, not the Modified Approach. The reasons for this are simple.
 - Initially, only newly constructed or newly improved infrastructure assets need to be included in the financial statements. Since infrastructure typically does not deteriorate much in the first four years of service life, most governments will be able to merely report the construction costs of new or improved infrastructure assets each year until the retroactive reporting requirements of GASBS 34 apply.
 - The Depreciation Approach is well understood by finance and accounting staff and consultants who are leading the GASBS 34 response efforts of most state and local governments. The background and expertise of these individuals predisposes them to the Depreciation Approach.
 - The Modified Approach is based on the engineering principles of asset management, which are little understood by staff and consultants outside of the maintenance management field. Therefore the initial sponsors of GASBS 34 response efforts are reluctant to embrace new techniques and potentially significant fact-finding and analysis efforts to meet the minimum requirements for GASBS 34 compliance.

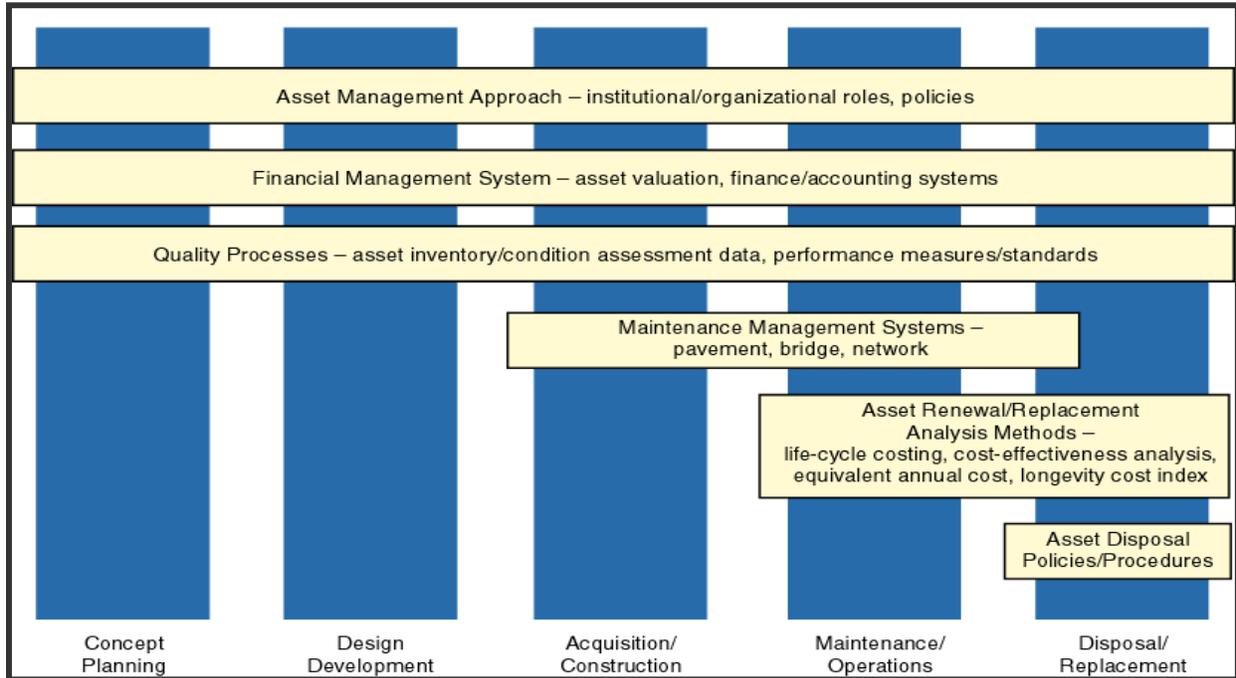
- Because of the significance of the financial reporting changes being imposed by GASB 34 on state and local governments, many respondents are taking a cautious approach in their first year. Their efforts are based on taking the simplest path to achieve compliance, and the Depreciation Approach is perceived to fit this strategy.
- The Modified Approach offers state and local governments significant long-term benefits resulting from the more cost-effective stewardship of their infrastructure assets. However, the Modified Approach requires respondents to think beyond the short-term issues of GASBS 34 compliance.
- If the goal of state and local governments is to merely achieve compliance with GASBS 34, the Modified Approach will not be used since it requires additional effort to define performance standards for infrastructure, measure the condition of infrastructure relative to these standards, and document the level of spending to preserve infrastructure conditions.
- If state and local governments have the fiscal discipline to apply asset management techniques to their infrastructure, very significant savings can be obtained over the life of the assets by extending the service life of these assets and reducing the frequency of replacement, as discussed earlier.
- Exhibit 4 (below) lists key components of an asset management system for supporting GASBS 34's infrastructure reporting requirements:

Exhibit 4 - Asset Management System Components

- Asset Inventory Database linked to a Geographic Information System (GIS)
- Asset Valuation Processes
- Performance Measures and Standards
- Condition Assessment Processes
- Asset Management Planning Systems
 - Pavement Management System
 - Bridge Management System
 - Maintenance Management System
 - Utility Management System
- Asset Renewal/Replacement Analysis Methods
 - Life-Cycle Costing
 - Cost-Effectiveness Analysis
 - Equivalent Annual Cost
 - Longevity Cost Index
- Asset Disposal Policies and Procedures

