Fund Accounting Class II
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Governmental Financial Reporting Model - Minimum GAAP Reporting Requirements

MD&A (Management’s Discussion and Analysis)
MD&A is the analysis of the financial condition and operating results of the unit written by its own financial managers.

Basic Financial Statements

- **Government-wide Financial Statements**
  
  The focus of government-wide reporting is not on compliance with the budgets or on the use of available (or current) spendable financial resources, but on operational accountability information.

  Generally, a government's operating objective is to provide services to its citizens, and therefore these reports. The government-wide financial statements report the extent to which the unit has met its operating objectives efficiently and effectively, using all resources available for that purpose.
  - Statement of Net Assets
  - Statement of Activities

- **Fund Financial Statements**

  The focus of fund financial statements is the Major Funds of the primary government in contrast to the activities in the government-wide statements. Fund financial statements are used to report additional and detailed information about the primary government.
  - Governmental fund financial statements
  - Proprietary fund financial statements
  - Fiduciary fund financial statements

- **Notes to the basic financial statements**

  Used to present essential information for fair presentation of the financial statements that is not displayed on the face of the financial statements. Examples include:
  - Current millage rates
  - Value of Cash and Cash Equivalents FDIC insured
  - Descriptions of Component Units

RSI (Required Supplemental Information)
RSI is defined as schedules, statistical data, and other information that the GASB has determined is essential for financial reporting.

An example of RSI is a budgetary comparison of the General Fund and each major Special Revenue fund that has a legally-adopted budget. The budgetary comparison must contain at least the following three columns:

- Original Budget
- Final Amended Budget
- Actual inflows and outflows

These comparisons may be presented as schedules in RSI or as statements with the fund financial statements.
Modified Accrual vs. Full Accrual Basis of Accounting

Modified Accrual Basis (Governmental Funds)

Revenues are recorded when both "measurable" and "available:

- Measurable means that the amount is known or can be reasonably estimated.
- Available means that the amount is collectable within the current period or soon thereafter (usually 60 days) to be used to pay current liabilities.

Generally, if measurable, expenditures should be recognized in the period in which a liability is incurred. However, under the modified accrual basis, liabilities and expenditures for debt service on general long-term debt should be recognized when due, not when incurred.

**Example:** Property Taxes may be billed July 1st and are not due until September 14th (more than 60 days). Therefore, revenue is not recorded until payment is received.

Accrual Basis (Proprietary and Fiduciary Funds)

Transactions are recorded when they occur, regardless of when the cash is received or paid.

Proprietary Funds recognize revenue in the period in which a service is provided, regardless of how long after the end of the period the revenue is expected to be collected.

**Example:** Water revenue is recorded as revenue at the time of billing, regardless of when payment is received.
Fund Financial Statements

Governmental Fund Statements

Should be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

- **Balance Sheet** - presents current assets, current liabilities, and fund balance
- **Statement of Revenues, Expenditures, and Changes in Fund Balances** - presents information about the inflows, outflows, and balances of current financial resources of each major Governmental Fund and for the non-major funds in the aggregate. Revenues are reported by type (i.e., Property Taxes, Charges for services, etc.), and expenditures as a minimum by function (i.e., General Government, Public Works, Public Safety, etc.).

Proprietary Fund Statements

Should be presented using the economic resources measurement focus and the accrual basis of accounting.

Proprietary Funds are reported in the same way that all activities are reported in government-wide financial statements.

- **Statement of Net Assets** - presents both current and noncurrent assets and liabilities.
- **Statement of Revenues, Expenses, and Changes in Net Assets** - presents all changes in fund net assets, including capital contributions. This report must differentiate between operating revenues/expenses, nonoperating revenues/expenses, and capital contributions and transfers in/out, with subtotals for operating revenues/expenses and income.
- **Statement of Cash Flow** - the primary purpose of this report is to provide relevant information about the cash receipts and cash payments of an entity during a period as is only required for Proprietary Funds at the fund financial statement level. Cash flows should be reported using the following four categories:
  - Operating
  - Noncapital financing
  - Investing
  - Capital financing

The “direct” method is now required by GASB 34. Prior to GASB 34, units had the option to use the direct method or the indirect method.

