



# WEBINAR

***Prepare for GASB 103 Changes: Get Ahead of the New Financial Reporting Model***

Earn 1 CPE credit

**Tues, Oct 8  
10:00AM PST**



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# Your Presenter



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# Agenda

- When is GASB 103 effective?
- What's areas of the ACFR are impacted?
- What specifically needs to change?
- How should we prepare early?



# Polling Question #1

How terrified are you about what changes with GASB 103?

- Not at all...we got this!
- A little but we will survive.
- So worried that the changes are big.



# WHAT WAS GASB ORIGINALLY CONSIDERING?



# Consideration of Improvements to be Made (2016-2024)

- Evaluation of Measurement Focus and Basis of Accounting
- New format for Statement of Activities
- Possible Cash Flow Statement for Governmental Activities
- Re-evaluation of Permanent Funds
- Enhancement of MD&A
- Possible additional disclosure information related to Debt Service Funds

# Progress of Project 2016-2024




## Issued Documents & Materials

### Final Pronouncement

Statement No. 103, *Financial Reporting Model Improvements*

Approved April 2024

 [Document](#)


[News Release](#)

 [Video](#)

### Due Process Documents

Exposure Draft, *Financial Reporting Model Improvements*


Issued June 2020

 [Document](#)

[News Release](#)

Preliminary Views, *Financial Reporting Model Improvements*


Issued September 2018

 [Document](#)

[News Release](#)

Invitation to Comment, *Financial Reporting Model Improvements—Governmental Funds*

Issued December 2016

 [Document](#)

[News Release](#)



# DON'T PANIC.... IT'S NOT THAT BAD





# OBJECTIVE AND SCOPE OF GASB 103?



# Objective and Scope

- Objective
  - To improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.
- Scope
  - Changes to:
    - MD&A
    - Unusual and Infrequent Items
    - Proprietary Fund Statements
    - Major Component Unit Information
    - Budgetary Comparison Information



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Underutilized  
and often  
**MOST  
IMPORTANT**



# WHEN IS GASB 103 EFFECTIVE?



# Polling Question #2

What is your fiscal year end?

- March 31
- June 30
- September 30
- December 31
- Other



# Effective Dates

GASB Standard	Effective Dates				
	Years Beginning After	March Year End	June Year End	September Year End	December Year End
99 - Omnibus 2022, paragraphs 4-10	6/15/2023	3/31/2025	6/30/2024	9/30/2024	12/31/2024
100 - Accounting Changes and Error Corrections	6/15/2023	3/31/2025	6/30/2024	9/30/2024	12/31/2024
101 - Compensated Absences	12/15/2023	3/31/2025	6/30/2025	9/30/2025	12/31/2024
102 - Certain Risk Disclosures	6/15/2024	3/31/2026	6/30/2025	9/30/2025	12/31/2025
103 - Financial Reporting Model Improvements	6/15/2025	3/31/2027	6/30/2026	9/30/2026	12/31/2026



# MD&A





# MD&A

- Information presented should be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.
- Stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed.



# MD&A

- Should discuss the CY in comparison to PY, with emphasis of CY.
  - Fact based....tell the story of what happened
  - Activities with significant positive or negative impact on CY
  - Avoid duplication of information already in the financials
  - Focus on primary government
  - Detailed analysis:
    - Explain why changes from the PY occurred and magnitude
    - Include facts, decisions or conditions that user may not be aware of
    - Fund balance analysis and summarize significant changes to each major fund
    - Currently known facts, decisions or conditions about events that will impact future results



# UNUSUAL OR INFREQUENT ITEMS



# Unusual or Infrequent Items

- Unusual or infrequent items are transactions and other events that are unusual in nature or infrequent in occurrence. Statement 62 defines the terms unusual in nature and infrequency of occurrence.
- Governments should present inflows and outflows related to unusual or infrequent items individually as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.



# Unusual or Infrequent Items

- No extraordinary or special items, one classification now.
- Present each unusual or infrequent item separately, not netted together.
- Footnote disclosure includes the program, function, or identifiable activity that the unusual or infrequent item relates to and whether or not item was within managements control.
- GASB did not clarify the criteria used to determine special classification; remains subjective.