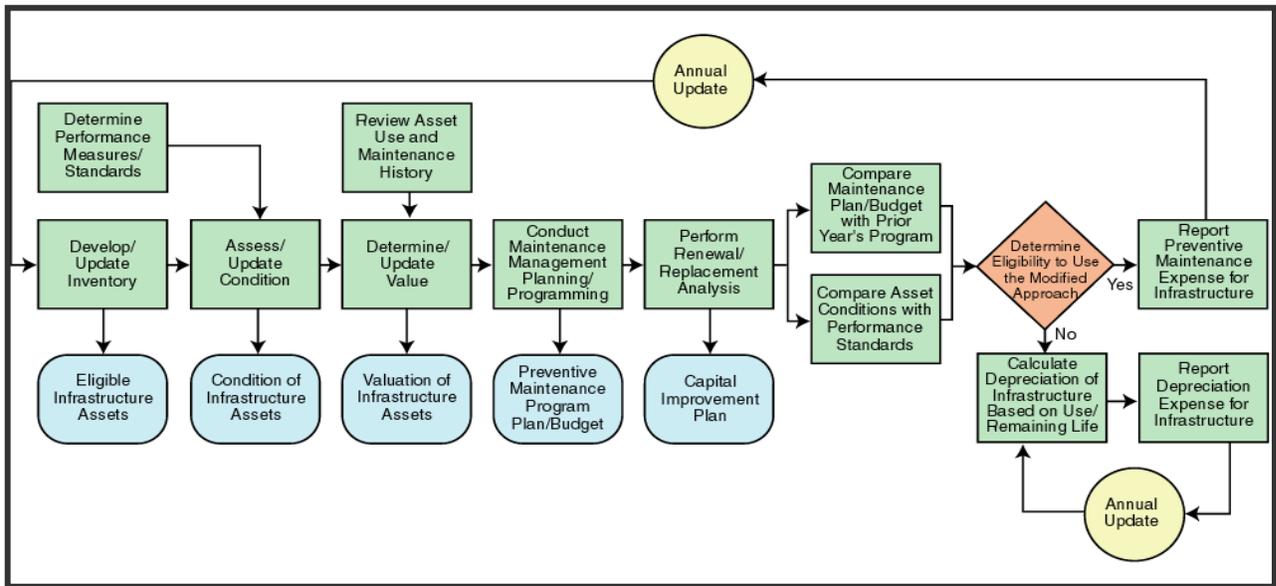
- Exhibit 5 shows how these components integrate with the life-cycle phases of infrastructure asset development and preservation. As demonstrated by this exhibit, asset management is more than just a maintenance approach. If properly implemented, asset management influences all aspects of infrastructure development, maintenance, and disposal.

Exhibit 5: Integration of Asset Management System Components with Life-Cycle Phases of Infrastructure Development and Preservation



- Exhibit 6 shows the major steps and dependencies associated with infrastructure asset management reporting under GASBS 34. Where infrastructure agencies already have in place a number of the components of an asset management system, they can build on their existing capabilities and focus on developing the missing components of the model. This will reduce the overall compliance effort while making it more relevant to the management needs of the responding jurisdiction.

Exhibit 6: Infrastructure Asset Management Reporting Model



- **Avoid one-size-fits-all approaches to responding to GASBS 34. Instead, state and local governments should tailor their response efforts to their unique characteristics and needs.**
 - Each jurisdiction has unique characteristics and financial reporting objectives that will influence how they structure their financial statements. While there needs to be consistency in the overall composition and presentation of annual financial statements, individual jurisdictions have wide latitude in how they interpret and apply the infrastructure reporting requirements of GASBS 34.
 - The nature, maturity, and condition of infrastructure assets will vary significantly from one jurisdiction to the next. In addition, the availability of infrastructure documentation will also vary significantly.
 - There is no single model or computer system for responding to GASBS 34's infrastructure reporting requirements that is appropriate to all jurisdictions, given their varied capabilities and needs.
 - In determining what kinds of resources to obtain and apply for responding to the infrastructure reporting requirements of GASBS 34, the most important things to consider are the following:
 - What is the current status of documentation that the jurisdiction already has available to use in responding to the infrastructure reporting requirements of GASBS 34?

Wherever possible, local communities should try to build on the infrastructure documentation they already have and not waste resources “reinventing the wheel” - provided this documentation is appropriate, accurate, and sufficiently detailed.

- What is the full extent to which the jurisdiction is planning to respond to the infrastructure reporting requirements of GASBS 34? This represents the target for local compliance, as determined by the jurisdiction.
- What are the differences between the intended target for compliance and the current status of infrastructure documentation available to the jurisdiction? The differences represent those areas of infrastructure data and analysis that should be the focus of the jurisdiction’s response efforts to achieve compliance with the infrastructure reporting requirements of GASBS 34.