Fiduciary Fund Statements

Should be presented using the economic resources measurement focus and the accrual basis of accounting, except for certain liabilities related to defined benefit pension and other post-employment benefit plans.

- **Statement of Fiduciary Net Assets** - presents information about the assets, liabilities, and net assets for each Fiduciary Fund.
- **Statement of Changes in Fiduciary Net Assets** - presents information about the additions to, deductions from, and net increase (decrease) in net assets for the year.
Government-Wide Financial Statements (GASB 34)

GASB 34 statements are prepared using the economic resources management focus and the accrual basis of accounting. Therefore, the Governmental Fund financial statements must be adjusted from the modified accrual basis to the (full) accrual basis.

One of the objectives of these statements is to determine if the current year's inflows paid for the current year's outflows.

Key points...

- GASB 34 statements do not report information on a fund basis, but on the two different types of activities carried out by a government (Governmental Activities and Business-type Activities).
- Fiduciary activities are not reported in the government-wide financial statements, since these resources are not available to support the unit's own programs.
- Interfund activity within Governmental or Business-type Activities should be eliminated or reclassified in the government-wide financial statements to avoid "double counting" in the aggregate total amounts. Interfund activity between Governmental and Business-type Activities should not be eliminated.

Statement of Net Assets

- Separate columns for Governmental Activities, Business-type Activities, and discreetly-presented Component Units.
- Must have a total column for primary government (Governmental Activities + Business-type Activities), but is optional for the unit as a whole.
- Assets and liabilities should be reported in order of liquidity (how quickly/easily can it be converted to cash).
- Long-term liabilities must be reported as two separate types: 1) Due within one year; 2) Due in more than one year.
- The difference between the assets and liabilities must be reported as net assets, not as fund balance. Furthermore, net assets must be broken down into these classifications: 1) invested in capital assets; 2) net of related debt; 3) restricted; 4) unrestricted.
Statement of Activities

- Separate columns for Governmental Activities, Business-type Activities, and discreetly-presented Component Units.
- Minimum level of detail for Governmental Activities is at the function level (i.e., General Government, Public Safety, Public Works).
- Minimum level of detail for Business-type Activities is at the different identifiable activity levels (water, sewer, parking facilities).
- Expenses are reported in total at the function level.
- Revenues are reported as either Program or General:
  - **Program Revenues** are reported by function/identifiable activities in the net revenue expense portion of the statement and include exchange revenues (fees and charges) and restricted non-exchange revenues (grants and contributions)
    - a. **Charges for services** are charges to customers or applicants who purchase, use, or directly benefit from the service they are paying for (Water and Sewer Usage, Permit Fees, Fines, Forfeitures, Operating Special Assessments [Street Lighting])
    - b. **Operating Grants and Contributions** are program-specific grants or contributions that are restricted to a particular operating purpose (DARE Grant)
    - c. **Capital Grants and Contributions** are program-specific grants or contributions that are restricted to a capital purpose (Capital grant to finance a new jail)
  - **General Revenues** are reported at the bottom of the statement and include all taxes (even if restricted to a specific program) and unrestricted non-exchange revenues (interest)
Useful Websites

Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan:

Instructions for Michigan Form F-65 (3965) Annual Local Unit Fiscal Report

Annual Local Unit Fiscal Report:
http://www.michigan.gov/treasury/0,1607,7-121-1751_2194-171577--,00.html
BS&A GASB 34 Reporting Function

This section provides you with a basic overview of how the GL/Budgeting application generates the reports required by GASB 34.

Key points...

