



# IMPORTANCE OF GOVERNMENTAL FINANCIAL STATEMENTS AND WHY THEY ARE DIFFERENT



Presented by:  
**Beila Sherman, CPA, and**  
**Moises D. Ariza, CPA, CGMA**

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# OVERVIEW

# Objective of This Session

**At the end of this session, you will recognize and understand:**



- Who are the users of governmental financial statements;
- Why they are different;
- Interpreting governmental financial statements; and
- What's on the horizon.

# Why Governmental Accounting and Financial Reporting Is and Should Be Different

## Areas to Discuss:



- Organizational Purposes
- Sources of Revenues
- Longevity
- Budgeting Obligations
- Stakeholders
- Reporting Model

# Why Governmental Accounting and Financial Reporting Is and Should Be Different

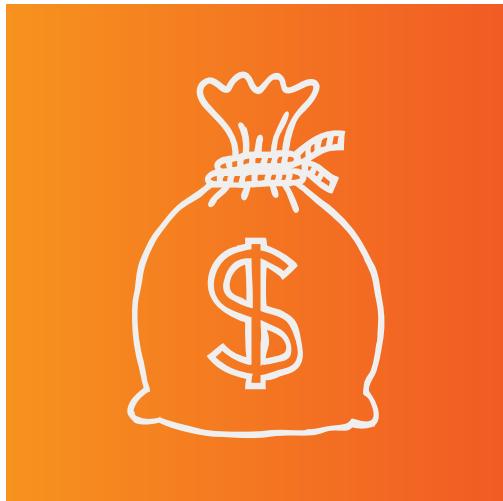
## Organizational Purposes:



- Enhance or maintain well being of citizens by providing public services such as public safety, education, parks and transportation;
- Financial return on investment is not a goal of governments; and
- Reporting needs to focus on accomplishment of objectives, not wealth creation.

# Why Governmental Accounting and Financial Reporting Is and Should Be Different

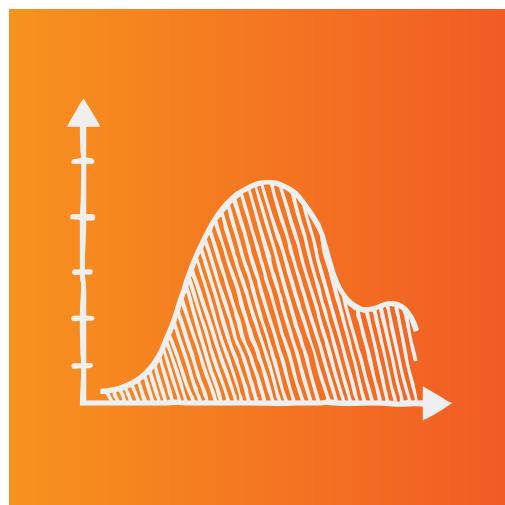
## Sources of Revenues:



- Principal source of revenues for governments is taxation (legally binding) non-exchange transaction between citizens and government rather than voluntary exchange transactions between buyers and sellers;
- Ad Valorem Taxes; and
- Intergovernmental revenues (taxes).

# Why Governmental Accounting and Financial Reporting Is and Should Be Different

## Longevity:



- Due to ongoing power to tax and ongoing need for public services, governments rarely liquidate; and
- The ability of governments to exist in future generally not in doubt (even in the extreme case of municipal bankruptcy), but rather can it sustain level of services.

# Why Governmental Accounting and Financial Reporting Is and Should Be Different

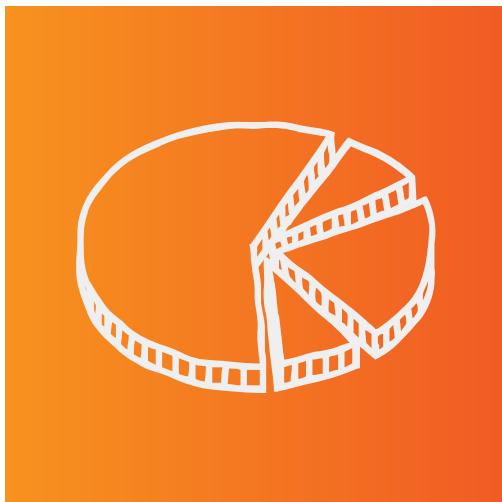
## Stakeholders:



- Citizens are interested in whether users of government services fully financed costs of providing current services;
- Users of governmental financial reports may wish to evaluate the taxes, user fees, grants and borrowings that are financed by current services rather than on increasing shareholders' equity; and
- Creditors of governments often look for different information when lending to a government.

# Why Governmental Accounting and Financial Reporting Is and Should Be Different

## Role of the Budget:



- Government budgets represent public policy priorities and legally authorize raising and spending public resources; and
- Government budgets can be the primary method by which citizens and elected officials hold the government's management financially accountable, which is more than an internal financial management tool.

# Why Governmental Accounting and Financial Reporting Is and Should Be Different

Reporting should meet needs of the users:



- Did the government's ability to provide services improve or decline from the previous year?
- Were the government's current-year taxes and other sources of resources sufficient to cover the cost of current-year services?
- Was part of the burden of paying for current services shifted to taxpayers in future years?
- How did the government finance its activities and meet its cash requirements?
- Does the government have the capacity to meet future financial and service obligations?

# Why Governmental Accounting and Financial Reporting Is and Should Be Different

Reporting should meet needs of the users:



- What are the government's spending priorities?
- What sources of resources support the various programs?
- Has the government obtained and used resources in accordance with its adopted budget and other legal requirements?
- What resources currently are available for future expenditures and to what extent are resources limited to specified users?
- Has the government provided its services in an efficient and effective manner?

# REPORTING MODEL

# Minimum Reporting Requirements

- General purpose governments present the following basic financial statements and RSI in order for the financial statements to be in accordance with Generally Accepted Accounting Principles (GAAP):
  - Management's discussion and analysis (MD&A)(RSI);
  - Government-wide financial statements;
  - Fund financial statements;
  - Notes to the financial statements; and
  - Required supplementary information (RSI), including budgetary comparison schedules, pension, OPEB and infrastructure condition data.
- The MD&A and RSI, though not part of the basic financial statements, are required for general purpose governments.
- The exclusion of items listed above, as minimum requirements, results in an incomplete presentation of external reporting requirements of a general purpose government.

# The Financial Reporting Entity

- The financial reporting entity refers to the units of government, organizations, and activities included in a particular set of financial statements.
- The financial reporting entity is comprised of a primary government and organizations for which the primary government has administrative or operational responsibility (benefit/burden relationship; same or substantially the same governing body).
- A primary government is a state government, general purpose local government, or special purpose government that meets certain criteria.

# Government-Wide

- Government-wide financial statements include a Statement of Net Position and a Statement of Activities and report on the government as a whole, providing a consolidated financial picture of the government.
  - The government-wide financial statements distinguish between the governmental and business-type activities.
  - Governmental activities are those supported by taxes and intergovernmental revenues.
  - Business-type activities rely to a significant extent on fees and charges for support and generally are self-sustaining (i.e., costs of service are covered by user charges).
- Fiduciary funds (pension trust funds) are excluded from this presentation as the assets are held for the benefit of a third party (members and beneficiaries) and cannot be used to cover activities or obligations of the government.

# Fund Financial Statements

- The accounts are organized on the basis of funds.
  - Each fund is accounted for using a separate set of self balancing accounts.
  - Separate financial statements are provided for **governmental funds**, (general, special revenue, debt service, capital projects and permanent funds), **proprietary funds** (Enterprise and Internal Service), and even **fiduciary funds**, though the latter are excluded from the government-wide financial statements.
  - A governmental entity may only have one general fund.

# Measurement Focus

- Government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting – operational accountability.
- Proprietary funds are reported using the economic resources measurement focus and the full accrual basis of accounting – operational accountability.
- Fiduciary funds are reported using the economic resources measurement focus and the full accrual basis of accounting.



# Measurement Focus (Continued)

- Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting – fiscal accountability:
  - Revenues for governmental funds are recognized as soon as they are both measurable and available (governments define this);
    - Example: Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (45 to 60 days for receivables of taxes, for grants can be a longer period); and
  - Expenditures are generally recognized in the period in which a liability is incurred.