➤ **Base response on management information needs of infrastructure managers - not merely GASBS 34 compliance – with the level of detail driven by the needs of asset managers.**

- There is a tendency to focus only on the mechanical requirements of GASBS 34 for reporting on infrastructure, given the orientation of those groups currently charged with responding to GASBS 34 and the urgency to achieve compliance as fast and simply as possible.
- The intent of the infrastructure reporting requirements of GASBS 34 is to ensure that state and local governments that own infrastructure assets are held accountable for their treatment over the life of the assets. Instead of treating infrastructure as merely a sunk cost, responsible jurisdictions will now have to demonstrate their stewardship of these important assets.
- This stewardship role can be achieved only if all responsible groups involved in the development, preservation, and tracking of infrastructure assets are involved. This means involving these various groups in the response efforts to GASBS 34’s infrastructure reporting requirements, with a focus of the resulting documentation serving not only the needs to comply with GASBS 34, but also the needs of infrastructure managers to carry on their stewardship roles in a more cost-effective manner.
- Infrastructure managers need to be involved in the process of determining the level of detail for infrastructure reporting, deciding whether to use the Depreciation Approach or the Modified Approach, and developing the infrastructure portion of the Management’s Discussion & Analysis section of the financial statements.

Key Technical Issues and Approaches

The following bullets highlight the major tactical issues that public infrastructure agencies should consider before implementation can be attempted or compliance assessed regarding the infrastructure reporting requirements of GASBS 34. Since GASB provided state and local governments wide latitude in how they report on infrastructure, the following pages explore some of the various approaches, standards, and sources of information that are available to help respondents achieve compliance. One of the key objectives of this Guide is to inform users about the various approaches for responding to the infrastructure reporting requirements of GASBS 34 and their respective advantages and disadvantages - so that they can make informed decisions

regarding how best to comply with GASBS 34.

These technical issues should be addressed during the planning and execution phases of GASBS 34 implementation and revisited after the first year's efforts to ensure they remain applicable and appropriate.

➤ **The identification and valuation of infrastructure assets will require governments to determine:**

- **How infrastructure assets are to be identified and valued, particularly those built or improved since 1980 when the retroactive reporting requirements apply.** GASB allows respondents the freedom to choose whatever scheme they want to designate infrastructure assets, on a network level (related assets that form an integrated system of facilities, such as a roadway network, water pipeline network, sewer pipeline network, or lock and dam network), subset of a network level (parts of a network that share common characteristics, such as local roads, collector roads, arterial roads, or expressways), or individual asset level (specific infrastructure assets, such as a bridge, tunnel, or dam). Respondents can use a locally developed classification scheme or one based on national or industry categories. Options and examples for this are presented in Exhibit 7 on the next page.
- **Whether to include infrastructure assets built or improved before 1980.** This is an important consideration since many infrastructure assets still in use around the country were built in the 1950s, 1960s, and 1970s. Including these assets will increase the amount of work needed to document their value and/or condition. However, if a significant proportion of infrastructure assets were built or improved before 1980, including these more mature assets would provide a more accurate picture of a jurisdiction's financial situation. The only requirement GASB makes is to include infrastructure built or improved since 1980 for retroactive reporting for jurisdictions with over \$10 million in annual revenues as of Fiscal Year 1999. With many local jurisdictions struggling with the compliance elements of GASBS 34, the emphasis appears to be on doing only what is absolutely necessary. Fortunately respondents have four years beyond the date that GASBS 34 becomes effective to decide how far back to go in reporting on existing infrastructure assets.
- **What level of detail should be used for identifying and valuing infrastructure assets?** This is up to the discretion of the respondent. However, guidance can be obtained by considering how infrastructure assets are characterized by the agencies responsible for their planning, design, construction, maintenance, and/or operation. Alternatively, there are federal or state agencies, as well as industry or association groups, that have developed classification schemes that can be used for this purpose. Examples of these and other related issues to consider when determining the level of detail for infrastructure asset reporting are presented below.
 - Type and combination of infrastructure assets to be included (e.g., highways by type, bridges by type, or highways and bridges together – see exhibit below).
 - Specific features to be included by infrastructure asset group (e.g., pavement surface/base/sub-base, bridge deck/superstructure/piers, drainage facilities, guard

rail, signs, etc. – see exhibit below).

The following exhibit presents some of the various ways that infrastructure assets could be classified and defined:

EXHIBIT 7 – CLASSIFICATION SCHEMES AND FEATURES BY TYPE OF INFRASTRUCTURE ASSET

| Types of Infrastructure | Highways | Water | Sewer | Locks/Dams | Transit |
|--------------------------------|--|--|--|---|--|
| Classification Scheme 1 | Interstate Primary Secondary Unpaved | Reservoir River Well Desalinization | Primary Secondary Tertiary | Dam System Lock & Dam System | Commuter Rail Heavy Rail Light Rail Bus People Mover |
| Classification Scheme 2 | Interstate Arterial Collector Local | Supply System Storage System Transmission System | Collection System Storage System Treatment System | Dam Locks Levees | Stations (Nodes) Lines/Routes (Links) Vehicles |
| Features | Between Fence Lines Pavements Bridges Tunnels Drainage Roadside Features Lighting Guardrail Signs | Treatment Plants Transmission Pipelines Storage Towers Pumping Stations Reservoirs | Treatment Plants Receptor Pipelines Pumping Stations | Dam Spillways Locks Levees Pumping Stations Reservoirs Powerhouse Transmission Lines | Terminals Stations Track & Structures Power Systems Signal & Communication Systems Vehicles Maintenance Facilities |

- Difficulty of segregating cost components of infrastructure assets (e.g., pavement, bridges, drainage structures, sound barriers, and other costs). Cost data for infrastructure lacks consistency because infrastructure assets are often developed and improved in a random manner over time. In many cases, cost data is not available because infrastructure assets have traditionally been expensed in the year of their construction. After several years, often no more than seven years, project construction records are sometimes thrown out to make room for newer projects being developed. In addition, local government budgets and cost accounting records tend to lump infrastructure assets into broad categories, which do not distinguish between functional types or classifications of these assets.