# Polling Question #3

How often do you have unusual or infrequent items?

- Once in a blue moon
- Never in my tenure here
- Only when the auditors tell us to report one



# PROPRIETARY FUND FINANCIAL STATEMENTS



# Proprietary Fund Financial Statements

- Statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses.
- Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.
- Operating revenues and expenses is everything else.





# Proprietary Fund Financial Statements

- Must follow GASBs definition of operating and nonoperating instead of using agency's individual accounting policies.
  - Self-sustaining vs. subsidized approach is used.
- Optional approach to show noncapital subsidies as a part of operation income/loss if these subsidies are received on a regular basis.

# Proprietary Fund Financial Statements

Note: the noncapital subsidies is optional as operating.

Operating revenues (detailed)

Total operating revenues

Operating expenses (detailed)

Total operating expenses

Operating income (loss)

Noncapital subsidies (detailed)

Total noncapital subsidies

Operating income (loss) and noncapital subsidies

Other nonoperating revenues and expenses (detailed)

Total other nonoperating revenues and expenses

Income (loss) before unusual or infrequent items

Unusual or infrequent items (detailed)

Increase (decrease) in fund net position

Fund net position—beginning of period

Fund net position—end of period



# MAJOR COMPONENT UNIT INFORMATION



# Major Component Unit Information

- Present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.



# Major Component Unit Information

- GASB eliminated the option to present major component information using more than one method.
- If there are multiple major component units and readability is impacted, they may be presented in aggregate with a combining statement that shows each one after the fund financial statements as a part of the basic financial statements.

# Major Component Unit Information



Sample City  
Statement of Activities  
for the Year Ended June 30, 20X5  
(amounts expressed in thousands)

This is an alternative presentation using a combining statement (Exhibit 13) in order not to reduce the readability of this statement.

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 46,059	\$ 22,500	\$ -	\$ -	\$ (23,559)		\$ (23,559)	
Public safety	205,416	8,688	31,395	-	(165,333)		(165,333)	
Public works	71,308	2,948	-	8,564	(59,796)		(59,796)	
Culture and recreation	25,631	2,868	-	-	(22,763)		(22,763)	
Social and economic development	79,701	8,297	6,768	22,321	(42,315)		(42,315)	
Interest on long-term debt	25,566	-	-	-	(25,566)		(25,566)	
Total governmental activities	<u>453,681</u>	<u>45,301</u>	<u>38,163</u>	<u>30,885</u>	<u>(339,332)</u>		<u>(339,332)</u>	
Business-type activities:								
Public utility	42,687	41,003	-	2,938		\$ 1,254	1,254	
Transit authority	25,826	18,636	-	-		(7,190)	(7,190)	
Golf courses	8,396	2,561	-	-		(5,835)	(5,835)	
Total business-type activities	<u>76,909</u>	<u>62,200</u>	<u>-</u>	<u>2,938</u>		<u>(11,771)</u>	<u>(11,771)</u>	
Total primary government	<u>\$ 530,590</u>	<u>\$ 107,501</u>	<u>\$ 38,163</u>	<u>\$ 33,823</u>	<u>(339,332)</u>	<u>(11,771)</u>	<u>(351,103)</u>	
<b>Total component units</b>	<u>\$ 111,018</u>	<u>\$ 72,991</u>	<u>\$ 16,503</u>	<u>\$ 12,902</u>				<u>\$ (8,622)</u>

# Major Component Unit Information

Sample City

Combining Statement of Activities  
**Discretely Presented Component Units**  
 for the Year Ended June 30, 20X5  
 (amounts expressed in thousands)

This is an alternative presentation using a combining statement in order not to reduce the readability of Exhibit 3.

