



LSL



WEBINAR

**GASB 103 Deep Dive: Navigating the
New Financial Reporting Model**

Earn 1 CPE credit!

**Thur, June 25
10:00AM PST**

Disclaimer

LSL, LLP is providing this material for information purposes only. The content within the presentation was developed based on information available as of June 25, 2026. The material provided is general and is not intended to be complete accounting, tax or business advice. Nothing herein should be relied upon or used without consulting accounting, tax or business advisor to consider your specific circumstances, possible changes to applicable laws, rules and regulations, and other tax or operational issues. Receipt of this material does not establish a client relationship.

Copyright 2026 LSL, LLP

Your LSL Presenter



Riley Greenlee, CPA
Senior Manager, Assurance & Advisory



GASB 103

Reporting Model Changes

Agenda

- Management's Discussion and Analysis (MD&A)
- Unusual or Infrequent Items
- Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
- Major Component Unit Information
- Budgetary Comparison Information

POLLING QUESTION #1

How are you feeling about GASB 103 right now?

- A. Feeling great! This webinar is bonus information
- B. A little nervous, but confident
- C. Feeling lost and looking forward to today's discussion
- D. Panic mode SOS

GASB 103 – Reporting Model Changes

- Implementation
 - Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- The objective of this Statement is 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. The Statement also addressed certain application issues.

Management's Discussion and Analysis (MD&A)

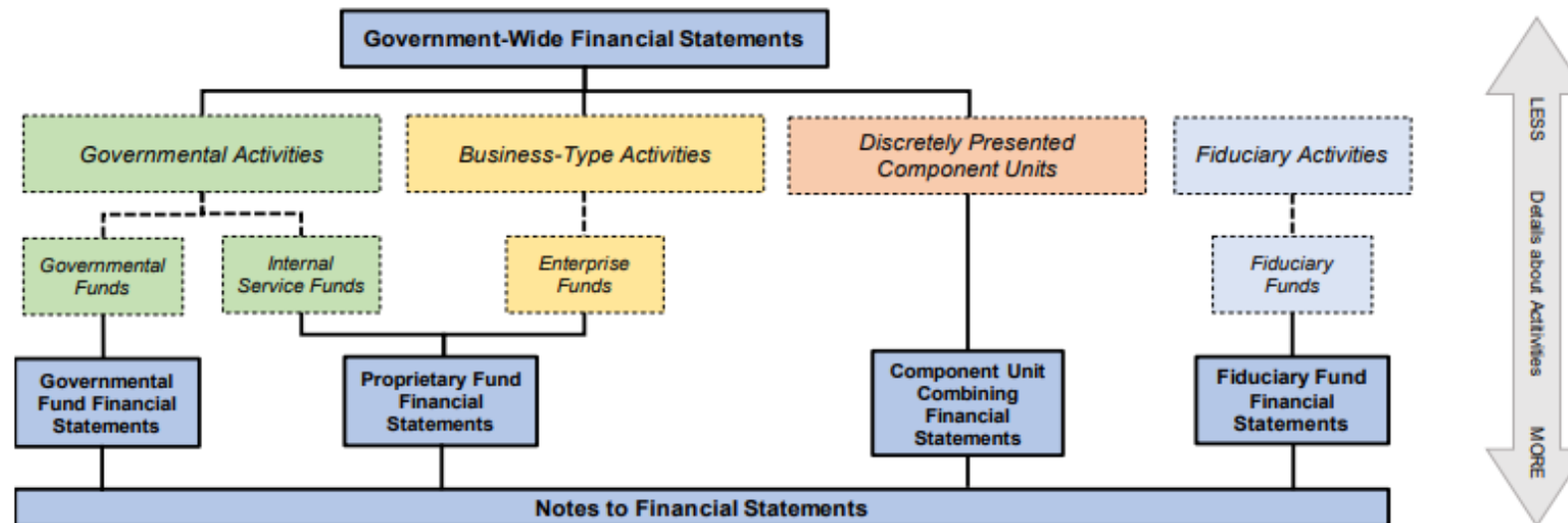
GASB 103 – Reporting Model Changes

- Management's Discussion and Analysis Sections
 - Overview of Financial Statements
 - Financial Summary
 - Detailed Analyses
 - Significant Capital Asset & Long-Term Financing Activity
 - Currently Known Facts, Decisions, or Conditions

Overview of the Financial Statements

- Overview of the basic financial statements including the relationships of the statements to each other.
- Overview should focus on significant differences in the types of information provided in each type of statement