It is suggested that local communities develop cost categories for infrastructure assets that reflect the classification schemes they plan to use and distinguish between asset types that have significant service lives and performance measurement requirements. An example of this would be to group roadway costs by functional classification and distinguish the assets between roads, bridges, and tunnels (due to their differential service lives and inventory requirements). This process of classifying infrastructure assets and segregating their cost components should be done early in the GASBS 34 response effort to ensure that the accounting information for infrastructure adequately supports the reporting intentions of the local jurisdiction and provides a consistent and adequate basis for reporting over the years.

- Appropriate frequency of data collection efforts to comply with GASBS 34’s infrastructure reporting requirements. GASBS 34 requires annual reporting on infrastructure valuation and either depreciation or preservation (Modified Approach) reporting. For the Depreciation Approach, the critical step is the initial inventory and determination of the remaining service life for the infrastructure asset so that the current valuation and depreciation schedule can be appropriately determined. For the Modified Approach, at least one-third of the asset network or subsystem needs to be inventoried and condition assessed each year so that the full system is inventoried and condition assessed every three years. For the purposes of GASBS 34 reporting, it is suggested that infrastructure assets be inventoried at least every three years regardless of the reporting method used to ensure that any major changes in remaining service life are noted so that depreciation schedules can be adjusted in a timely manner or changes in condition levels recorded.
- **Documentation to support asset identification and valuation.** Information on the characteristics and value of infrastructure assets can be obtained from a variety of sources, including Federal, state, local, and industry sources. Infrastructure valuation should be based on the original cost of construction or acquisition. Where infrastructure is newly built or improved, such data should be readily available.
- For prospective reporting purposes, asset valuation should be relatively easy to accomplish – just add up the costs of capital projects involving infrastructure assets in each year.
- For retroactive reporting purposes (which apply to jurisdictions with \$10 million or more in annual revenues four years after GASBS 34 first becomes effective), there will likely be significant gaps in the documentation of infrastructure capital projects going back to 1980. Hence, GASB allows respondents the option of using replacement costs discounted to the year of construction or last improvement.
 - **Replacement costs** - can be obtained by using current costs for similar infrastructure assets. Replacement costs for similar infrastructure projects can be obtained from other jurisdictions or State agencies responsible for similar infrastructure programs. For example, State agencies can provide unit cost information (capital costs per lane-mile for roadways, per square-foot of deck for bridges, per interchange) for selected types of roadway assets.
 - **Discount factors** – can be obtained from a variety of sources, including the Federal Highway Administration’s *Price Trend Information for Federal-Aid*

Highway Construction (Publication Number FHWA-IF-00-001, prepared by the Office of Program Administration, Office of Infrastructure); the Engineering News Record Construction Cost Index for 1908-2001 (see <http://www.enr.com/cost/costcci.asp>), and the Bureau of Labor Statistics Producer Price Index for highway construction and maintenance materials for each section of the country.

Exhibit 8 (below) lists the discount factors for highway construction and maintenance from 1980 through 1999, based on the FHWA’s Price Trends for Federal-Aid Highway Construction and the Bureau of Labor Statistics’ Consumer Price Index for maintenance.

EXHIBIT 8 – DISCOUNT FACTORS FOR CONSTRUCTION AND MAINTENANCE (1987 BASE YEAR = 100)

| Year | Construction Index | Maintenance Index |
|-------------|---------------------------|--------------------------|
| 1980 | 97.2 | 72.5 |
| 1981 | 94.2 | 80.0 |
| 1982 | 88.5 | 85.0 |
| 1983 | 87.6 | 87.7 |
| 1984 | 92.6 | 91.5 |
| 1985 | 102.0 | 94.7 |
| 1986 | 101.0 | 96.5 |
| 1987 | 100.0 | 100.0 |
| 1988 | 106.6 | 104.1 |
| 1989 | 107.7 | 109.2 |
| 1990 | 108.5 | 115.1 |
| 1991 | 107.5 | 119.9 |
| 1992 | 105.1 | 123.5 |
| 1993 | 108.3 | 127.2 |
| 1994 | 115.1 | 130.5 |
| 1995 | 121.9 | 134.2 |
| 1996 | 120.2 | 138.1 |
| 1997 | 130.6 | 141.3 |
| 1998 | 126.9 | 143.5 |
| 1999 | 136.5 | 146.7 |

In many cases, documentation to support infrastructure identification and valuation already exists at the state level and at the local level. For example, the Massachusetts Highway Department is obligated to report annually to the Federal Highway Administration information on the size, costs, and performance of the highway system in the Commonwealth. While these reporting requirements focus on roadways which are eligible for Federal funding under the Federal Transportation Trust Fund, included in the documentation is data on both State and local roadways and bridges, including size and extent, utilization, condition and performance, expenditures, and revenues – organized by type of road system and level of government.

As part of this reporting process, the Massachusetts Department of Highways keeps track of the

extent of roadways by type for each city, county, and town in the Commonwealth. Data currently exists for the lane-miles and capital expenditures by roadway type (interstate, arterial, collector, and local) for each city and town in the Commonwealth. This information represents a potential starting point for local communities seeking to document the extent of their highway infrastructure.

