

Local Government Services Conference
April 12, 2017

GFOA's Small Government Awards Program



Government Finance Officers Association

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Session Overview

- Alternatives to GAAP Reporting
- GFOA Recognition Program
- Financial Statements Form and Content



Alternatives to GAAP Reporting

 **What are Alternatives to GAAP?
(Special Purpose Framework)** ⁴

- Tax basis
- Cash basis
- Contractual basis
- Other basis
- Regulatory basis

 **Regulatory Basis** ⁵

- Regulatory basis unique to each state
- Frequently Pre-GASB 34 requirements
- No government-wide statements
- Reporting by fund type or individual funds

 **Why Would a Government not use GAAP?** ⁶

- Regulatory agencies may mandate that reports be prepared on a basis other than GAAP
- The government may not be able to bear the additional cost of preparing GAAP-based financial statements
- The government's staff may not possess the skill, knowledge, or experience (SKE) necessary to prepare GAAP-based financial statements



Current Guidance for GAAP Alternatives

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- No authoritative accounting and financial reporting standards
- Guidance from the American Institute of Certified Public Accountants (AICPA)
 - Authoritative auditing guidance
 - AU-C Section 800 – *Special Purpose Frameworks*
 - Non-authoritative Practice Aid
 - *Applying Special Purpose Frameworks in State and Local Government Financial Statements*



AICPA Guidance

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- GAAP alternatives = “Special purpose frameworks”
 - Financial reporting frameworks other than GAAP are identified in AICPA AU-C Section 800 as one of the following bases:
 - Cash basis
 - Tax basis
 - Regulatory basis
 - Other basis
 - Contractual basis

} Formerly referred to as “Other Comprehensive Bases of Accounting” (OCBOA)



Inherent Limitations of GAAP Alternatives

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- Could lead to less informed decisions
 - Information is not provided on the full cost of services
 - Some assets and liabilities are not reported
- Lack of uniformity may create confusion among users
- Susceptible to manipulation
- May lack key disclosures or information desired by certain users
 - Rating agencies, creditors, investors, taxpayers, and officials

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GFOA Recognition Program

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Award Program for Small Government Cash Basis Reports

- Established by the GFOA Executive Board in 2012
- Due to the number of small governments not preparing their financial statements under GAAP (over 65,000), the Board determined it would be beneficial to:
 - Meet governments where they were and encourage them to get incrementally better;
 - Create a format that met AICPA recommendations and positioned growing governments to one day report on a GAAP basis; and
 - Encourage uniformity across states.

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Program Goal

To help small governments that, for practical considerations, do not prepare financial statements in conformity with GAAP improve the quality of their annual financial reports



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Program Objectives

- Provide a uniform set of nationally recognized guidelines for governments electing to report on a basis of accounting other than GAAP.
- Improve the quality and consistency of small government annual financial reports across the country.
- Provide a stepping stone to GAAP financial reporting for small governments interested in moving in that direction.
- Encourage small governments to take ownership and pride in their financial reports.



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How the program works

- Provides guidelines to help standardize the format and content of annual financial reports prepared on a modified cash basis.
 - Detailed checklists
 - Sample report
- Encourages governments to follow those guidelines by offering public recognition to those that successfully do so.
- Assists governments in implementing the guidelines by providing technical materials and training.



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Which governments can participate?

- Governments of any type
 - General purpose
 - Special purpose
- Primary government revenues ≤ \$25 million, either for:
 - Current year, or
 - Average of the five most recent years
- No requirement for GAAP financial reporting
- No GAAP financial report issued in the past 5 years



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Submissions and Judging

- Reports reviewed by a combination of
 - Volunteer reviewers
 - GFOA professional staff

- 6-month submission deadline
 - Extensions available for extraneous circumstances



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Checklists and Sample Report

- Available on GFOA website (www.gfoa.org/cashbasis)
 - Checklists
 - General purpose local governments
 - School districts
 - Stand-alone business-type activities
 - Sample report



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What Program Participants Receive