- You must have a uniform Chart of Accounts in order for accurate government-wide reports to be generated.
- Account Type options have changed (i.e., Long Term Liability due within 1 year or due after 1 year) to agree with those set forth in GASB 34. You will need to review the current Account Type setup and make any necessary changes.
- Account Classifications will need to be set up and attached to the Accounts. These are used to derive the amounts reported on the Statement of Net Assets.
- Function/Programs will need to be set up and attached to the Departments/Activities. These are used to derive the amounts reported on the Statement of Activities. Of note:
  - For expenditure/expense accounts, the Function/Program is based on the Department/Activity portion of the GL number.
  - For revenue accounts, it depends on whether your Program Revenues are departmentalized:
    a. If departmentalized, the Function/Program grouping will work the same way as it does for expenditure/expense accounts.
    b. If not departmentalized, the Functions/Programs will need to be attached to the account.
- Revenue accounts need to be classified as the revenue type (i.e., General or Program revenue) set forth in GASB 34.
- Each fund must have the Fund Type setup reviewed to ensure it will be reported correctly. Each fund must have the GASB 34 section completed (i.e., Major Fund, Component Unit, and Report as Governmental Activity if the Fund Type is Proprietary/Business Activity).
- Different adjustment methods are available in generating the GASB 34 reports:
  - Establish the necessary Account Groups (General Capital Assets, General Long Term Debt, Governmental Full Accrual, and General Infrastructure Assets)
  - Use our GASB 34 Adjustments File
  - Use other means ("Do Not Adjust" method) to accumulate the necessary data to convert the fund-based financial statements to the government-wide financial statements as required by GASB 34.
Account Classification Setup and Selection on Accounts

Account Classifications are used to group accounts for reporting on the Statement of Net Assets and are added in Program Setup > Database Setup > Account Classifications.

In this example, Cash and Cash Equivalents is an Account Classification that has been set up and attached to Accounts 001.000 and 004.000 (Accounts are set up in Program Setup > Database Setup > Accounts).
Thus, these two accounts - 001.000 and 004.000 - are reported in total as "Cash and Cash Equivalents" (for Governmental Activity and Business Type Activity) on the Statement of Net Assets.

```
01/22/2004

EXAMPLES TOWNSHIP
STATEMENT OF NET ASSETS
YEAR ENDED 12/31/2002

----------------------------------------------
<table>
<thead>
<tr>
<th></th>
<th>PRIMARY</th>
<th>GOVT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GOVERNMENTAL ACTIVITIES</td>
<td>BUSINESS-TYPE ACTIVITIES</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS</td>
<td>13,597,899.00</td>
<td>10,279,143.00</td>
</tr>
<tr>
<td>INVESTMENTS</td>
<td>27,368,221.00</td>
<td>0.00</td>
</tr>
<tr>
<td>RECEIVABLES</td>
<td>12,833,132.00</td>
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<tr>
<td>DUE FROM OTHER FUNDS</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>INTERNAL BALANCES</td>
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</tr>
<tr>
<td>RECEIVABLES FROM OTHER GOV'TS</td>
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<td>41,494.00</td>
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<tr>
<td>LIENS RECEIVABLE</td>
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<td>0.00</td>
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<tr>
<td>INVENTORY</td>
<td>322,149.00</td>
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<tr>
<td>LAND &amp; IMPROVEMENTS</td>
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<td>OTHER CAPITAL ASSETS</td>
<td>141,587,735.00</td>
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<td>CAPITAL ASSETS</td>
<td>0.00</td>
<td>151,388,751.00</td>
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<tr>
<td>TOTAL ASSETS</td>
<td>224,454,929.00</td>
<td>165,404,183.00</td>
</tr>
</tbody>
</table>
```
Function/Program Setup and Selection on Departments (or Revenue Accounts)

Functions/Programs are used to combine Departments/Activities as well as Program Revenue Accounts (if your revenue accounts are not departmentalized) for reporting on the Statement of Activities and are added in Program Setup>Database Setup>Functions/Programs.

If you departmentalize your revenue accounts, the Functions/Programs used for reporting are derived from the Function/Program selected on the departments, based on each general ledger number.

In this example, Departments 441 and 446 are classified as "Public Works" and their expenses are combined and reported in total on the Statement of Activities (Departments are set up in Program Setup>Database Setup>Departments):

<table>
<thead>
<tr>
<th>Function/Program Code</th>
<th>Description</th>
<th>Index for Statement ofActivities</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEN</td>
<td>GENERAL GOVERNMENT</td>
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<tr>
<td>PS</td>
<td>PUBLIC SAFETY</td>
<td>0</td>
</tr>
<tr>
<td>PW</td>
<td>PUBLIC WORKS</td>
<td>0</td>
</tr>
<tr>
<td>WATER</td>
<td>WATER AND SEWER SYSTEM</td>
<td>0</td>
</tr>
</tbody>
</table>