# Things to Remember



- Governmental fund operating statements (modified accrual) reflect:
  - The issuance of debt as an other financing source (not a balance sheet transaction); and
  - Expenditures include debt service principal payments as well as capital outlay (not a balance sheet transaction).

## Things to Remember *(Continued)*



- This is contrary to the proprietary funds financial statements (full accrual) where:
  - Debt issued is reflected as a liability;
  - Principal payments on debt reduce the liability; and
  - Capital outlay costs are capitalized.

# Funds Vs. Activities



- Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange resources. These activities are usually reported in governmental funds and internal service funds.

# Funds Vs. Activities *(Continued)*



- Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.



# **INTERPRETING GOVERNMENT FINANCIAL STATEMENTS**

# Interpreting Government Financial Statements

- Government Finance Officers Association (GFOA) Publication from 2016 on how to avoid misinterpreting certain elements of governmental financial statements.
- We just talked about the importance of governmental financial statements and who uses them.
- Now we can address the concept of how to read them.
- Then we will follow with potential changes to the financial statements that may be looming.

# Government-Wide Financial Statements (GW) Vs. Fund Financial Statements

- Some view the GW as the real financial statements because they include everything, including capital assets and long-term debt/obligations which aren't in the fund financial statements.
- Both important; play (2) different roles (ST vs LT).
  - GW = operational responsibility:
    - Meeting operating objectives efficiently and effectively;
    - Sustainability;
  - Fund Level = fiscal accountability:
    - Period objectives; budget limitations;
    - Complied with legal and contractual on spending; and
  - Better decision making if you consider LT impacts of ST decisions.

# Deferred Inflows of Resources Vs. Liabilities

- Private Sector Reporting does not make a distinction between the two.
- For the past few years, state and local governments do.
- Deferred inflows in the government sector are not the same as liabilities.
  - Liability = obligation to make future payments:
    - Reduction of net resources (going out);
  - Deferred inflows = increase in net resources has taken place (coming in):
    - Revenue recognized in the future; and
    - Fund level; availability criterion.

# Net Pension Liability (NPL)

- Large NPL does not mean that a state or local government is facing an impending financial crisis.
- TPL is present value of benefits already earned less what resources are set aside for these benefits = NPL.
- Actuarial valuations and reasonable assumptions.
- Funded ratio and trends:
  - Current funded ratio is important but so is trend; and
  - So is funding the actuarially determined contributions (ADC).

# Unrestricted Net Position Vs. Spendable Resources

- Resources reported in unrestricted net position are spendable (misunderstanding).
- Applies to GW and proprietary funds.
- Unrestricted fund balance is different (made up of committed, assigned and unassigned) and actually available for spending.
- Unrestricted net position considers LT receivables and LT debt/obligations.

# Fund Balance Misinterpretations

1. Fund balance by itself is an adequate measure of financial well-being.
2. Users of financial statements should focus on the total fund balance and there is a single right answer of how much fund balance is enough.
  - High levels of fund balance do not indicate good financial shape; low levels or deficits could be symptomatic of financial difficulties.
  - Borrowing can dramatically increase fund balance.
  - Current versus future spending = you may be able to meet current spending requirements but not future spending if you don't plan and accumulate resources.

## Fund Balance Misinterpretations *(Continued)*

- Need to maintain a healthy FB to meet unexpected or unforeseen events, but you can't only look at total fund balance.
- Non-spendable and restricted components of FB.
- Consider operating revenues or operating expenditures as a measuring stick:
  - GFOA recommends no less than two (2) months as unrestricted FB; and
  - Volatility of operating revenues or expenditures should be considered.

# **Revenue in the Government-Wide Financial Statements Vs. Revenue in the Fund Level Financial Statements Misinterpretations**

- 1.** Revenues are the same at GW level and fund level (expense at GW level versus expenditure at the fund level).
  - GW, long-term perspective; reporting of inflows (revenues) and outflows (expense) as soon as the underlying event has occurred regardless of the timing of related cash flows:
    - Revenue recognition = accrual basis of accounting (ignores related cash flows).

# **Revenue in the Government-Wide Financial Statements Vs. Revenue in the Fund Level Financial Statements Misinterpretations (Continued)**

- Governmental funds = near-term inflows and outflows:
  - Collection needs to be early enough in the next year to be able to be used to liquidate of the current period = modified accrual basis of accounting.
- Accrual basis of accounting = earning/eligibility.
- Modified accrual = earning/eligibility and availability.

# Budgeted Expenditures Vs. Actual Expenditures

- Misunderstanding - that actual expenditures well below budgeted expenditures is always good.
- Private sector = provide services to generate revenue.
- Public sector = generate revenue to provide services.
- Spend less than budget = positive or favorable variance.
- GFOA recommends against these terms as spending less may not be positive or favorable if resulting from not carrying out program (scope and quality of services provided).

# **GASB INVITATION TO COMMENT**

**FINANCIAL REPORTING MODEL IMPROVEMENTS — GOVERNMENTAL FUNDS, PROJECT NO. 3-25I**

# What is an Invitation to Comment?

- An Invitation to Comment is a staff document designed to seek comments at a relatively early stage of a project before the Board has reached a consensus view.
- As part of that due process, the GASB staff has prepared this Invitation to Comment to solicit comments on certain issues that will be addressed in the GASB's financial reporting model reexamination project.
- In deciding on changes in accounting and financial reporting standards, the GASB also takes into consideration the costs of preparing and reporting the information and its benefits to users of financial statements.

# Why is the GASB Issuing this Invitation to Comment?

- Under the existing reporting model, governmental fund financial statements present information using the current financial resources measurement focus and modified accrual basis of accounting, which has certain conceptual shortcomings.
- **General issues:**
  1. Some users continue to rely solely on the information in governmental fund financial statements to inform decisions that have longer term implications;
  2. The current financial resources measurement focus and modified accrual basis of accounting lacks a conceptual foundation; and
  3. Because of the lack of a conceptual foundation, it is challenging to establish guidance for reporting more complex transactions, such as derivative instruments and service concession arrangements.

# What Does Project No.3-251 Consider?

- **Invitation to Comment considers:**
  - a) The measurement focus and basis of accounting of the governmental fund financial statements;
  - b) The presentation format of the governmental fund statement of resource flows;
  - c) Specific terminology;
  - d) The reconciliation to the government-wide financial statements; and
  - e) Whether a governmental fund statement of cash flows should be added for some of the measurement focus and basis of accounting alternatives.

# Three Alternative Recognition Approaches

- Three alternative recognition approaches for governmental fund financial statements are introduced:
  - 1) Near-term financial resource;
  - 2) Short-term financial resource; and
  - 3) Long-term financial resources.





# **NEAR-TERM APPROACH**

# Near-Term Approach

- This recognition approach would provide information about spending and resources available for spending that were acquired during the reporting period.
- Excludes items of a long-term nature.
- The length of time following the end of the reporting period that would be included in the near-term perspective generally would be in the range of 60 to 90 days.

# Near-Term Approach *(Continued)*

- **Examples of assets that would be recognized, include:**
  - Cash and investments; accounts receivable that normally are due within the near term; property taxes receivable that normally are due within the near term; and long-term receivables with delayed payment terms that have matured.
- **Examples of assets that would *not* be recognized, include:**
  - Prepaid items; inventory; long-term receivables that have not matured; and capital assets, including intangible assets.

# Near-Term Approach *(Continued)*

- Examples of liabilities that would be recognized, include:
  - Accounts payable and accrued payroll;
  - Certain liabilities due within the near term:
    - Accrued interest payable;
    - Compensated absences payable;
    - Any unpaid balances due on long-term operating debt or capital-related debt and tax anticipation notes or revenue anticipation notes that matured during the period; and
    - Net pension and other post-employment benefit liabilities.

# Near-Term Approach *(Continued)*

- Examples of liabilities that would *not* be recognized, include:
  - Portions of compensated absences liabilities that normally are not due within the near term;
  - Long-term operating debt or capital-related debt and tax anticipation notes or revenue anticipation notes that have not matured;
  - Net pension and other post-employment benefit liabilities that normally are not due within the near term; and
  - Asset retirement obligations that normally are not due within the near term.