- Results of detailed review
 - Specific comments and suggestions for improvement
 - Grade assigned to each section of the report
- GFOA professional staff available to answer questions
- Award-winning reports:
 - GFOA plaque and press release
 - Complete list of all award-winning reports maintained on the GFOA's website
 - First-time winners of the award announced in the GFOA Newsletter



Program Updates

- Eliminate uniformity as a goal
- Establish pure cash basis accounting, rather than modified cash accounting, as the minimum standard for participating in the program
- Allow modifications to cash basis accounting that result in financial reporting that more closely aligns with GAAP
- Use regulatory basis of accounting, if staff determines that the regulatory basis used is consistent with essential program goals
- Auditors in this situation will express audit opinions based on conformity with the regulatory basis of accounting

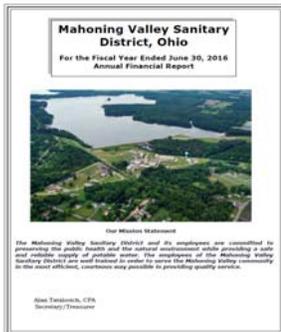


Program Updates (cont.)

- Budgetary comparisons for all governmental funds with annual (or biennial) appropriated budgets
- Schedules of five-year trend data for:
 - Fund balance – governmental funds;
 - Revenues, expenditures, and changes in fund balances – governmental funds; and
 - Outstanding debt by type



Financial Statements Form and Content





Introductory Section

- Letter of Transmittal
- Organization Chart
- List of Principal Officials

Letter of Transmittal – Current Recommendation

Financial Statements and Notes
For the Year Ended December 31, 2008
Transmittal

These financial statements were prepared in accordance with the provisions of the Financial Reporting Standards for the Government of Ontario. The financial reporting standards are based on the accounting principles set out in the Financial Reporting Standards for the Government of Ontario. The financial reporting standards are based on the accounting principles set out in the Financial Reporting Standards for the Government of Ontario.

Financial Statements

- The Balance Sheet
- The Statement of Financial Position
- The Statement of Operations
- The Statement of Financial Position
- The Statement of Operations

Financial Statements

Financial Statements are used to provide information to the public about the financial position of the Government of Ontario. Financial Statements are used to provide information to the public about the financial position of the Government of Ontario.

Table 1 provides a summary of the Financial Statements for 2008 reported in MD&A on a cash basis.

Table 1

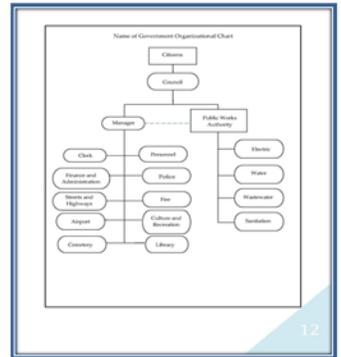
Category	2008	2007
Assets	\$1,000,000	\$1,000,000
Liabilities	\$1,000,000	\$1,000,000
Net Assets	\$0	\$0

As required previously, our audit of governmental activities amounted to \$1,000,000 or 100 percent during 2008. The amount can be audited by the Bureau in cash and cash equivalents from 2008 operations.

- Start with MD&A
- Rename: Letter of Transmittal
- Add Transmittal Letter discussion topics
- Keep MD&A topics as they are