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Energy Authority	Airport	Nonmajor Component Units	Total
<b>Component units:</b>								
Energy authority	\$ 26,925	\$ 26,723	\$ -	\$ -	\$ (202)			\$ (202)
Airport	51,306	34,520	9,237	10,168		\$ 2,619		2,619
Nonmajor component units	32,787	11,748	7,266	2,734			\$ (11,039)	(11,039)
<b>Total component units</b>	<b>\$ 111,018</b>	<b>\$ 72,991</b>	<b>\$ 16,503</b>	<b>\$ 12,902</b>	<b>(202)</b>	<b>2,619</b>	<b>(11,039)</b>	<b>(8,622)</b>
<b>General revenues:</b>								
<b>Taxes:</b>								
Sales taxes					-	-	6,340	6,340
Property taxes					-	-	3,153	3,153
Investment earnings					554	1,523	957	3,034
<b>Total general revenues</b>					<b>554</b>	<b>1,523</b>	<b>10,450</b>	<b>12,527</b>
Change in net position					352	4,142	(589)	3,905
Net position—beginning of period					23,687	275,715	96,166	395,568
<b>Net position—end of period</b>					<b>\$ 24,039</b>	<b>\$ 279,857</b>	<b>\$ 95,577</b>	<b>\$ 399,473</b>



# BUDGETARY COMPARISON INFORMATION





# Budgetary Comparison Information

- Budgetary comparison information using a single method of communication—RSI.
- Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts.
- An explanation of significant variances is required to be presented in notes to RSI.

Required Supplementary Information  
Sample City  
Budgetary Comparison Schedule  
Public Safety and Transportation Special Revenue Fund  
for the Year Ended June 30, 20X5  
(amounts expressed in thousands)

	Budgeted Amounts		Variance with Original Budget— over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget— over (under) Actual Amounts
	Original	Final			
<b>BUDGETARY REVENUES</b>					
Taxes	\$ 49,825	\$ 49,825	\$ -	\$ 51,442	\$ 1,617
Intergovernmental	29,750	29,750	-	30,337	587
Charges for services	6,720	6,720	-	6,848	128
Investment earnings	1,900	1,900	-	2,295	395
	<u>88,195</u>	<u>88,195</u>	<u>-</u>	<u>90,922</u>	<u>2,727</u>
Total budgetary revenues					
<b>BUDGETARY EXPENDITURES</b>					
Current:					
General government	13,665	15,305	1,640	15,083	(222)
Public safety	58,000	58,250	250	58,452	202
Public works	16,265	16,945	680	16,934	(11)
	<u>87,930</u>	<u>90,500</u>	<u>2,570</u>	<u>90,469</u>	<u>(31)</u>
Total budgetary expenditures					
Net change in fund balances	265	(2,305)	2,570	453	2,758
Budgetary fund balance—beginning of period	4,024	4,024	-	4,024	-
Budgetary fund balance—end of period	<u>\$ 4,289</u>	<u>\$ 1,719</u>	<u>\$ 2,570</u>	<u>4,477</u>	<u>\$ 2,758</u>
<b>RECONCILIATION TO GAAP BASIS</b>					
Total fund balance GAAP basis				<u>\$ 4,477</u>	



# SO HOW DO WE PREPARE EARLY?



# How to Prepare Early

- **MD&A** – Update your templates early to build in more detailed explanations...remember, tell the story!
- **Unusual or Infrequent Items** – Not likely to need preparation but stay aware and flag items that may qualify as they happen.
- **Proprietary Fund Financials** – If you prepared your own financials, look at your format and see if it complies. You may not need to do anything but if you do, adjust your template early.
- **Major Component Unit Info** – Review your current statements to see if this applies. Update your template early.
- **Budgetary Comparison Information** – Most are already including as RSI and in the proper format. Review your current statements to see if updates are necessary.

# Review the Example in GASB 103

<https://gasb.org/page/Document?pdf=GASBS%20103.pdf&title=GASB%20STATEMENT%20NO.%20103,%20FINANCIAL%20REPORTING%20MODEL%20IMPROVEMENTS>

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# Polling Question #4

Do you plan to prepare early to make implementation a breeze?

- Absolutely, we got this!
- We hope to, but we will see.
- We would like to but probably not.
- Not a chance...we love the stress.



# Questions



FIDUCIARY DUTY

# WEBINAR

***Are You Meeting Your Fiduciary Obligations?  
Understanding Your Role in Managing 457b/401a Plans***

Earn 1 CPE credit

**Thur, Nov 7  
1:30PM PST**





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