# Near-Term Approach *(Continued)*

- **Benefits**
  - This approach would increase the consistency and comparability of governmental fund financial statements.
  - This approach would provide conceptually consistent recognition principles for governmental fund financial statements, rather than the existing collection of accounting conventions. The effects of certain transactions involving assets and liabilities that are not near term, such as inventories and long-term receivables, would be removed from the governmental fund financial statements.
  - This approach would provide resource flows information that has some similarities to cash flow information because the near term is considered to be a relatively short period and is relatively close to a cash measurement focus. As a result, a statement of cash flows for governmental funds will not be necessary with this approach.

# Near-Term Approach *(Continued)*

- **Challenges**
  - Although some aspects of this approach would eliminate conceptual inconsistencies in the existing current financial resources measurement focus, this approach might introduce its own inconsistencies.
  - The potential for material inconsistency and systematic management of reported results from period to period would be greater because a significant transaction or event may occur or fail to occur in the near-term time frame as a result of the deliberate action or inaction of a government's management.
  - It is contemplated that a statement of cash flows would not be presented in this recognition approach. However, some believe not presenting a statement of cash flows for governmental funds might omit information relevant to understanding short-term liquidity and short-term financing considerations.

# **SHORT-TERM APPROACH**

# Short-Term (Working Capital) Approach

- The short-term approach would present financial resource inflows and outflows for the period, as well as period-end balances related to short-term (defined as one year) financial assets and short-term liabilities.
- This approach would assist in:
  - Assessing a government's ability to meet service needs and pay obligations in the subsequent operating cycle;
  - Analyzing whether a government is falling behind or keeping pace in funding its short-term obligations; and
  - Determining whether the government has available resources (beyond those needed to meet current-year obligations) to meet new or additional service needs.

# Short-Term (Working Capital) Approach *(Continued)*

- **Examples of assets that would be recognized, include:**
  - Cash and investments; accounts receivable that normally are due within the subsequent operating cycle; property taxes receivable that normally are due within the subsequent operating cycle; long-term receivables that are due within the subsequent operating cycle; prepaid items; and inventory.
- **Examples of items that would *not* be recognized as assets, include:**
  - Long-term receivables that are due beyond the subsequent operating cycle; and capital assets, including intangible assets.

# Short-Term (Working Capital) Approach *(Continued)*

- Examples of liabilities that would be recognized, include:
  - Accounts payable and accrued payroll;
  - Amounts payable that normally are due within the subsequent operating cycle:
    - Accrued interest payable;
    - Compensated absences payable;
    - Principal amounts of long-term operating debt or long-term capital-related debt and tax anticipation notes or revenue anticipation notes;
    - Net pension and other postemployment benefit liabilities; and
    - Asset retirement obligations that relate to a current or past reporting period and that normally are due within the subsequent operating.
- Examples of items that would *not* be recognized as liabilities include:
  - Liabilities not normally due within the subsequent operating cycle.

# Short-Term (Working Capital) Approach *(Continued)*

- **Benefits**

- This approach would recognize all of the obligations that are payable and normally due within the subsequent operating cycle, along with the existing resources that are available in the same period to satisfy these obligations.
- This approach may provide a better basis for assessing interperiod equity than the current financial resources measurement focus because it would focus on a one-year operating cycle and would present information about whether the government is able to meet its obligation.
- The presentation of short-term assets and short-term liabilities on the short-term balance sheet, and the focus on a one-year operating cycle may aid users in their analysis of the short-term financial health of the government, as well as in their assessment of the government's budgetary cycle, which also may be a one-year cycle.

# Short-Term (Working Capital) Approach *(Continued)*

## ■ Challenges

- Users may be unaccustomed to the presentation of short-term flows related to items of a long-term nature on the statement of short-term resource flows. The appearance of these items may be counterintuitive to the shorter time perspective of governmental fund financial statements.
- There may be additional effort and costs related to preparing and auditing balances for amounts expected to be paid within the subsequent operating cycle fc. Users may encounter difficulties making comparisons between governments because of differing types of arrangements for funding liabilities.



# **LONG-TERM APPROACH**

# Long-Term Approach

- The long-term approach would recognize the effects on financial resources of transactions or events when they take place, regardless of when cash is received or paid.
- The long-term approach would show users information related to financial assets and liabilities from financial resources, which would help users assess the government's ability to meet service needs and pay obligations that have been incurred related to noncapital activities.

# Long-Term Approach *(Continued)*

- **Examples of liabilities that would be recognized, include:**
  - a) Accounts payable and accrued payroll;
  - b) Accrued interest payable;
  - c) Compensated absences;
  - d) Principal amounts of long-term operating debt and tax anticipation notes or revenue anticipation notes;
  - e) Pension and other postemployment benefit liabilities; and
  - f) Asset retirement obligations.
- **Examples of items that would *not* be recognized as liabilities, include:**
  - Principal amounts of long-term capital-related debt.

# Long-Term Approach *(Continued)*

- **Examples of assets that would be recognized, include:**
  - Cash and investments; accounts receivable; property taxes receivable; long-term receivables; prepaid items; and inventory.
- **An example of an item that would *not* be recognized as an asset, includes:**
  - Capital assets, including intangible assets.

# Long-Term Approach *(Continued)*

- **Benefits**
  - This approach would provide conceptually consistent recognition principles for governmental fund financial statements, rather than the existing collection of accounting conventions. All transactions related to financial resources would be recognized.
  - This approach may provide a better basis for assessing interperiod equity.
  - The amount reported for long-term fund balance may better reflect the results of certain budgetary actions in the view of some stakeholders.
  - This approach would provide information related to non-capital-related liabilities of the government that are expected to be liquidated from governmental funds.
  - This approach may simplify the financial reporting model by having a measurement approach for the governmental funds that has few differences from the measurement approach for the government-wide financial statements.

# Long-Term Approach *(Continued)*

- **Challenges**
  - Although some aspects of this approach would eliminate conceptual inconsistencies in the existing current financial resources measurement focus, this approach may introduce an additional conceptual inconsistency by treating capital assets and capital-related debt differently from other assets and liabilities.
  - Using this recognition approach, governmental funds would no longer present a shorter time perspective of the financial position.
  - Preparation of additional financial statements (governmental fund statements of cash flows )would add to preparation and audit costs.

# Format of the Resource Flows Statement

- **Two formats are being considered:**
  - a) The existing statement of revenues, expenditures, and changes in fund balances format; and
  - b) The current and long-term activity format.
- **Challenge of the existing format**
  - Is a lack of consistency in the resource flows that are reported as other financing sources and uses. For example, the resources received from the issuance of long-term debt are reported as other financing sources, whereas payments of principal on that debt are reported as expenditures rather than as other financing uses. Similarly, resources received from the disposal of capital assets are reported as other financing sources, whereas the original purchases of the capital assets are reported as expenditures rather than as other financing uses.

# Governmental Statement of Cash Flow

- For two (2) of the recognition approaches introduced in the short-term approach and the long-term approach—the governmental fund financial statements would include a statement of cash flows.
- **Benefits:**
  - a) Assessing liquidity and solvency;
  - b) Identifying cash flow issues;
  - c) Providing additional information about the issuance of debt and debt service payments;
  - d) Assessing the financial strength of a government; and
  - e) Facilitating a trend analysis.