In this example:
- Departments 441 and 446 are classified as "Public Works".
- Their expenses are combined and reported in total on the Statement of Activities.
- Departments are set up in Program Setup>Database Setup>Departments.
02/04/2004

EXAMPLES TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED 12/31/2002

--------------Program Revenues--------------

ADJUSTMENTS COMPILED BY: GASB34 ADJUSTMENTS

<table>
<thead>
<tr>
<th>Function/Program</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants</th>
<th>Capital Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>9,709,509.00</td>
<td>4,501,707.00</td>
<td>5,248,999.00</td>
<td>4,894,915.00</td>
</tr>
<tr>
<td>Public Safety</td>
<td>24,782,144.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works</td>
<td>10,131,218.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Services</td>
<td>1,299,645.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and Welfare</td>
<td>6,705,675.00</td>
<td></td>
<td>11,405,168.00</td>
<td></td>
</tr>
<tr>
<td>Cemetry</td>
<td>735,866.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation and Culture</td>
<td>1,538,404.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community and Economic Development</td>
<td>2,994,389.00</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Education</td>
<td>21,893,273.00</td>
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<tr>
<td>Debt Service</td>
<td>6,242,893.00</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total Governmental Activities</td>
<td>106,029,567.00</td>
<td>15,906,875.00</td>
<td>5,248,999.00</td>
<td>4,894,915.00</td>
</tr>
</tbody>
</table>
Functions/Programs are also attached to Program Revenue Accounts, if those revenue accounts are not departmentalized.

In this example, Accounts 451.000 and 626.000 are classified as "Charges for Services" with a Function/Program grouping of "Health and Welfare", and their expenses are combined and reported in total on the Statement of Activities (Accounts are set up in Program Setup>Database Setup>Accounts):
**Account Number Setup**

**Current Account**
- **Account:** 626.000
- **Inactive:**
- **Description:** PLAN REVIEW FEES
- **Category:** Revenues
- **Account Type:** Revenue

**Classification**
- **Code:** CHARGE
- **Budget Classification:** OTHER
- **Description:** CHARGES FOR SERVICES
- **Description:** OTHER

**Account Type Related Fields**
- **Type (when used in proprietary funds):** Operating
- **Revenue Type:** Program: Charges For Services
- **Function/Program:** HEALTH
- **Function/Program Description:** HEALTH AND WELFARE

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**EXAMPLES TOWNSHIP**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED 12/31/2002**

---

**ADJUSTMENTS COMPILED BY: GASB34 ADJUSTMENTS**

<table>
<thead>
<tr>
<th>Function/Program</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
<td></td>
<td></td>
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<tr>
<td>Public Works</td>
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<td></td>
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</tr>
<tr>
<td>Engineering Services</td>
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<tr>
<td>Health and Welfare</td>
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<tr>
<td>Recreation and Culture</td>
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<tr>
<td>Community and Economic Development</td>
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<tr>
<td>Education</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Governmental Activities</td>
<td>106,029,367.00</td>
<td>15,906,875.00</td>
<td>5,248,999.00</td>
<td>4,894,915.00</td>
</tr>
</tbody>
</table>
Revenue Types

Revenue Types are used to group accounts for reporting on the Statement of Activities and are selected on Revenue and Transfers-In accounts in Program Setup>Database Setup>Accounts.

Please refer to the section on Functions/Programs for an example of the Statement of Activities report that illustrates reporting by revenue type.
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Major Fund Setup

A fund can be determined to be "Major" based on the Major Fund Calculation Analysis report, or considered to be so by management of the governmental unit. Funds determined to be "Major" must have the "Major Fund" flag checked on in Program Setup > Database Setup > Funds:

**GASB 34 Reporting**

- **Major Fund**: [ ]
- **Exclude From GASB34 Reports**: [ ]
- **Report as Governmental Activity**: [ ]
- **Report as Business-Type Activity**: [ ]

Function Override: [ ]

Fund Group: [ ]

The Major Fund Calculation Analysis report is located under Reports > GASB 34 Reports > GASB 34 - Statistical. This analysis calculates the Major Funds according to the guidelines set forth in GASB 34. It displays whether a Fund calculates as Major and shows whether or not the flag has been checked in Program Setup. This report can be run at any time (i.e., preliminary audit process and after audit adjustments).