- **For infrastructure built under a cooperative agreement with another government (e.g., bi-state authority, regional authority, county, or city), the allocable value to each government.** This should be based on the relative contribution made by each participating unit of government to the capital and on-going maintenance/operating costs of the infrastructure asset.
- **Integration of inventory and valuation records by different units of government to produce a consistent basis for infrastructure reporting.** One of the challenges facing local governments that own infrastructure is how to coordinate the various agencies that are responsible for different aspects of these assets. Different units of government often keep information on infrastructure asset characteristics, financing history, construction history, and maintenance history. Effective reporting will require these units to work together to share available information and avoid replicating information that already exists. This will require a team approach to response, with one agency taking the lead and other agencies cooperating by sharing information and methodologies.
- **Time and resources required to complete asset identification and valuation.** Identifying and valuing infrastructure assets will require a concerted effort by those agencies responsible for these assets. Historical records provide the best basis for this – however such record may not exist for older assets. Because the requirements for infrastructure asset documentation and valuation are on-going, local jurisdictions must establish a continuous and consistent process for documenting and valuing infrastructure assets whenever they are built or improved. No longer will it be enough to simply expense infrastructure assets in the year of their construction or improvement.
- **Where the Modified Approach is used, governments should determine whether currently available information on the inventory and condition of their infrastructure assets would satisfy the requirements of GASBS 34.**
 - **Types of inventory data that could be used include:**
 - **Physical characteristics** – such as lane-miles of roadway by type of road, square-feet of bridge deck by type of bridge, miles of pipelines for water and sewer systems, daily capacity (in million gallons per day) of water/sewer treatment plants, etc.
 - **Usage information** – such as vehicles per day by type of vehicle (auto versus truck), water consumption per day, sewage treated per day, etc.
 - **Past maintenance efforts** – annual spending on maintenance and repair work.
- **Basis for selecting condition assessment criteria:**
 - **Documentation required by the auditors** – if the Modified Approach to reporting on infrastructure is used, GASB requires sufficient documentation to demonstrate whether the infrastructure assets owned by the jurisdiction are in fact being preserved. This includes condition performance standards, preservation budget data, condition data, and

preservation expenditure data for each category, network, and subset of a network of infrastructure.

- **Consistency of methodology for condition assessments performed over time on a cyclical basis** – GASB requires respondents to define the methodology they use for reporting on their infrastructure assets. The methodology needs to be consistent so that comparable time series data can be developed. However, the use of consistent methodology is not required between jurisdictions.
- **Ability to replicate condition assessments** – GASB requires a replicable methodology for condition assessments to ensure consistency and verifiability.
- **Simplicity or complexity of the assessment methodology** – infrastructure condition assessments can take many forms. Some are very complex, relying on both destructive and non-destructive methods; some are very data intensive, with many indices to be measured; while some are fairly simple, relying on visual assessments involving a finite number of criteria. GASB is silent about the extent to which condition information needs to consider the full characteristics of infrastructure assets.

For example, a number of condition assessment methodologies used for road pavements consider only the surface condition of the pavement – not the underlying structural integrity of the base and sub-base layers. Surface condition assessments are quicker and cheaper to perform and provide a useful basis for comparing the condition of different road segments. Road coring and use of sophisticated testing equipment (such as a falling weight deflectometer) provide more accurate measures of the structural integrity of pavements, but these methods are much more expensive and time-consuming to perform. A combination of methods may be most appropriate, with selective use of more sophisticated techniques focused on trouble spots identified by the visual-based condition assessment technique.

➤ **Types of condition data to be used:**

- **Respondents using the Modified Approach can use a variety of condition criteria.** These include the following:
 - For roadways, options include Pavement Serviceability Index (PSI) which measures the surface condition of pavement using such criteria as roughness, raveling, longitudinal cracking, alligator cracking, etc. as measured on a 10-point scale; International Roughness Index (IRI) which measures the surface roughness of pavement using a consistent set of criteria and scale; pavement management scales ranging from 10-point to 100-point scales, based on visual inspection results.

- For bridges, most use the load capacity rating, which indicates the maximum weight that the bridge can safely carry without risk of structural damage or failure.
- For other infrastructure assets, such as pipelines or track structures, there are a variety of condition rating schemes used by industry or established by government oversight agencies that can be used for this purpose.
- Another important measure of infrastructure condition is the remaining service life, as measured in years. This measure depends on the current condition, maintenance history, current and projected utilization of the asset, and an understanding of the life-cycle deterioration curve for this kind of asset. Due to the uncertainty of some of these factors, this measure can be difficult to establish and verify.
- **Use of statistical sampling or judgmental sampling in conducting condition assessments** - Due to the size, scale, and in some instances the inaccessibility of infrastructure facilities (particularly roads, bridges, and water/sewer systems), sampling methods are often used to assess facility conditions. The sampling plan allows analysts to relate the percentage of an asset network that needs to be directly observed to the variability of conditions along the network. In the case of the Modified Approach, respondents can spread the sampling effort over three years since only one-third of the network needs to be assessed each year.

For example, a hundred foot section of pavement every mile may be sufficient for sampling detailed structural conditions of pavement, provided the roadway has consistent characteristics along its length. Where visual inspection or photo logging is used, a much higher proportion of the roadway can be assessed due to the lower costs of data collection.