# ILLUSTRATIONS

## Illustration 1: Balance Sheet—Current Financial Resources/Modified Accrual

**ABC Government  
Balance Sheet  
Governmental Funds  
June 30, 20XX**

	<b>General Fund</b>	<b>Special Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 861,272	\$ 8,846,434	\$ 30,571,406	\$ 40,279,112
Taxes receivable	33,339,603	5,176,000	3,781,774	42,297,377
Intergovernmental receivables	662	607	83,736	85,005
Grant receivable	250,992	-	-	250,992
Other receivables	2,056,859	-	1,457,817	3,514,676
Interfund receivables	610,066	-	607,909	1,217,975
Prepaid item	-	-	13,800	13,800
Inventory	23,500	-	-	23,500
Special assessments receivable	-	-	82,351	82,351
Notes receivable*	-	3,424,420	318,356	3,742,776
<b>Total assets</b>	<b>\$ 37,142,954</b>	<b>\$ 17,447,461</b>	<b>\$ 36,917,149</b>	<b>\$ 91,507,564</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 929,666	\$ 493,212	\$ 1,642,560	\$ 3,065,438
Other payables	2,444	-	926	3,370
Accrued payroll	2,966,848	14,733	65,821	3,047,402
Interfund payable	51,606	227,099	15,195	293,900
Tax anticipation note payable	4,400,000	-	-	4,400,000
<b>Total liabilities</b>	<b>8,350,564</b>	<b>735,044</b>	<b>1,724,502</b>	<b>10,810,110</b>
Deferred inflows of resources:				
Taxes receivable levied for the next year	21,625,730	5,176,000	2,153,024	28,954,754
Special assessments receivable that are unavailable	-	-	82,351	82,351
<b>Total deferred inflows of resources</b>	<b>21,625,730</b>	<b>5,176,000</b>	<b>2,235,375</b>	<b>29,037,105</b>
Fund balances:				
Nonspendable	-	3,424,420	332,156	3,756,576
Restricted	-	8,111,997	32,770,989	40,882,986
Assigned for library	685,630	-	-	685,630
Unassigned	6,481,030	-	(145,873)	6,335,157
<b>Total fund balances</b>	<b>7,166,660</b>	<b>11,536,417</b>	<b>32,957,272</b>	<b>51,660,349</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 37,142,954</b>	<b>\$ 17,447,461</b>	<b>\$ 36,917,149</b>	<b>\$ 91,507,564</b>

\* Practice regarding reporting of notes receivable from lending activities is inconsistent. This illustration reports those balances as assets.

**Illustration 2: Statement of Revenues, Expenditures, and Changes in Fund Balances—Current Financial Resources/Modified Accrual**

**ABC Government**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**for the Year Ended June 30, 20XX**

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,159,156	\$ 2,015,047	\$ 27,496,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,292,493	20,887,512
Special assessments	-	-	41,500	41,500
Investment earnings	5,829	163,384	19,043	188,256
Miscellaneous	4,216,940	154,482	626,287	4,997,709
Total revenues	<u>106,260,279</u>	<u>5,477,022</u>	<u>19,215,973</u>	<u>130,953,274</u>
<b>EXPENDITURES</b>				
Current:				
General government	13,872,732	6,961,201	2,213,691	23,047,624
Public health and safety	70,005,718	-	590,383	70,596,101
Highway and streets	11,987,845	-	4,715,808	16,703,653
Culture and recreation	3,537,359	335,659	1,808,065	5,681,083
Economic development	496,141	-	3,374,045	3,870,186
Capital outlay	345,187	1,515	1,346,497	1,693,199
Debt service	2,438,996	368,326	9,246,555	12,053,877
Total expenditures	<u>102,683,978</u>	<u>7,666,701</u>	<u>23,295,044</u>	<u>133,645,723</u>
Excess (deficiency) of revenues over expenditures	<u>3,576,301</u>	<u>(2,189,679)</u>	<u>(4,079,071)</u>	<u>(2,692,449)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Leases—lessee	233,200	-	-	233,200
Transfers in	500,000	-	10,806,809	11,306,809
Transfers out	(7,836,079)	(6,445)	(2,920,900)	(10,763,424)
Total other financing sources (uses)	<u>(7,102,879)</u>	<u>(6,445)</u>	<u>7,885,909</u>	<u>776,585</u>
Net change in fund balance	(3,526,578)	(2,196,124)	3,806,838	(1,915,864)
Fund balances at beginning of year	10,693,238	13,732,541	29,150,434	53,576,213
Fund balances at end of year	<u>\$ 7,166,660</u>	<u>\$ 11,536,417</u>	<u>\$ 32,957,272</u>	<u>\$ 51,660,349</u>

### Illustration 3: Near-Term Financial Resources Balance Sheet

**ABC Government**  
**Near-Term Financial Resources Balance Sheet**  
**Governmental Funds**  
**June 30, 20XX**

This financial statement presents a short-term view of the governmental fund activities and excludes items of a long-term nature. For a complete portrayal of the financial position of the governmental activities, see the government-wide statement of net position.

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>NEAR-TERM ASSETS</b>				
Cash and cash equivalents	\$ 861,272	\$ 8,846,434	\$ 30,571,406	\$ 40,279,112
Taxes receivable	11,713,873	-	1,628,750	13,342,623
Intergovernmental receivables	662	607	83,736	85,005
Grant receivable	250,992	-	-	250,992
Other receivables	2,056,859	-	1,457,817	3,514,676
Interfund receivables	610,066	-	607,909	1,217,975
Total near-term assets	<u>\$ 15,493,724</u>	<u>\$ 8,847,041</u>	<u>\$ 34,349,618</u>	<u>\$ 58,690,383</u>

**NEAR-TERM LIABILITIES AND NEAR-TERM FINANCIAL RESOURCES FUND BALANCES**

Near-term liabilities:

Accounts payable	\$ 929,666	\$ 493,212	\$ 1,642,560	\$ 3,065,438
Other payables	2,444	-	926	3,370
Accrued payroll	2,966,848	14,733	65,821	3,047,402
Accrued interest	51,874	22,300	559,827	634,001
Interfund payable	51,606	227,099	15,195	293,900
Claims payable	100,000	-	-	100,000
Total near-term liabilities	<u>4,102,438</u>	<u>757,344</u>	<u>2,284,329</u>	<u>7,144,111</u>

Near-term financial resources fund balances:

Restricted	-	8,089,697	32,211,162	40,300,859
Assigned for library	685,630	-	-	685,630
Unassigned	10,705,656	-	(145,873)	10,559,783
Total near-term financial resources fund balances	<u>11,391,286</u>	<u>8,089,697</u>	<u>32,065,289</u>	<u>51,546,272</u>

Total near-term liabilities and near-term financial resources fund balances

\$ 15,493,724    \$ 8,847,041    \$ 34,349,618    \$ 58,690,383

**RECONCILIATION OF NEAR-TERM FINANCIAL RESOURCES FUND BALANCE OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (see Note X)**

Near-term financial resources fund balance of governmental funds	\$ 51,546,272
Amounts reported for governmental activities in the statement of net position are different due to:	
Capital assets used in governmental activities that are not near-term financial resources	187,089,527
Other long-term assets that are not available to pay for near-term outflows of resources	3,862,427
Tax anticipation notes that are not near-term liabilities	(4,400,000)
Postemployment benefit liabilities that are not due in the near term	(42,743,028)
Other long-term liabilities, including bonds payable, that are not due in the near term	(36,396,724)
Internal service fund balance that is allocated to governmental activities in the statement of net position	(16,368)
Net position of governmental activities	<u>\$ 158,942,106</u>

## Illustration 4A: Statement of Near-Term Financial Resource Flows—Existing Format

**ABC Government**  
**Statement of Near-Term Financial Resource Flows**  
**Governmental Funds**  
**Year Ended June 30, 20XX**

This financial statement presents a short-term view of governmental fund resource flows and excludes items of a long-term nature.  
 For a complete portrayal of the governmental activities flows, see the government-wide statement of activities.