The Major Fund flag determines how the fund will be reported on the fund-based reports, which are the Balance Sheet for Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds.

**Fund 230, HUD Programs**, is considered a Major Fund and has the Major Fund flag checked (non-Major funds are reported in total).
### EXAMPLES TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**GOVERNMENTAL FUNDS**

Year Ended 12/31/2000

<table>
<thead>
<tr>
<th></th>
<th>FUND 101</th>
<th>FUND 230</th>
<th>FUND 235</th>
<th>FUND 236</th>
<th>OTHER GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GENERAL FUND</td>
<td>HUD PROGRAM FUND</td>
<td>COMMUNITY REDEVELOPMENT FUND</td>
<td>ROUTE 7 CONSTRUCTION FUND</td>
<td>GOVERNMENTAL FUNDS</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-------------</td>
<td>----------------</td>
<td>-----------------------------</td>
<td>-------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>51,173,436.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>4,680,192.00</td>
</tr>
<tr>
<td>Franchise Taxes</td>
<td>4,053,105.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Public Service Taxes</td>
<td>8,999,007.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>2,267,794.00</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Fines &amp; Fines</td>
<td>606,946.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>6,119,938.00</td>
<td>2,578,181.00</td>
<td>0.00</td>
<td>0.00</td>
<td>2,810,916.00</td>
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<tr>
<td>Charges for Services</td>
<td>11,374,460.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>30,705.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>881,074.00</td>
<td>66,176.00</td>
<td>0.00</td>
<td>2,999.00</td>
<td>94.00</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>552,325.00</td>
<td>87,106.00</td>
<td>549,489.00</td>
<td>270,161.00</td>
<td>364,330.00</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>86,022,165.00</td>
<td>2,731,473.00</td>
<td>549,489.00</td>
<td>273,100.00</td>
<td>7,906,240.00</td>
</tr>
</tbody>
</table>
GASB 34 Adjustment Process

You have the option to use

- Our GASB 34 Adjustments File
- Account Groups (General Capital Assets; General Long Term Debt; General Infrastructure Assets; Governmental Full Accrual)
- Microsoft Excel to modify/record the necessary adjustments to convert the governmental funds from the modified accrual method to the full accrual method as required by GASB 34 for government-wide reporting.

GL/Budgeting will generate the government-wide reports based on the method you select. You may change the method when you run the report; however, be sure that all the data is entered for that method.

If you choose the GASB 34 Adjustments File method, adjustments are entered in Tasks>GASB 34 Adjustments. Adjustments are entered at the Account Type, Classification, and Function level instead of at the general ledger account number level. This allows you to make less detailed transactions and still adjust the amounts reported without having to adjust each GL account number combination used to compile the statements. Be sure to select whether the adjustment is an Adjustment or Reclassification, since the Conversion Worksheet reports these types in separate columns.

If you choose the Account Groups method, be sure you have the necessary Funds set up, that they are of the correct Account Group Type, and that the balances in each of these Funds are correct.

If you choose the Do Not Adjust method, the fund financial statements are converted to the government-wide financial statements without taking into consideration any of the necessary adjustments.

Following is an example of using the GASB 34 Adjustments File. Specifically, note how the amount on Line 3 flows through to the Statement of Activities.
Based on the Fund Financial Statements (pre-GASB)

GASB 34 Adjustment #9

Adjusted amount to be reported on the Statement of Activities

02/04/2004
EXAMPLES TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED 12/31/2002

Program Revenues

ADJUSTMENTS COMPILLED BY: GASB34 ADJUSTMENTS

Function/Program
Expenses
Charges for Services
Operating Contributions
Capital Grants and Contributions

Primary Government:
Governmental Activities:

GENERAL GOVERNMENT
9,709,509.00
4,501,707.00
5,248,999.00
4,894,915.00

PUBLIC SAFETY
34,702,144.00

PUBLIC WORKS
10,131,928.00

ENGINEERING SERVICES
1,199,648.00

HEALTH AND WELFARE
6,705,675.00
11,405,166.00

CEMETERY
735,866.00

RECREATION AND CULTURE
11,534,045.00

COMMUNITY AND ECONOMIC DEVELOPMENT
2,994,389.00

EDUCATION
21,893,273.00

DEBT SERVICE
6,242,891.00

Total Governmental Activities
106,029,367.00
15,906,875.00
5,248,999.00
4,894,915.00
Following is an example of using the Account Groups method. We are using Fund 900 as the General Capital Assets Fund, and using Account Groups as the source of data.