The important thing to remember is to define the assessment criteria and the sampling plan in a way that can be consistently applied to provide useful information to managers of the infrastructure assets being assessed as well as to respondents to GASBS 34, and then stick to the assessment plan to ensure comparable time series data.

➤ **Sources of information available to provide inventory, condition, or performance data regarding infrastructure:**

- **Roadway Infrastructure**
 - Highway Performance Monitoring System data submitted to the Federal Highway Administration by the Massachusetts Highway Department. This includes a wide variety of information that would be useful to local jurisdictions responding to GASBS 34, for those roads owned by these jurisdictions for which the Department maintains HPMS data. Representative data items in HPMS include: type of facility, section length, annual average daily traffic, number of through lanes, measured pavement roughness [using the American Association of State Transportation and Highway Officials (AASHTO) Provisional Standards for measuring the International Roughness Index (IRI)], surface/pavement type, base type, subgrade type, overlay or pavement structure thickness, year of surface

improvement, lane width, shoulder type, shoulder width, right-of-way width, horizontal alignment adequacy, vertical alignment adequacy, class of curves, class of grades, speed limit, weighted design speed, percent trucks, peak capacity, volume/service flow ratio, type of signalization, percent green time, climate zone, drainage adequacy, number of interchanges by type, HOV operations, and number of peak lanes.

- Highway inventory and pavement management system data collected by the Massachusetts Highway Department (see HPMS data items listed above), local transportation/highway/public works agencies, and local engineering agencies.
- Bridge inventory data collected every two years by the Massachusetts Highway Department.
- Bridge management system data maintained by the Massachusetts Highway Department.
- **Transit Infrastructure**
 - Transit system inventory and condition assessment information contained in annual reports to the Federal Transit Administration as part of the Section 15 National Transit Reporting System.
 - Facilities and equipment inventory and condition assessment data maintained by local transit authorities.
- **Water and Sewer Utility/Agency Infrastructure**
 - Periodic engineering inspections of water and sewer treatment facilities and pipeline systems, as required by the Environmental Protection Agency and Commonwealth environmental regulatory agencies.
 - License/certification applications and renewal requests that include facility condition information and related documentation.
- **All Types of Infrastructure**
 - Whenever an asset management system is already in place, the information and methodologies associated with this system should be considered for use by the responding jurisdiction, provided the system provides replicable and useful information (e.g., inventory, valuation, usage, condition, and deterioration curves) that is sufficiently detailed to indicate the nature and value of infrastructure assets accounted for by the system.
 - Use of existing data sources and condition assessment methods should always be a starting point for those seeking documentation to help them respond to GASBS 34. However, such information and methodologies need to be carefully evaluated to ensure they can hold up to independent scrutiny and provide a sufficient basis for determining how well the jurisdiction is taking care of its infrastructure assets, and when these assets need to be replaced or disposed of.

- **Where the Modified Approach is not permitted or chosen, respondents will need to determine:**
 - **Method of depreciation to be used to determine the current value of infrastructure assets. Straight-line depreciation is recommended.**
 - **Service lives assigned to infrastructure assets or their components** – the service life of an infrastructure asset by definition is much longer than other capital assets, like buildings or equipment. The Internal Revenue Service prescribes Roads can last from 20 to seventy years, depending on their composition, traffic characteristics, climatic conditions, and method of upkeep. Bridges, pipelines, and track structures can last even longer, depending on their composition, utilization, and upkeep. For purposes of GASBS 34 reporting, local communities should adopt generally accepted standards for infrastructure service lives.
 - **Remaining service life of infrastructure assets owned by government** – is the difference between the total service life and the current age of the asset, with the total service life determined on the basis of the asset composition, use, climatic conditions, upkeep, and other pertinent factors affecting the durability of the asset.
 - **Salvage value assigned to infrastructure assets** – represents the value of the asset at the end of its service life. For many infrastructure assets, the salvage value may be negative if the cost of removing the asset is larger than the scrap value of the materials removed. Where a community has an aggressive preventive maintenance program that involves replacing assets before they reach their full service life, the salvage value represents what the community believes it can get for the asset if auctioned or sold off while still usable. In this case, the service life is shorter than if the asset were to be kept until there was no more economic value to its continued use.
- **Respondents can switch between the historical cost depreciation approach and the Modified Approach in reporting on their infrastructure assets, provided they can demonstrate the conditions for using the Modified Approach if they elect to use this approach.**
 - This is especially important if a respondent wants to use the depreciation approach for prospective reporting and then convert to the Modified Approach when the retroactive reporting requirements become effective.
 - If a respondent cannot meet the conditions for the Modified Approach in a particular year due to some factor beyond their control (such as a flood or other natural disaster that impedes their ability to preserve the condition of their infrastructure assets), they can continue to use the Modified Approach for reporting on infrastructure so long as they indicate the reasons for the drop in conditions and their efforts to address the problem.
 - Alternatively, respondents can change the standards used to assess their preservation efforts if they find that the standards are too demanding. However, the more relaxed the standards the harder and more expensive it will be to preserve the condition of infrastructure assets over time.
- **Certain aspects of the overall infrastructure reporting requirements that need to be in**

place as early as 2001 versus what can be deferred until 2005 or later depend on the reporting approach used.