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>INFLOWS OF NEAR-TERM FINANCIAL RESOURCES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,159,156	\$ 2,015,047	\$ 27,496,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,292,493	20,887,512
Investment earnings	5,829	163,384	19,043	188,256
Payments received on notes and special assessments	-	500,000	186,500	686,500
Miscellaneous	4,216,940	154,482	626,287	4,997,709
Total inflows of near-term financial resources	<u>106,260,279</u>	<u>5,977,022</u>	<u>19,360,973</u>	<u>131,598,274</u>
<b>OUTFLOWS OF NEAR-TERM FINANCIAL RESOURCES</b>				
Current:				
General government	13,888,388	6,961,201	2,221,691	23,071,280
Public health and safety	70,081,545	-	590,383	70,671,928
Highway and streets	12,000,830	-	4,715,808	16,716,638
Culture and recreation	3,541,191	335,659	1,808,065	5,684,915
Economic development	496,141	-	3,374,045	3,870,186
Capital outlay	345,187	1,515	1,346,497	1,693,199
Debt service	6,435,656	366,890	9,210,517	16,013,063
Total outflows of near-term financial resources	<u>106,788,938</u>	<u>7,665,265</u>	<u>23,267,006</u>	<u>137,721,209</u>
Excess of inflows over outflows	<u>(528,659)</u>	<u>(1,688,243)</u>	<u>(3,906,033)</u>	<u>(6,122,935)</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Leases—lessee	233,200	-	-	233,200
Proceeds from the issuance of tax anticipation notes	4,400,000	-	-	4,400,000
Transfers in	500,000	-	10,806,809	11,306,809
Transfers out	(7,836,079)	(6,445)	(2,920,900)	(10,763,424)
Total other financing sources and uses	<u>(2,702,879)</u>	<u>(6,445)</u>	<u>7,885,909</u>	<u>5,176,585</u>
Net change in near-term financial resources fund balances	(3,231,538)	(1,694,688)	3,979,876	(946,350)
Near-term financial resources fund balances at beginning of year	14,622,824	9,784,385	28,085,413	52,492,622
Near-term financial resources fund balances at end of year	<u>\$ 11,391,286</u>	<u>\$ 8,089,697</u>	<u>\$ 32,065,289</u>	<u>\$ 51,546,272</u>
<b>RECONCILIATION OF NET CHANGE IN NEAR-TERM FINANCIAL RESOURCES FUND BALANCE TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (see Note X)</b>				
Net change in near-term financial resources fund balance of governmental funds				\$ (946,350)
Amounts reported for governmental activities in the statement of activities are different due to:				
Revenues that do not provide near-term financial resources				(686,500)
Expenses that do not require the use of near-term financial resources				(4,642,130)
Difference between depreciation in the statement of activities and capital outlay outflows above				(3,026,375)
Net change in tax anticipation notes reported as near-term resource inflows above				(400,000)
Principal paid on long-term debt and related items reported as near-term resource outflows above				9,604,926
Internal service fund activities that are allocated to governmental activities in the statement of activities				18,875
Change in net position of governmental activities				<u>\$ (77,554)</u>

## Illustration 4B: Statement of Near-Term Financial Resource Flows—Current and Long-Term Activity Format

**ABC Government**  
**Statement of Near-Term Financial Resource Flows**  
**Governmental Funds**  
**Year Ended June 30, 20XX**

This financial statement presents a short-term view of government fund resource flows and excludes items of a long-term nature.  
 For a complete portrayal of the governmental activities flows, see the government-wide statement of activities.

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>INFLOWS OF NEAR-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,159,156	\$ 2,015,047	\$ 27,496,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,292,493	20,887,512
Investment earnings	5,829	163,384	19,043	188,256
Payments received on notes and special assessments	-	500,000	186,500	686,500
Miscellaneous	4,216,940	154,482	626,287	4,997,709
Transfers in	500,000	-	155,204	655,204
Total inflows of near-term financial resources for current activities	106,760,279	5,977,022	19,516,177	132,253,478
<b>OUTFLOWS OF NEAR-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
General government	13,888,388	6,961,201	2,221,691	23,071,280
Public health and safety	70,081,545	-	590,383	70,671,928
Highway and streets	12,000,830	-	4,715,808	16,716,638
Culture and recreation	3,541,191	335,659	1,808,065	5,684,915
Economic development	496,141	-	3,374,045	3,870,186
Transfers out	155,204	-	500,000	655,204
Total outflows of near-term financial resources for current activities	100,163,299	7,296,860	13,209,992	120,670,151
Net flows of near-term financial resources for current activities	6,596,980	(1,319,838)	6,306,185	11,583,327
<b>NET FLOWS OF NEAR-TERM FINANCIAL RESOURCES FOR LONG-TERM ACTIVITIES</b>				
Leases—lessee	233,200	-	-	233,200
Proceeds from the issuance of tax anticipation notes	4,400,000	-	-	4,400,000
Transfers in	-	-	10,651,605	10,651,605
Capital outlay	(345,187)	(1,515)	(1,346,497)	(1,693,199)
Debt service	(2,435,656)	(366,890)	(9,210,517)	(12,013,063)
Payment on tax anticipation notes	(4,000,000)	-	-	(4,000,000)
Transfers out	(7,680,875)	(6,445)	(2,420,900)	(10,108,220)
Net flows of near-term financial resources for long-term activities	(9,828,518)	(374,850)	(2,326,309)	(12,529,677)
Net change in near-term financial resources fund balances	(3,231,538)	(1,694,688)	3,979,876	(946,350)
Near-term financial resources fund balances at beginning of year	14,622,824	9,784,385	28,085,413	52,492,622
Near-term financial resources fund balances at end of year	\$ 11,391,286	\$ 8,089,697	\$ 32,065,289	\$ 51,546,272
<b>RECONCILIATION OF NET CHANGE IN NEAR-TERM FINANCIAL RESOURCES FUND BALANCE TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (see Note X)</b>				
Net change in near-term financial resources fund balance of governmental funds			\$ (946,350)	
Amounts reported for governmental activities in the statement of activities are different due to:				
Revenues that do not provide near-term financial resources			(686,500)	
Expenses that do not require the use of near-term financial resources			(4,642,130)	
Difference between depreciation in the statement of activities and capital outlay outflows above			(3,026,375)	
Net change in tax anticipation notes reported as near-term resource inflows above			(400,000)	
Principal paid on long-term debt and related items reported as near-term resource outflows above			9,604,926	
Internal service fund activities that are allocated to governmental activities in the statement of activities			18,875	
Change in net position of governmental activities			\$ (7,774)	

## Illustration 5: Short-Term Financial Resources Balance Sheet

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

This financial statement presents a short-term view of the governmental fund activities and excludes items of a long-term nature.  
 For a complete portrayal of the financial position of the governmental activities, see the government-wide statement of net position.

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>SHORT-TERM ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Short-term assets:				
Cash and cash equivalents	\$ 861,272	\$ 8,846,434	\$ 30,571,406	\$ 40,279,112
Taxes receivable	33,339,603	5,176,000	3,781,774	42,297,377
Intergovernmental receivables	662	607	83,736	85,005
Grant receivable	250,992	-	-	250,992
Other receivables	2,056,859	-	1,457,817	3,514,676
Interfund receivables	610,066	-	607,909	1,217,975
Prepaid item	-	-	13,800	13,800
Inventory	23,500	-	-	23,500
Special assessments receivable	-	-	25,000	25,000
Notes receivable	-	450,000	125,000	575,000
Total short-term assets	<u>37,142,954</u>	<u>14,473,041</u>	<u>36,666,442</u>	<u>88,282,437</u>
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivative	155,631	-	-	155,631
Total deferred outflows of resources	<u>155,631</u>	<u>-</u>	<u>-</u>	<u>155,631</u>
Total short-term assets and deferred outflows of resources	<u>\$ 37,298,585</u>	<u>\$ 14,473,041</u>	<u>\$ 36,666,442</u>	<u>\$ 88,438,068</u>
<b>SHORT-TERM LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND SHORT-TERM FINANCIAL RESOURCES FUND BALANCES</b>				
Short-term liabilities:				
Accounts payable	\$ 929,666	\$ 493,212	\$ 1,642,560	\$ 3,065,438
Other payables	2,444	-	926	3,370
Accrued payroll	2,966,848	14,733	65,821	3,047,402
Compensated absences payable	204,566	-	-	204,566
Accrued interest payable	69,165	29,733	746,436	845,334
Interfund payable	51,606	227,099	15,195	293,900
Claims payable	1,950,000	-	-	1,950,000
Derivative instrument-interest rate swap	155,631	-	-	155,631
Tax anticipation note payable	4,400,000	-	-	4,400,000
Leases payable	98,869	42,503	1,067,012	1,208,384
Bonds payable	357,427	153,655	3,857,396	4,368,478
Other postemployment benefits	3,416,452	-	-	3,416,452
Pension benefits	1,116,153	-	-	1,116,153
Total short-term liabilities	<u>15,718,827</u>	<u>960,935</u>	<u>7,395,346</u>	<u>24,075,108</u>
Deferred inflows of resources:				
Taxes receivable levied for the next year	21,625,730	5,176,000	2,153,024	28,954,754
Total deferred inflows of resources	<u>21,625,730</u>	<u>5,176,000</u>	<u>2,153,024</u>	<u>28,954,754</u>
Short-term financial resources fund balances:				
Nonspendable	-	-	13,800	13,800
Restricted	-	8,336,106	26,075,102	34,411,208
Assigned	685,630	-	-	685,630
Unassigned	(731,602)	-	1,029,170	297,568
Total short-term financial resources fund balances	<u>(45,972)</u>	<u>8,336,106</u>	<u>27,118,072</u>	<u>35,408,206</u>
Total short-term liabilities, deferred inflows of resources, and short-term financial resources fund balances	<u>\$ 37,298,585</u>	<u>\$ 14,473,041</u>	<u>\$ 36,666,442</u>	<u>\$ 88,438,068</u>
<b>RECONCILIATION OF SHORT-TERM FINANCIAL RESOURCES FUND BALANCE OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (see Note X)</b>				
Short-term financial resources fund balance of governmental funds				\$ 35,408,206
Amounts reported for governmental activities in the statement of net position are different due to:				
Capital assets used in governmental activities that are not short-term financial resources				187,089,527
Other long-term assets that are not available to pay for short-term outflows of resources				3,225,127
Postemployment benefit liabilities that are not due in the subsequent operating cycle				(38,210,423)
Other long-term liabilities, including bonds payable, that are not due in the subsequent operating cycle				(28,553,963)
Internal service fund balance that is allocated to governmental activities in the statement of net position				(16,368)
Net position of governmental activities				<u>\$ 158,942,106</u>