← A cash basis report's MD&A page

Organizational Chart



Name of Government Government-wide Statement of Activities For the Year Ended June 30, 2023 (Modified Cash Basis)						
Functional/Programs	Expenses	Program Revenue			Net (Expensed) Revenues and Changes in Net Position	
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Non-Governmental Activities
Governmental Activities						
General government	\$ 207,224	\$ 2,436	\$ 392	\$ 3,500	\$ (200,896)	\$ -
Public safety	2,002,987	40,376	22,860	10,000	(194,227)	(194,227)
Highways and streets	146,982	-	39,316	-	(109,246)	-
Community development	4,806	-	-	3,480	-	(1,326)
Culture and recreation	278,139	16,729	5,473	-	(255,937)	-
Airport	61,023	-	-	37,323	(23,700)	(23,700)
Total governmental activities	1,707,631	69,441	49,761	54,323	(1,518,046)	(1,518,046)
Business-type activities						
Electric	1,978,975	2,137,487	-	-	218,512	218,512
Water	222,034	324,926	-	-	102,892	102,892
Sewer	444,893	274,932	-	-	(169,961)	(169,961)
Solidification	306,565	246,284	-	-	(60,281)	(60,281)
Total business-type activities	2,950,467	2,962,629	-	-	91,662	91,662
Total primary government	4,658,098	3,054,262	49,761	54,323	(1,518,044)	(1,426,384)
General revenues:						
Taxes				\$ 1,075,967	\$ -	\$ 1,075,967
Fees and use taxes				27,223	-	27,223
Franchise fees and public service fees				23,731	-	23,731
Intergovernmental revenue not restricted to specific programs				1,761	638	2,399
Miscellaneous				87,337	93,509	180,846
Proceeds from long-term debt				-	900,000	900,000
Transfers				267,991	(227,721)	40,270
Total general revenues and transfers				1,693,010	665,416	2,358,426
Change in net position				(23,974)	243,858	219,884
Net position - beginning				651,748	148,179	800,927
Net position - ending				627,774	392,037	1,019,811

The notes to the financial statements are an integral part of this statement.

Name of Government Balance Sheet Governmental Funds June 30, 2023 (Modified Cash Basis)					
	General Fund	Public Safety Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 42,122	\$ 94,136	\$ 96,864	\$ 111,708	\$ 344,830
Investments	16,000	-	-	4,704	20,704
Due from other funds	32	-	-	-	32
Total assets	58,154	94,136	96,864	116,412	365,566
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other governments	648	-	-	-	648
Due to other funds	1,921	-	-	-	1,921
Total liabilities	2,569	-	-	-	2,569
FUND BALANCES					
Restricted					
Emergency - #11	-	-	-	2,884	2,884
Library	19,246	-	-	6,796	26,042
Community development	-	-	-	26,588	26,588
Airport	-	-	-	100	100
Public safety	-	94,136	-	-	94,136
Capital projects	-	-	96,864	-	96,864
Community development	-	-	-	1,912	1,912
Emergency	-	-	-	4,676	4,676
Library	64	-	-	28,246	28,310
Street improvements	44	-	-	-	44
Subsequent year's budget appropriation of fund balance	19,000	-	-	-	19,000
Public safety	-	1,958	-	-	1,958
Capital projects	-	-	352	-	352
Other	23,505	-	-	31	23,536
Unassigned	23,505	-	-	116,112	143,627
Total fund balances	25,475	94,136	96,864	116,412	322,893
Total liabilities and fund balances	52,644	94,136	96,864	116,412	340,056

The notes to the financial statements are an integral part of this statement.

Name of Government Statement of Revenues, Expenses, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2023 (Modified Cash Basis)					
	General Fund	Public Safety Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Income taxes	\$ 424,776	\$ 41,800	\$ 133,610	\$ 41,800	\$ 642,986
Franchise and public service taxes	28,726	2,142	4,294	2,142	37,304
Intergovernmental	61,618	-	-	80,187	141,805
Culture and recreation charges for services	13,372	-	-	4,307	17,679
Fees and royalties	48,278	-	-	-	48,278
Licenses and permits	1,436	-	-	166	1,602
Investment earnings	188	1,391	97	166	1,782
Miscellaneous	61,124	-	-	4,201	65,325
Total revenues	679,238	45,733	137,907	126,613	990,491
EXPENSES					
General government	301,444	-	-	-	301,444
Public safety	921,191	-	-	-	921,191
Highways and streets	61,480	-	-	-	61,480
Community development	-	-	-	3,550	3,550
Culture and recreation	261,010	-	-	-	261,010
Emergency	-	-	-	3,757	3,757
Airport	134,671	-	-	-	134,671
Capital outlay	-	-	70,884	174,046	244,930
Total expenditures	1,259,296	-	70,884	177,803	1,427,983
Excess (deficiency) of revenues over expenditures	(580,058)	(45,733)	(32,977)	(51,190)	(669,958)
OTHER FINANCING SOURCES (USES)					
Transfers in	300,000	-	-	31,900	331,900
Transfers out	-	-	(23,742)	-	(23,742)
Total other financing sources and uses	300,000	-	(23,742)	31,900	308,158
Net change in fund balances	(279,058)	(45,733)	(56,721)	(19,290)	(490,802)
Fund balances - beginning	143,627	499,303	107,485	114,012	864,427
Fund balances - ending	115,569	453,570	50,764	94,722	714,625