- All of the mechanisms for reporting on infrastructure need to be in place the first year after the effective date for GASBS 34, if the Depreciation Approach is expected to be used for both prospective and retroactive reporting purposes.
- Alternative mechanisms that respondents will need to document and account for preservation-based reporting must be developed whenever the Modified Approach is used. As noted earlier, the main benefits of using the Modified Approach accrue when the retroactive reporting requirements become effective, four years after the effective date for GASBS 34 for governments with \$10 million or more in revenue.

Additional factors that should be considered in planning responses to GASBS 34 include the following:

- Reviews of a local government's long-term capital plan may be enhanced by the new infrastructure data. GASBS 34 will enable finance/accounting staff to better understand how the public works/transportation staff is taking care of their infrastructure assets. This will also help budget staff better understand requests for infrastructure replacement and preservation funding requests.
- The financial community may require governments that report depreciation of infrastructure to indicate whether they are performing preventive maintenance to keep the assets in serviceable condition or setting aside adequate funds for future replacement. Depreciation reporting will essentially commit respondents to indicate either formally or informally when they expect to have to replace their infrastructure assets. Unless they have a defined capital replacement financial plan, this information may be interpreted as an unfunded liability for local governments. Therefore, local governments need to carefully consider whether the Depreciation Approach is better than the Modified Approach, which allows local governments to extend the service lives of their infrastructure assets and therefore postpone the timeframe for infrastructure asset replacement.
- Reporting entities should clearly describe the assumptions and methodologies used to report on the value and condition of their infrastructure assets. This information must be disclosed in the notes to the financial statements and required supplementary information.^{xxvii}
- Preventive maintenance has not typically done well in competing with demand maintenance, capital improvement, or other governmental programs (such as safety, education, or social services).^{xxviii} GASBS 34 has the potential to improve the competitive position of preventive maintenance. As a result, there may be public policy implications of GASBS 34's infrastructure reporting requirements as they relate to budgeting and allocating fiscal resources between infrastructure construction and maintenance, as well as between infrastructure and non-infrastructure programs.

6. IMPLEMENTATION STEPS

Given the imminent timeframe for GASBS 34 becoming effective, state and local governments should be formulating and implementing action plans so they are prepared to comply when the deadlines arrive. Here is a suggested list of actions that respondents might take to mobilize for GASBS 34:

- Develop a plan of action for achieving compliance with GASBS 34's infrastructure reporting requirements, depending on the reporting approach used:
 - Define the sponsors and participants for a GASBS 34 implementation team, with representatives of the key agencies of local government responsible for GASBS 34 compliance, including finance, accounting, budgeting, capital planning, engineering, public works, transportation, public utilities, etc. Ensure there is a balance of participants from both the finance/accounting and the engineering/public works agencies. Place the team under the direction of a manager with strong communication and coordination skills and access to the senior leadership of the local government.
 - Have the implementation team assign responsibilities for developing the approaches and determining the standards and methodologies for complying with GASBS 34 and the timetable for their development.
 - Establish a timetable to start the process of compiling infrastructure asset records, assessing their adequacy, and instituting an asset management system or process, if the Modified Approach is to be adopted.
- Perform a requirements analysis to determine what data and systems currently exist that can be used to help meet the infrastructure reporting requirements of GASBS 34:
 - Assess current capabilities - data, methodologies, and systems.
 - Determine requirements to be satisfied.
 - Perform gap analysis between current capabilities and perceived requirements.
 - Identify data and system gaps to be closed.
- Develop a strategic plan for achieving compliance and obtaining other benefits:
 - Determine level of financial/technical staff needed to achieve compliance.
 - Determine inventory identification and valuation approaches, condition assessment methodologies, and life-cycle asset management techniques and systems.
 - Decide whether to use the Depreciation Approach or the Modified Approach and select the standards, methodologies, and systems to use for developing and reporting this information.
 - Develop strategies for integrating the asset management system with the government's financial reporting system.

Implementing GASBS 34 is a major effort. Those who succeed will do so only by proper advanced planning and organization.

7. CONCLUSIONS

GASBS 34 represents a major impetus for change in the way public infrastructure is financed, developed, managed, and documented across the United States. Coming in the form of financial reporting requirements, GASBS 34 will bring together disparate groups involved in supporting infrastructure programs. These include finance, engineering, maintenance, and operations staffs, which have traditionally functioned independently of each other.

The changes resulting from the infrastructure reporting requirements of GASBS 34 provide both challenges and opportunities to state and local infrastructure agencies. Besides getting the different stakeholders to communicate and cooperate, GASBS 34 requires these agencies to agree to a practical set of asset management policies and methodologies to ensure infrastructure assets are being properly preserved. During the current implementation period, resources will need to be budgeted to cover the costs of inventory and valuation efforts, engineering studies of infrastructure conditions, asset management system applications, and staff training.

GASBS 34 provides state and local governments the opportunity to demonstrate their stewardship of infrastructure assets by documenting and reporting the value of infrastructure assets and the efforts applied to preserve them. As Tom Peters noted in his book, *Thriving on Chaos*, “what gets measured gets done.”

During the next several years, major efforts will be undertaken by certain jurisdictions, particularly among state and local transportation agencies, to develop asset management standards, methodologies, and systems for infrastructure valuation and reporting. In some cases, these efforts will accelerate on-going efforts to apply asset management approaches to public infrastructure. Agencies that apply asset preservation approaches are already seeing benefits in the form of extended asset service lives and lower life-cycle costs for rehabilitation and replacement.