## Illustration 6A: Statement of Short-Term Financial Resource Flows—Existing Format

**ABC Government**  
**Statement of Short-Term Financial Resource Flows**  
**Governmental Funds**  
**Year Ended June 30, 20XX**

This financial statement presents a short-term view of the governmental fund activities and excludes items of a long-term nature.  
 For a complete portrayal of the governmental activities flows, see the government-wide statement of activities.

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>INFLOWS OF SHORT-TERM FINANCIAL RESOURCES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,159,156	\$ 2,015,047	\$ 27,496,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,292,493	20,887,512
Investment earnings	5,829	163,384	19,043	188,256
Special assessments and other inflows related to long-term receivables	-	450,000	150,000	600,000
Miscellaneous	4,216,940	154,482	626,287	4,997,709
Total inflows of short-term financial resources	<u>106,260,279</u>	<u>5,927,022</u>	<u>19,324,473</u>	<u>131,511,774</u>
<b>OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES</b>				
Current:				
General government	14,104,050	6,961,201	1,984,319	23,049,570
Public health and safety	71,125,997	-	590,383	71,716,380
Highway and streets	12,179,683	-	4,715,808	16,895,491
Culture and recreation	3,593,966	335,659	1,808,065	5,737,690
Economic development	496,141	-	3,374,045	3,870,186
Interest	195,920	84,224	2,114,391	2,394,535
Capital outlay	345,187	1,515	1,346,497	1,693,199
Total outflows of short-term financial resources	<u>102,040,944</u>	<u>7,382,599</u>	<u>15,933,508</u>	<u>125,357,051</u>
Excess (deficiency) of inflows over outflows	<u>4,219,335</u>	<u>(1,455,577)</u>	<u>3,390,965</u>	<u>6,154,723</u>
<b>OTHER FLOWS OF SHORT-TERM FINANCIAL RESOURCES</b>				
Leases—lessee	233,200	-	-	233,200
Transfers in	500,000	-	10,806,809	11,306,809
Outflows related to current portion of long-term debt	(456,296)	(196,158)	(4,924,408)	(5,576,862)
Transfers out	(7,836,079)	(6,445)	(2,920,900)	(10,763,424)
Total other noncurrent inflows (and outflows)	<u>(7,559,175)</u>	<u>(202,603)</u>	<u>2,961,501</u>	<u>(4,800,277)</u>
Net change in short-term financial resources fund balances	(3,339,840)	(1,658,180)	6,352,466	1,354,446
Short-term financial resources fund balances at beginning of year	3,293,868	9,994,286	20,765,606	34,053,760
Short-term financial resources fund balances at end of year	<u>\$ (45,972)</u>	<u>\$ 8,336,106</u>	<u>\$ 27,118,072</u>	<u>\$ 35,408,206</u>
<b>RECONCILIATION OF NET CHANGE IN SHORT-TERM FINANCIAL RESOURCES FUND BALANCE OF GOVERNMENTAL FUNDS TO NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (see Note X)</b>				
Net change in short-term financial resources fund balance of governmental funds				\$ 1,354,446
Amounts reported for governmental activities in the statement of activities are different due to:				
Revenues that do not provide short-term financial resources				(600,000)
Expenses that do not require the use of short-term financial resources				(3,401,362)
Difference between depreciation in the statement of activities and capital outlay outflows above				(3,026,375)
Recognition of the current portion of long-term debt				5,576,862
Internal service fund activities that are allocated to governmental activities in the statement of activities				18,875
Change in net position of governmental activities				<u>\$ (77,554)</u>

## Illustration 6B: Statement of Short-Term Financial Resource Flows—Current and Long-Term Activity Format

**ABC Government**  
**Statement of Short-Term Financial Resource Flows**  
**Governmental Funds**  
**Year Ended June 30, 20XX**

This financial statement presents a short-term view of the governmental fund activities and excludes items of a long-term nature.  
 For a complete portrayal of the governmental activities flows, see the government-wide statement of activities.

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>INFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,159,156	\$ 2,015,047	\$ 27,496,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,292,493	20,887,512
Investment earnings	5,829	163,384	19,043	188,256
Special assessments and other inflows related to long-term receivables	-	450,000	150,000	600,000
Transfers in	500,000	-	155,204	655,204
Miscellaneous	4,216,940	154,482	626,287	4,997,709
Total inflows of short-term financial resources for current activities	106,760,279	5,927,022	19,479,677	132,166,978
<b>OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
General government	14,104,050	6,961,201	1,984,319	23,049,570
Public health and safety	71,125,997	-	390,383	71,716,380
Highway and streets	12,179,683	-	4,715,808	16,895,491
Culture and recreation	3,593,966	335,659	1,808,065	5,737,690
Economic development	496,141	-	3,374,045	3,870,186
Transfers out	155,204	-	500,000	655,204
Total outflows of short-term financial resources for current activities	101,655,041	7,296,860	12,972,620	121,924,521
Net flows of short-term financial resources for current activities	5,105,238	(1,369,838)	6,507,057	10,242,457
<b>NET FLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR LONG-TERM ACTIVITIES</b>				
Leases—lessee	233,200	-	-	233,200
Transfers in	-	-	10,651,605	10,651,605
Outflows related to current portion of long-term debt	(456,296)	(196,158)	(4,924,408)	(5,576,862)
Interest	(195,920)	(84,224)	(2,114,391)	(2,394,535)
Capital outlay	(345,187)	(1,515)	(1,346,497)	(1,693,199)
Transfers out	(7,680,875)	(6,445)	(2,420,900)	(10,108,220)
Net flows of short term financial resources for long term activities	(8,445,078)	(288,342)	(154,591)	(8,888,011)
Net change in short-term financial resources fund balances	(3,339,840)	(1,658,180)	6,352,466	1,354,446
Short-term financial resources fund balances at beginning of year	3,293,868	9,994,286	20,765,606	34,053,760
Short-term financial resources fund balances at end of year	<u>\$ (45,972)</u>	<u>\$ 8,336,106</u>	<u>\$ 27,118,072</u>	<u>\$ 35,408,206</u>
<b>RECONCILIATION OF NET CHANGE IN SHORT-TERM FINANCIAL RESOURCES FUND BALANCE OF GOVERNMENTAL FUNDS TO NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (see Note X)</b>				
Net change in short-term financial resources fund balance of governmental funds			\$ 1,354,446	
Amounts reported for governmental activities in the statement of activities are different due to:				
Revenues that do not provide short-term financial resources			(600,000)	
Expenses that do not require the use of short-term financial resources			(3,401,362)	
Difference between depreciation in the statement of activities and capital outlay outflows above			(3,026,375)	
Recognition of the current portion of long-term debt			5,576,862	
Internal service fund activities that are allocated to governmental activities in the statement of activities			18,875	
Change in net position of governmental activities			<u>\$ (77,554)</u>	

## Illustration 7: Long-Term Financial Resources Balance Sheet

**ABC Government**  
**Long-Term Financial Resources Balance Sheet**  
**Governmental Funds**  
**June 30, 20XX**

This financial statement presents governmental fund activities resulting from financial resources  
and excludes nonfinancial resources such as capital assets and long-term debt related to capital assets.