The notes to the financial statements are an integral part of this statement.



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Note Disclosure Specifics

- No requirement to disclose capital assets
- Award Program policy requires the disclosure of long-term liabilities
 - Debt, compensated absences, claims and judgments, and pension-related liabilities, when available
 - List of debt, when it was issued, and for what purpose
 - Changes from the previous year's balance (increases and decreases)
 - Debt service payments for the next five years, and in five-year increments thereafter



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Note Disclosure Requirements

Similar to GAAP if relevant to any of the items recognized under the cash basis

- Other note disclosures as considered necessary or required by program guidelines



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Combining and Individual Fund Financial Statements and Schedules

- Combining Balance Sheet and Combining Changes in Fund Balances
- Include budgetary comparisons presented at the legal level of budgetary control for all individual governmental funds with legally adopted annual (or biennial) budgets

Name of Government
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023
(Modified Cash Basis)

	Special Revenue Funds			Capital Projects Funds			Total Other Governmental Funds
	Cemetery Care Fund	E911 Fund	CDBG Grant Fund	Street Improvement Sales Tax Fund	Airport Grant Fund	Fire Capital Fund	
ASSETS							
Cash and cash equivalents	\$ 10,292	\$ 2,984	\$ 1,918	\$ 48,219	\$ 193	\$ 48,102	\$ 111,708
Due from other funds	-	-	-	6,524	-	-	6,524
Total assets	10,292	2,984	1,918	54,743	193	48,102	118,232
FUND BALANCES							
Restricted for:							
Fire	-	-	-	-	-	48,071	48,071
E911	-	2,984	-	-	-	-	2,984
Cemetery care	5,798	-	-	-	-	-	5,798
Street improvements	-	-	-	26,503	-	-	26,503
Airport	-	-	-	-	193	-	193
Community development	-	-	1,918	-	-	-	1,918
Assigned to:							
Cemetery care	4,494	-	-	-	-	-	4,494
Street improvements	-	-	-	28,240	-	-	28,240
Fire	-	-	-	-	-	31	31
Total fund balances	10,292	2,984	1,918	54,743	193	48,102	118,232
Total liabilities and fund balances	\$ 10,292	\$ 2,984	\$ 1,918	\$ 54,743	\$ 193	\$ 48,102	\$ 118,232

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Name of Government
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023
(Modified Cash Basis)