The balance in Fund 900 for the Equipment account, as of 12/31/02, is $2,000:

```
02/03/2004

BALANCE SHEET FOR EXAMPLES TOWNSHIP
PERIOD ENDED 12/31/2002
FUND 900 - GENERAL CAPITAL ASSETS

*** ASSETS ***

CAPITAL ASSETS
900-000-138.000 EQUIPMENT 2,000.00

CAPITAL ASSETS 2,000.00

TOTAL ASSETS 2,000.00
```

This Fund is not reported on the Governmental Funds Balance Sheet since it is set up as an Account Group. However, the balances in this Fund will be reported on the Statement of Net Assets.
### CBASS Model Fund Balance Sheet

**Note:** No Capital Asset amounts

#### Total Assets (pre-GASB 34 reporting)

<table>
<thead>
<tr>
<th>Description</th>
<th>Governmental Funds</th>
<th>Adjustment CR</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>51,705,690.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>10,261,800.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>7,335,307.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due From Other Funds</td>
<td>1,370,757.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables from Other Gov’ts</td>
<td>2,344,276.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liens Receivable</td>
<td>3,195,746.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>182,921.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>51,705,690.00</td>
<td>2,000.00</td>
<td>51,707,690.00</td>
</tr>
</tbody>
</table>

#### Capital Asset amounts from Fund 900 Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>Governmental Activities</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>10,261,800.00</td>
<td>19,228,627.00</td>
</tr>
<tr>
<td>Investments</td>
<td>27,214,984.00</td>
<td>27,214,984.00</td>
</tr>
<tr>
<td>Receivables</td>
<td>7,335,307.00</td>
<td>7,335,307.00</td>
</tr>
<tr>
<td>Due From Other Funds</td>
<td>1,370,757.00</td>
<td>1,370,757.00</td>
</tr>
<tr>
<td>Receivables from Other Gov’ts</td>
<td>2,344,276.00</td>
<td>2,344,276.00</td>
</tr>
<tr>
<td>Liens Receivable</td>
<td>3,195,746.00</td>
<td>3,195,746.00</td>
</tr>
<tr>
<td>Inventory</td>
<td>182,921.00</td>
<td>182,921.00</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>51,705,690.00</td>
<td>19,228,617.00</td>
</tr>
</tbody>
</table>
The Statement of Net Assets and Statement of Activities can be printed in three different subtotal formats (Detail by GL#; Detail by Account; Summarize by Classification).

Following is an example of the Statement of Net Assets subtotaled by Detail by GL#. Each GL number that has the account number portion (the last 6 digits) of the Cash and Cash Equivalents classification is shown.

02/04/2004
EXAMPLES TOWNSHIP
STATEMENT OF NET ASSETS
YEAR ENDED 12/31/2002
ADJUSTMENTS COMPILED BY: GASB34 ADJUSTMENTS FILE

<table>
<thead>
<tr>
<th>GL ACCOUNT</th>
<th>DESCRIPTION</th>
<th>PRIMARY GOVT</th>
<th>GOVERNMENTAL</th>
<th>BUSINESS-TYPE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Activities</td>
<td>Activities</td>
<td>TOTAL</td>
</tr>
<tr>
<td>101-000-001.000</td>
<td>CASH - CHECKING</td>
<td>3,336,099.00</td>
<td>1,336,099.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>230-000-001.000</td>
<td>CASH - CHECKING</td>
<td>1,236,523.00</td>
<td>1,236,523.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>237-000-001.000</td>
<td>CASH - CHECKING</td>
<td>2,395,328.00</td>
<td>2,395,328.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>239-000-001.000</td>
<td>CASH - CHECKING</td>
<td>774,730.00</td>
<td>774,730.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>248-000-001.000</td>
<td>CASH - CHECKING</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>249-000-001.000</td>
<td>CASH - CHECKING</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>591-000-001.000</td>
<td>CASH - CHECKING</td>
<td>8,416,653.00</td>
<td>8,416,653.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>593-000-001.000</td>
<td>CASH - CHECKING</td>
<td>369,168.00</td>
<td>369,168.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>593-000-004.000</td>
<td>RESTRICTED CASH &amp; EQUIVALENTS</td>
<td>1,493,322.00</td>
<td>1,493,322.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS</strong></td>
<td><strong>13,597,899.00</strong></td>
<td><strong>10,279,143.00</strong></td>
<td><strong>21,877,042.00</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Following is an example of the Statement of Net Assets subtotaled by Detail by Account. Each GL number that has the Cash and Cash Equivalents classification is shown.