For a complete portrayal of the financial position of the governmental activities, see the government-wide statement of net position.

	<b>General Fund</b>	<b>Special Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 861,272	\$ 8,846,434	\$ 30,571,406	\$ 40,279,112
Taxes receivable	33,339,603	5,176,000	3,781,774	42,297,377
Intergovernmental receivables	662	607	83,736	85,005
Grant receivable	250,992	-	-	250,992
Other receivables	2,056,859	-	1,457,817	3,514,676
Interfund receivables	610,066	-	607,909	1,217,975
Prepaid item	-	-	13,800	13,800
Inventory	23,500	-	-	23,500
Special assessments receivable	-	-	25,000	25,000
Notes receivable	-	450,000	125,000	575,000
Total current assets	<u>37,142,954</u>	<u>14,473,041</u>	<u>36,666,442</u>	<u>88,282,437</u>
Noncurrent assets:				
Special assessments receivable	-	-	57,351	57,351
Notes receivable	-	2,974,420	193,356	3,167,776
Total noncurrent assets	<u>37,142,954</u>	<u>2,974,420</u>	<u>250,707</u>	<u>3,225,127</u>
Total long-term assets	<u>37,142,954</u>	<u>17,447,461</u>	<u>36,917,149</u>	<u>91,507,564</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	41,317	-	-	41,317
Other postemployment benefits	2,129,536	-	-	2,129,536
Total deferred outflows of resources	<u>2,170,853</u>	<u>-</u>	<u>-</u>	<u>2,170,853</u>
Total long-term assets and deferred outflows of resources	<u>\$ 39,313,807</u>	<u>\$ 17,447,461</u>	<u>\$ 36,917,149</u>	<u>\$ 93,678,417</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 929,666	\$ 493,212	\$ 1,642,560	\$ 3,065,438
Other payables	2,444	-	926	3,370
Accrued payroll	2,966,848	14,733	65,821	3,047,402
Compensated absences payable	204,566	-	-	204,566
Accrued interest payable	69,165	29,733	746,436	845,334
Interfund payable	51,606	227,099	15,195	293,900
Claims payable	1,950,000	-	-	1,950,000
Tax anticipation note payable	4,400,000	-	-	4,400,000
Other postemployment benefits	3,416,452	-	-	3,416,452
Total current liabilities	<u>13,990,747</u>	<u>764,777</u>	<u>2,470,938</u>	<u>17,226,462</u>
Noncurrent liabilities:				
Compensated absences payable	4,765,505	-	-	4,765,505
Claims payable	600,000	-	-	600,000
Pension benefits	826,333	-	-	826,333
Other postemployment benefits	<u>39,368,585</u>	<u>-</u>	<u>-</u>	<u>39,368,585</u>
Total noncurrent liabilities	<u>45,560,423</u>	<u>-</u>	<u>-</u>	<u>45,560,423</u>
Total long-term liabilities	<u>59,551,170</u>	<u>764,777</u>	<u>2,470,938</u>	<u>62,786,885</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes receivable levied for the next year	21,625,730	5,176,000	2,153,024	28,954,754
Pensions	24,790	-	-	24,790
Other postemployment benefits	1,277,721	-	-	1,277,721
Total deferred inflows of resources	<u>22,928,241</u>	<u>5,176,000</u>	<u>2,153,024</u>	<u>30,257,265</u>
<b>LONG-TERM FINANCIAL RESOURCES FUND BALANCES</b>				
Nonspendable	-	-	13,800	13,800
Restricted	-	8,111,997	32,770,989	40,882,986
Assigned	685,630	-	-	685,630
Unassigned	(43,851,234)	3,394,687	(491,602)	(40,948,149)
Long-term financial resources fund balances	<u>(43,165,604)</u>	<u>11,506,684</u>	<u>32,293,187</u>	<u>634,267</u>
Long-term financial resources liabilities, deferred inflows of resources, and long-term financial resources fund balances	<u>\$ 39,313,807</u>	<u>\$ 17,447,461</u>	<u>\$ 36,917,149</u>	<u>\$ 93,678,417</u>
<b>RECONCILIATION OF LONG-TERM FINANCIAL RESOURCES FUND BALANCE OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (see Note X)</b>				
Long-term financial resources fund balance of governmental funds			\$ 634,267	
Amounts reported for governmental activities in the statement of net position are different due to:				
Capital assets used in governmental activities that are not long-term financial resources			187,089,527	
Other long-term liabilities, including bonds payable, that are capital-related			(28,765,320)	
Internal service fund balance that are allocated to governmental activities in the statement of net position			(16,368)	
Net position of governmental activities			<u>\$ 158,942,106</u>	

## Illustration 8A: Statement of Long-Term Financial Resource Flows—Existing Format

**ABC Government**  
**Statement of Long-Term Financial Resource Flows**  
**Governmental Funds**  
**Year Ended June 30, 20XX**

This financial statement presents financial resource flows of governmental funds.

For a complete portrayal of the governmental activities flows, see the government-wide statement of activities.

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>INFLOWS OF LONG-TERM FINANCIAL RESOURCES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,159,156	\$ 2,015,047	\$ 27,496,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,963
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,292,493	20,887,512
Investment earnings	5,829	163,384	19,043	188,256
Miscellaneous	4,216,940	154,482	626,287	4,997,709
Total inflows of long-term financial resources	<u>106,260,279</u>	<u>5,477,022</u>	<u>19,174,473</u>	<u>130,911,774</u>
<b>OUTFLOWS OF LONG-TERM FINANCIAL RESOURCES</b>				
Current:				
General government	14,562,624	6,961,201	2,213,691	23,737,516
Public health and safety	73,346,886	-	590,383	73,937,269
Highway and streets	12,156,673	-	4,715,808	16,872,481
Culture and recreation	4,109,503	335,659	1,808,065	6,253,227
Economic development	496,141	-	3,374,045	3,870,186
Debt service-principal on capital-related debt	2,238,624	282,188	7,084,114	9,604,926
Interest	195,920	84,224	2,114,391	2,394,535
Capital outlay	345,187	1,515	1,346,497	1,693,199
Total outflows of long-term financial resources	<u>107,451,558</u>	<u>7,664,787</u>	<u>23,246,994</u>	<u>138,363,339</u>
Excess (deficiency) of inflows over outflows	<u>(1,191,279)</u>	<u>(2,187,765)</u>	<u>(4,072,521)</u>	<u>(7,451,565)</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Leases—lessee	233,200	-	-	233,200
Transfers in	500,000	-	10,806,809	11,306,809
Transfers out	(7,836,079)	(6,445)	(2,920,900)	(10,763,424)
Total other financing sources and uses	<u>(7,102,879)</u>	<u>(6,445)</u>	<u>7,885,909</u>	<u>776,585</u>
Net change in long-term financial resources fund balances	(8,294,158)	(2,194,210)	3,813,388	(6,674,980)
Long-term financial resources fund balances at beginning of year	(34,871,446)	13,700,894	28,479,799	7,309,247
Long-term financial resources fund balances at end of year	<u>\$ (43,165,604)</u>	<u>\$ 11,506,684</u>	<u>\$ 32,293,187</u>	<u>\$ 634,267</u>
<b>RECONCILIATION OF NET CHANGE IN LONG-TERM FINANCIAL RESOURCES FUND BALANCE OF GOVERNMENTAL FUNDS TO NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (see Note X)</b>				
Net change in long-term financial resources fund balance of governmental funds				\$ (6,674,980)
Amounts reported for governmental activities in the statement of activities are different due to:				
Difference between depreciation in the statement of activities and capital outlay outflows above				(3,026,375)
Payments on capital debt above are not expenses in the statement of activities				9,604,926
Internal service fund activities that are allocated to governmental activities in the statement of activities				18,875
Change in net position of governmental activities				<u><u>\$ (77,554)</u></u>

## Illustration 8B: Statement of Long-Term Financial Resource Flows—Current and Long-Term Activity Format

**ABC Government**  
**Statement of Long-Term Financial Resource Flows**  
**Governmental Funds**  
**Year Ended June 30, 20XX**

This financial statement presents financial resource flows of governmental funds.  
 For a complete portrayal of the governmental activities flows, see the government-wide statement of activities.