The infrastructure reporting requirements of GASBS 34 provide state and local governments the chance to build on these earlier efforts and encourage the development and implementation of a more consistent set of policies and methodologies for reporting on infrastructure over the long-term.

APPENDIX A - EXAMPLES OF CAPITAL ASSET/INFRASTRUCTURE REPORTING RESPONSES

Inventory of Road Network and Subgroups by Type

| Type of Infrastructure Asset | Road Miles | Lane Miles | Concrete Composition | Asphalt Composition |
|------------------------------|------------|------------|----------------------|---------------------|
| Arterial | 12.5 | 50 | 50 lane miles | 0 lane miles |
| Collector | 32.0 | 88 | 48 lane miles | 40 lane miles |
| Local | 56.5 | 113 | 0 lane miles | 113 lane miles |
| Total Network | 101.0 | 250 | 98 lane miles | 153 lane miles |

**Condition Reporting Reports – Based On Last Three Condition Assessment Periods,
Performed At Least Every Three Years**

Percentage of Lane-Miles in Good or Better Condition Based on Pavement Management Rating System (Target = 85% or better)

| Type of Infrastructure Asset | Proportion of Network | 2001 - 2003 | 2004 - 2006 | 2007 - 2009 |
|------------------------------|-----------------------|-------------|-------------|-------------|
| Arterial | 20% | 90.2% | 88.2% | 92.3% |
| Collector | 35% | 83.4% | 85.8% | 84.4% |
| Local | 45% | 87.2% | 83.7% | 86.2% |
| Total Network | 100% | 86.5%* | 85.3%* | 86.8%* |

*Weighted average

Percentage of Lane-Miles in Substandard Condition Based on Pavement Management Rating System (Target = 5% or less)

| Type of Infrastructure Asset | Proportion of Network | 2001 - 2003 | 2004 - 2006 | 2007 - 2009 |
|------------------------------|-----------------------|-------------|-------------|-------------|
| Arterial | 20% | 1.5% | 2.2% | 2.3% |
| Collector | 35% | 4.1% | 4.8% | 4.9% |
| Local | 45% | 3.9% | 5.3% | 5.4% |
| Total Network | 100% | 3.5%* | 3.6%* | 4.6%* |

*Weighted average

Comparison of Needed-to-Actual Maintenance/Preservation For Past Three Reporting Periods (in Thousands)

| Type of Infrastructure Asset | 2003 | 2004 | 2005 | 2006 | 2007 |
|------------------------------|---------|---------|---------|---------|---------|
| Arterial – Needed | \$2,476 | \$2,342 | \$2,558 | \$2,401 | \$2,145 |
| Arterial - Actual | \$2,601 | \$2,552 | \$2,432 | \$2,279 | \$2,271 |
| Collector – Needed | \$1,485 | \$1,405 | \$1,535 | \$1,441 | \$1,287 |
| Collector - Actual | \$1,560 | \$1,531 | \$1,459 | \$1,367 | \$1,362 |
| Local – Needed | \$990 | \$937 | \$1,023 | \$960 | \$858 |
| Local - Actual | \$1,040 | \$1,021 | \$972 | \$911 | \$908 |
| Total Network- Needed | \$4,951 | \$4,684 | \$5,116 | \$4,802 | \$4,290 |
| Total Network – Actual | \$5,201 | \$5,104 | \$4,863 | \$4,557 | \$4,541 |
| Total Network - Difference | \$250 | \$420 | (\$253) | (\$245) | \$251 |

FOOTNOTES

ⁱ *NCHRP Synthesis 223: Cost-Effective Preventive Pavement Maintenance*. Transportation Research Board, National Research Council, Washington, D.C., 1996, p. 2.

ⁱⁱ T. Martin and R. Roper. *ARB Research Report 306 - A Parametric Study of the Influence of Maintenance and Rehabilitation Strategies on Network Life-Cycle Costs*. ARRB Transport Research Ltd., Victoria, Australia. September 1997.

ⁱⁱⁱ *Ibid.*, para. 148.

^{iv} *Ibid.*, para. 23.

^v *Ibid.*, para. 156b.

^{vi} *Ibid.*, para. 156a.

^{vii} *Ibid.*, para. 18.

^{viii} *Ibid.*

^{ix} *Ibid.*, para. 158.

^x *Ibid.*, para. 20.

^{xi} *Ibid.*, para. 22.

^{xii} *Ibid.*

^{xiii} *Ibid.*, para. 161.

^{xiv} *Ibid.*

^{xv} *Ibid.*, para. 163.

^{xvi} *Ibid.*, para. 21.

^{xvii} *Ibid.*, para. 25.

^{xviii} *Ibid.*, para. 20.

^{xix} *Ibid.*, para. 23a.

^{xx} *Ibid.*, para. 23b.

^{xxi} *Ibid.*, paras. 23b, 24a, 133a, and 133c.

^{xxii} *Ibid.*, paras. 23c and 133b.

^{xxiii} *Ibid.*, paras. 23, 24b, and 132a.

^{xxiv} *Ibid.*, para. 132b.

^{xxv} *Ibid.*, para. 143.

^{xxvi} *Ibid.*, para. 148.

^{xxvii} *NCHRP Synthesis 223: Cost-Effective Preventive Pavement Maintenance*, Transportation Research Board, National Research Council, Washington, D.C., 1996, p. 3.