02/04/2004
EXAMPLES TOWNSHIP
STATEMENT OF NET ASSETS
YEAR ENDED 12/31/2002
ADJUSTMENTS COMPILED BY: GASB34 ADJUSTMENTS FILE

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>DESCRIPTION</th>
<th>PRIMARY GOVT</th>
<th>GOVERNMENTAL</th>
<th>BUSINESS-TYPE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Activities</td>
<td>Activities</td>
<td>TOTAL</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS</strong></td>
<td><strong>13,597,899.00</strong></td>
<td><strong>10,279,143.00</strong></td>
<td><strong>21,877,042.00</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Following is an example of the Statement of Net Assets subtotaled by Summarize by Classification. This is the level of detail required by GASB 34 to be reported in financial statements.

<table>
<thead>
<tr>
<th>Date</th>
<th>EXAMPLES TOWNSHIP STATEMENT OF NET ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>YEAR ENDED 12/31/2002</td>
</tr>
<tr>
<td></td>
<td>ADJUSTMENTS COMPILED BY: GASB34 ADJUSTMENTS FILE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>PRIMARY GOV'T</th>
<th></th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental Activities</td>
<td>Business-Type Activities</td>
<td></td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS</strong></td>
<td>13,597,899.00</td>
<td>10,279,143.00</td>
<td>23,877,042.00</td>
</tr>
<tr>
<td>INVESTMENTS</td>
<td>27,365,221.00</td>
<td>0.00</td>
<td>27,365,221.00</td>
</tr>
<tr>
<td>RECEIVABLES</td>
<td>12,833,132.00</td>
<td>3,586,121.00</td>
<td>16,401,253.00</td>
</tr>
<tr>
<td>DUE FROM OTHER FUNDS</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>INTERNAL BALANCES</td>
<td>313,768.00</td>
<td>0.00</td>
<td>313,768.00</td>
</tr>
<tr>
<td>RECEIVABLES FROM OTHER GOV'TS</td>
<td>0.00</td>
<td>41,494.00</td>
<td>41,494.00</td>
</tr>
<tr>
<td>LIENS RECEIVABLE</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>INVENTORY</td>
<td>322,149.00</td>
<td>126,674.00</td>
<td>448,823.00</td>
</tr>
<tr>
<td>LAND &amp; IMPROVEMENTS</td>
<td>28,425,025.00</td>
<td>0.00</td>
<td>28,425,025.00</td>
</tr>
<tr>
<td>OTHER CAPITAL ASSETS</td>
<td>141,587,735.00</td>
<td>0.00</td>
<td>141,587,735.00</td>
</tr>
<tr>
<td>CAPITAL ASSETS</td>
<td>0.00</td>
<td>151,388,751.00</td>
<td>151,388,751.00</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>224,454,929.00</td>
<td>165,404,103.00</td>
<td>399,859,032.00</td>
</tr>
</tbody>
</table>

Notice that in all three formats, the total for Cash and Cash Equivalents is $13,597,899. However, the level of detail is different for each format. The Detail by GL# and Detail by Account formats are provided to assist you in reconciling the fund financial statements to the government-wide financial statements.

GASB 34 reports can be printed to Microsoft Excel and modified if necessary to generate the reports to be used in your Annual Financial Statements. For instance, if you decide to use a method of accumulated GASB 34 data other than the Account Groups or the GASB 34 Adjustments file, the Excel method would be necessary to adjust the data for GASB 34.
Michigan F-65 Form

The purpose of the Michigan F-65 Form is to provide the Michigan Department of Treasury and the U.S. Census Bureau information that can be used for statistical analysis.