	Special Revenue Funds			Capital Projects Funds			Total Other Governmental Funds
	Cemetery Care Fund	E911 Fund	CDBG Grant Fund	Street Improvement Sales Tax Fund	Airport Grant Fund	Fire Capital Fund	
REVENUES							
Sales taxes	\$ -	\$ -	\$ -	\$ 41,805	\$ -	\$ -	\$ 41,805
Franchise and public service taxes	-	-	-	2,142	-	-	2,142
Intergovernmental	-	-	3,500	29,714	37,321	-	60,535
Charges for services	4,307	-	-	-	-	-	4,307
Investment income	14	-	-	123	-	31	168
Miscellaneous	-	-	-	6,193	-	-	6,193
Total revenues	4,321	-	3,500	105,539	37,321	31	154,652
EXPENDITURES							
Current:							
Highways and streets	-	-	3,500	-	-	-	3,500
Community development	-	-	-	-	-	-	-
Cemetery	5,797	-	-	-	-	-	5,797
Culture and recreation	-	-	-	-	-	-	-
Capital Outlay	-	-	-	123,497	49,549	-	173,046
Total Expenditures	5,797	-	3,500	123,497	49,549	-	182,353
Excess (deficiency) of revenues over expenditures	(1,384)	-	-	(13,918)	(12,228)	31	(27,501)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	20,000	11,300	-	31,300
Total other financing sources and uses	-	-	-	20,000	11,300	-	31,300
Net change in fund balances	(1,384)	-	-	4,082	(938)	31	4,399
Fund balances - beginning	11,676	2,984	1,918	48,661	721	48,071	114,031
Fund balances - ending	\$ 10,292	\$ 2,984	\$ 1,918	\$ 54,743	\$ 193	\$ 48,102	\$ 118,232

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Illustrative Budgetary Comparisons

Name of Government		Budgeted Amounts		Actual		Variance with Prior Period	
Category	2023	2022	2023	2022	2023	2022	2023
REVENUES							
State	\$ 40,150	\$ 40,150	\$ 43,947	\$ 43,947	\$ 3,797	\$ -	\$ 3,797
Intergovernmental	47,400	40,000	39,714	39,714	(7,686)	(9,286)	(1,600)
Miscellaneous	600	600	600	600	-	-	-
Total revenues	88,150	80,750	84,261	84,261	(3,889)	(9,286)	(5,397)
EXPENDITURES							
Capital outlay	110,000	110,000	123,497	123,497	13,497	13,497	13,497
Highways and streets	110,000	110,000	123,497	123,497	13,497	13,497	13,497
OTHER FINANCING SOURCES (USES)							
Transfers in	20,000	20,000	20,000	20,000	-	-	-
Total other financing sources and uses	20,000	20,000	20,000	20,000	-	-	-
Net change in fund balances	13,150	4,750	4,082	4,082	(938)	(938)	(938)
Fund balances - beginning	49,451	49,451	49,451	49,451	-	-	-
Fund balances - ending	\$ 62,601	\$ 54,201	\$ 53,533	\$ 53,533	\$ (668)	\$ (668)	\$ (668)

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Other Financial Section Information: Program Requirements

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Schedules of five-year trend data, as applicable:

- Net position – government-wide financial statements – modified/cash basis;
- Changes in net position – government-wide financial statements – modified/cash basis;
- Fund balances – governmental funds – modified/cash basis;
- Revenues, expenditures, and changes in fund balances – governmental funds – modified/cash basis; and
- Outstanding debt by type

Example of Trend Information

Name of Government
Not Filled by Government
Last Five Fiscal Years
Modified Cash Basis

	Fiscal Year				
	2019	2018	2017	2016	2015
Governmental activities					
Revenues	\$ 741,288	664,257	519,728	479,376	776,322
Expenditures	86,913	267,838	221,888	266,614	387,431
Total governmental activities net position	\$ 654,375	\$ 396,419	\$ 297,840	\$ 212,762	\$ 388,891
Business-type activities					
Revenues	\$ 313,803	386,822	275,861	278,269	311,474
Expenditures	419,862	348,717	368,471	478,915	332,484
Total business-type activities net position	\$ 103,941	\$ 38,105	\$ 107,390	\$ 199,354	\$ 78,990
Primary government					
Revenues	\$ 1,055,091	1,051,079	795,589	757,645	1,087,796
Expenditures	306,725	326,555	400,259	425,529	519,915
Total primary government net position	\$ 748,366	\$ 724,524	\$ 395,330	\$ 332,116	\$ 567,881

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Questions?

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- Contact Technical Services at GFOA
(312) 977-9700
- Todd Buikema
phone: 312-578-4407
email: tbuikema@gfoa.org
- www.gfoa.org/cashbasis
- Ohio Award Recipients
 - Mahoning Valley Sanitary District
 - Anderson Township Park District