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>INFLOWS OF LONG-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,159,156	\$ 2,015,047	\$ 27,496,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,292,493	20,887,512
Investment earnings	5,829	163,384	19,043	188,256
Miscellaneous	4,216,940	154,482	626,287	4,997,709
Transfers in	500,000	-	155,204	655,204
Total inflows of long-term financial resources for current activities	<u>106,760,279</u>	<u>5,477,022</u>	<u>19,329,677</u>	<u>131,566,978</u>
<b>OUTFLOWS OF LONG-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
General government				
Public health and safety	14,562,624	6,961,201	2,213,691	23,737,516
Highway and streets	73,346,886	-	590,383	73,937,269
Culture and recreation	12,156,673	-	4,715,808	16,872,481
Economic development	4,109,503	335,659	1,808,065	6,253,227
Transfers out	496,141	-	3,374,045	3,870,186
Interest	155,204	-	500,000	655,204
Total outflows of long-term financial resources for current activities	<u>105,022,951</u>	<u>7,381,084</u>	<u>15,316,383</u>	<u>127,720,418</u>
Net flows of long-term financial resources for current activities	<u>1,737,328</u>	<u>(1,904,062)</u>	<u>4,013,294</u>	<u>3,846,560</u>
<b>NET FLOWS OF LONG-TERM FINANCIAL RESOURCES FOR LONG-TERM ACTIVITIES</b>				
Transfers in				
Leases—lessee	-	-	10,651,605	10,651,605
Capital outlay	233,200	-	-	233,200
Debt service	(345,187)	(1,515)	(1,346,497)	(1,693,199)
Transfers out	(2,238,624)	(282,188)	(7,084,114)	(9,604,926)
Total net flows of long-term financial resources for long-term activities	<u>(7,680,875)</u>	<u>(6,445)</u>	<u>(2,420,900)</u>	<u>(10,108,220)</u>
Net change in long-term financial resources fund balances	<u>(8,294,158)</u>	<u>(2,194,210)</u>	<u>3,813,388</u>	<u>(6,674,980)</u>
Long-term financial resources fund balances at beginning of year	<u>(34,871,446)</u>	<u>13,700,894</u>	<u>28,479,799</u>	<u>7,309,247</u>
Long-term financial resources fund balances at end of year	<u>\$ (43,165,604)</u>	<u>\$ 11,506,684</u>	<u>\$ 32,293,187</u>	<u>\$ 634,267</u>
<b>RECONCILIATION OF NET CHANGE IN LONG-TERM FINANCIAL RESOURCES FUND BALANCE OF GOVERNMENTAL FUNDS TO NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (see Note X)</b>				
Net change in long-term financial resources fund balances of governmental funds				\$ (6,674,980)
Amounts reported for governmental activities in the statement of activities are different due to:				
Difference between depreciation in the statement of activities and capital outlay outflows above				(3,026,375)
Payments on capital debt above are not expenses in the statement of activities				9,604,926
Internal service fund activities that are allocated to governmental activities in the statement of activities				18,875
Change in net position of governmental activities				<u>\$ (77,554)</u>

## Illustration 9: Governmental Funds Statement of Cash Flows

<b>ABC Government</b> <b>Statement of Cash Flows</b> <b>Governmental Funds</b> <b>June 30, 20XX</b>				
	<b>General Fund</b>	<b>Special Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and others	\$ 13,338,224	\$ 154,482	\$ 615,251	\$ 14,107,957
Payments to employees	(73,056,349)	(5,469,288)	(9,307,193)	(87,832,830)
Payments to suppliers	(23,083,117)	(2,071,850)	(3,966,033)	(29,121,000)
Payments to claimants	(600,000)	-	-	(600,000)
Payments to other funds	(2,564,791)	-	(974,326)	(3,539,117)
Net cash provided (used) by operating activities	<u>(85,966,033)</u>	<u>(7,386,656)</u>	<u>(13,632,301)</u>	<u>(106,984,990)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Taxes and payments in lieu of taxes received	81,418,903	5,409,226	11,892,516	98,720,645
Intergovernmental taxes received	9,996,146	-	-	9,996,146
Operating grants received	4,469,756	-	5,667,381	10,137,137
Proceeds from tax anticipation note	4,400,000	-	-	4,400,000
Principal paid on tax anticipation note	(4,000,000)	-	-	(4,000,000)
Interest paid on tax anticipation note	(43,577)	-	-	(43,577)
Transfers in	666,486	-	4,078,762	4,745,248
Net cash provided (used) by noncapital financing activities	<u>96,907,714</u>	<u>5,409,226</u>	<u>21,638,659</u>	<u>123,955,599</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital-related notes receivable	-	500,000	145,000	645,000
Proceeds from capital-related special assessments receivable	-	-	41,500	41,500
Principal paid on capital debt	(2,238,624)	(282,188)	(7,084,114)	(9,604,926)
Interest paid on capital debt	(156,795)	(86,138)	(2,162,441)	(2,405,374)
Capital grants received	-	-	699,127	699,127
Purchases of capital assets	(11,987)	(1,515)	(1,346,497)	(1,359,999)
Transfers from other funds for capital debt payments	-	-	10,651,605	10,651,605
Transfers to other funds for capital debt payments	(7,680,875)	(6,445)	(2,420,900)	(10,108,220)
Net cash provided (used) by capital and related financing activities	<u>(10,088,281)</u>	<u>123,714</u>	<u>(1,476,720)</u>	<u>(11,441,287)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	-	475,000	-	475,000
Purchase of investments	-	(450,000)	-	(450,000)
Interest earnings received	5,829	138,384	19,043	163,256
Net cash provided (used) by investing activities	<u>5,829</u>	<u>163,384</u>	<u>19,043</u>	<u>188,256</u>
Net increase (decrease) in cash	859,229	(1,690,332)	6,548,681	5,717,578
Cash beginning of year	2,043	10,536,766	24,022,725	34,561,534
Cash end of year	<u>\$ 861,272</u>	<u>\$ 8,846,434</u>	<u>\$ 30,571,406</u>	<u>\$ 40,279,112</u>
<b>NONCASH CAPITAL AND NONCAPITAL FINANCING ACTIVITIES</b>				
Leases—lessee	\$ 233,200	\$ -	\$ -	\$ 233,200
Recognition of current portion of long-term capital debt*	(456,296)	(196,158)	(4,924,408)	(5,576,862)
Recognition of current portion of long-term receivables*	-	450,000	150,000	600,000
Recognition of change in fair value of effective hedging derivative instrument*	-	-	(155,631)	-

\*Applicable only to the short-term approach.

# CONTACT INFO.

**Beila Sherman, CPA**

[beila.sherman@marcumllp.com](mailto:beila.sherman@marcumllp.com)

**Moises D. Ariza, CPA, CGMA**

[moises.ariza@marcumllp.com](mailto:moises.ariza@marcumllp.com)

## Florida Offices

---

**Marcum LLP –**

**Miami**

One Southeast Third Ave.

Suite 1100

Miami, FL 33131

Phone 305.995.9600

**Marcum LLP –**

**Fort Lauderdale**

450 East Las Olas Blvd.

Ninth Floor

Fort Lauderdale, FL 33301

Phone 954.320.8200

**Marcum LLP –**

**West Palm Beach**

525 Okeechobee Blvd.

Suite 750

West Palm Beach, FL 33401

Phone 561.653.7300



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