It is also designed to provide the State with information to analyze the impact of any proposed legislation, to help identify units showing early warning signs of financial problems, and to provide other types of analysis (i.e., the ability to do comparisons of units).

- **Due Date** - six months after fiscal year-end, but can be extended if the audit extension has been approved by the State. If you fail to file by the due date, you may lose state-shared revenue.

- **Filing** - can be submitted electronically via email as a Microsoft Excel attachment to LAFD_Audits@michigan.gov. The form, in Microsoft Excel format, is available for download from the Department of Treasury website - www.michigan.gov/treasury.

- **Chart of Accounts** - the form is designed to be compatible with the Uniform Chart of Accounts, which all units in the State of Michigan should be following.

- **Source of information being reported** - the figures should be based on the "audited" financial statements*; however, if you only have an audit every other year you are still required to file the report every year. All financial activity is to be reported, except for:
  - Trust and Agency Funds
  - Depreciation for Proprietary Funds
  - Internal Service Funds

  *The fund financial statements, not the government-wide financial statements, should be used to determine the figures to be reported.*
Capital Assets

Types of Capital Assets

- **General capital assets** - reported only in the government-wide financial statements
- **Capital assets reported in Proprietary Funds and in Fiduciary Funds**
  - Proprietary Fund capital assets are reported in both government-wide and fund financial statements
  - Fiduciary Fund capital assets are reported only in the Statement of Fiduciary Net Assets

Capital Expenditures vs. Capitalization

- **Capital expenditures** - reporting method for general capital assets in the Governmental Funds. Capital assets acquired are reported as capital expenditures equal to the amount of cash paid or debt incurred.
- **Capitalization** - reporting method for Proprietary Fund and Fiduciary Fund capital assets. Generally, reported in the same manner as in private-sector enterprises: capital asset purchases are recorded as assets (not expenses) and depreciated over the useful life.

Valuation of Capital Assets

Most capital assets should be valued at historical cost or estimated historical cost, including any cost incurred to get the asset ready for use.

Donated capital assets should be valued at estimated fair market value at the time of donation.

Estimating Useful Life

- GAAP does not determine the estimated useful life of capital assets.
- Several factors must be considered when determining the useful life:
  - Asset’s present condition
  - How the asset is going to be used
  - How the asset was constructed
  - The unit’s maintenance policy (is regular maintenance done?)
  - How long do you expect the asset to be used
  - Review of historical records for similar assets
- Change in useful life (if necessary) should be prospectively reported (i.e., use new remaining life in the calculation of depreciation expense)
Salvage Value
An estimate of what a capital asset may be sold for when it is no longer being used.

Depreciation Methods
Depreciating an asset is the process of allocating the net cost of a capital asset over its estimated useful life.

- **Straight-line method** - assumes asset is used up equally over the useful life.

  **Formula:** Annual Depreciation Expense = \((\text{cost} - \text{salvage value})/\text{useful life}\)

  **Example:** an asset with a cost of $21,000 was purchased, and at the time of purchase it was estimated (similar assets in the past) that at the end of its 5-year useful life the asset could be sold for $1,000.

  \[
  \frac{(21,000-1,000)}{5} = $4000
  \]

- **Decreasing-charge methods** - these include:
  - Declining balance
  - Double-declining balance
  - Sum-of-the-year's digits

  These are popular methods for private enterprises since they accelerate expense and reduce taxable income. However, governments generally do not have an incentive to accelerate expense since they do not pay taxes.

Nearly all governments that have implemented GASB 34 have chosen the straight-line method since it is easy to use, spreads expenses equally over time, and reduces the complexity of calculating depreciation expense.
Contacting Us

Support staff are available between 8:30 a.m. and 5 p.m. EST, Monday – Friday, with the exception of the holidays listed. Specific holiday dates appear in quarterly newsletters, sent to all registered users and available on our website.

- New Years Day
- Good Friday (open from 8:30 to noon)
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day and that Friday
- Christmas Eve
- Christmas Day
- New Years Eve (open from 8:30 to noon)

Phone: 517.641.8900
Ask for General Ledger Support

Fax: 517.641.8960

Email: fundsupport@bsasoftware.com
When emailing, please include your name, municipality, and a phone number where you can be contacted.

Web: www.bsasoftware.com
Click the Program Support tab and select the application.