Figure A-1. Contents of the City's Basic Financial Statements



Overview of the Financial Statements

Overview of the Financial Statements

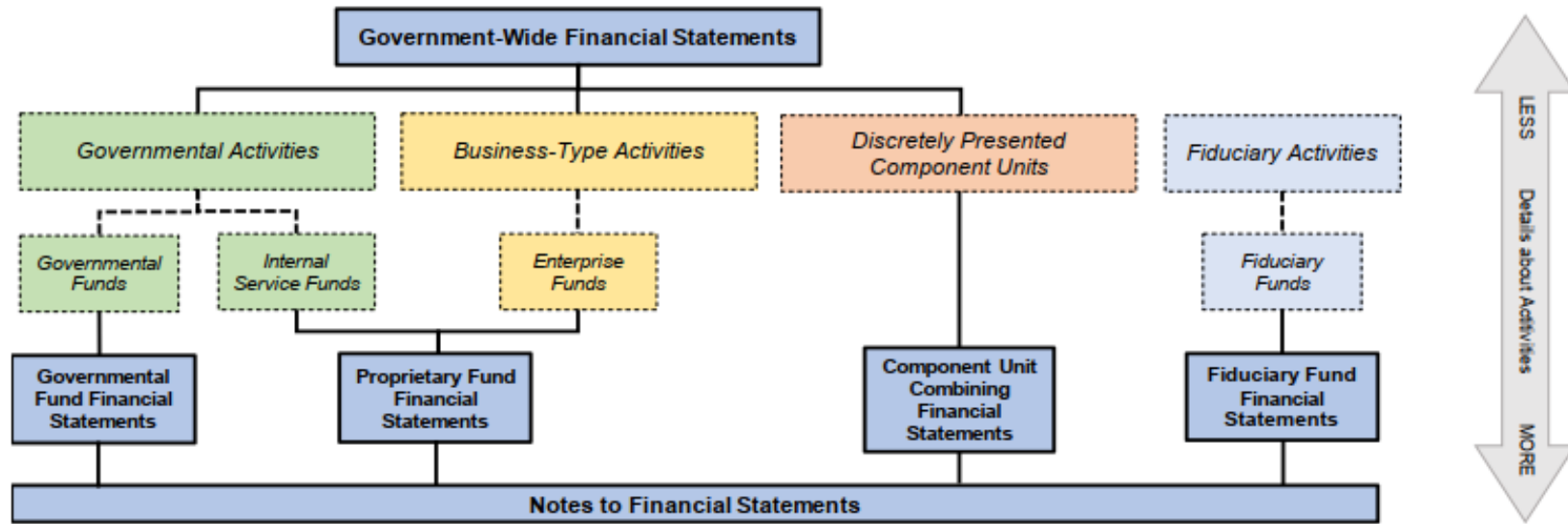
The City's financial report contains basic financial statements. Those financial statements present the City's finances at both an overall and a detailed level. The first two—the *government-wide financial statements*—cover the City's governmental activities and business-type activities (together, the *primary government*) and discretely presented component units. (See the diagram in Figure A-1.)

- *Governmental activities* comprise the City's most basic functions, such as public safety, culture and recreation, and social and economic development. Governmental activities primarily are financed by taxes paid by City residents and businesses and grants from the State of Example and the federal government.
- *Business-type activities* are City services primarily financed in whole or in part with charges to customers—electric utility, public buses, and municipal golf courses.
- *Discretely presented component units* are legally separate entities for which the City is financially accountable—most notably the Sample City Energy Authority and the Robert L. Antonio Airport. (To see their separately issued financial reports, visit www.sampleenergyurl.gov and www.rlaairporturl.gov.)

The remaining basic financial statements present the City's finances in greater detail and present fiduciary activities. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The City reports three groups of funds:

- *Governmental fund financial statements* report all of the governmental activities except those that involve providing services to City departments. In addition to the City's main operating fund—the general fund—those financial statements report a special revenue fund to track the use of a portion of the City's restricted sales tax for public safety and transportation, a debt service fund to record the repayment of outstanding bonds, and a capital projects fund to account for resources used to acquire transportation infrastructure and certain other long-lived assets.
- *Proprietary fund financial statements* report all of the business-type activities (*enterprise funds*) and the services provided to City departments (*internal service funds*).
- *Fiduciary fund financial statements* report resources for which the City acts as a trustee or custodian, including the City Public Safety Pension Plan trust fund. The resources in those funds do not belong to the City and cannot be used to provide services, which is why they are not included in the government-wide financial statements.

Figure A-1. Contents of the City's Basic Financial Statements



Lastly, the Energy Authority and the Airport (which are combined with nonmajor component units in a single column in the government-wide financial statements) are disaggregated in *combining financial statements* for discretely presented component units following the fund financial statements.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the City's finances as reported in the financial statements. The information in the notes is as important to understanding the City's finances as the information in the financial statements. The City uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Figure A-2. Types of Information Reported in the City's Financial Statements

	Financial Statements				Governmental Fund
	Government-Wide	Proprietary Fund	Fiduciary Fund	Component Unit	
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term				Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenues/additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received				Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/expenditures	All types of expenses/deductions that flow out of the government during the year that relate to that year, regardless of when cash is paid				Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year				Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies, beginning on page XX.

Financial Summary

Analysis of the City's Finances

Table A-1
Sample City's Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	20X5	20X4	20X5	20X4	20X5	20X4	20X5-20X4
Current and other assets	\$ 849,249	\$ 760,540	\$ 96,025	\$ 100,640	\$ 945,274	\$ 861,180	9.8%
Capital assets, net	1,845,379	1,781,939	576,876	566,000	2,422,255	2,347,939	3.2%
Total assets	2,694,628	2,542,479	672,901	666,640	3,367,529	3,209,119	4.9%
Deferred outflows of resources	89,902	70,018	3,994	3,130	93,896	73,148	28.4%
Long-term liabilities	975,103	922,831	103,694	104,502	1,078,797	1,027,333	5.0%
Other liabilities	40,321	46,197	23,601	24,965	63,922	71,162	-10.2%
Total liabilities	1,015,424	969,028	127,295	129,467	1,142,719	1,098,495	4.0%
Deferred inflows of resources	35,295	27,322	1,204	1,226	36,499	28,548	27.9%
Net position							
Net investment in capital assets	1,216,106	1,209,700	489,610	474,914	1,705,716	1,684,614	1.3%
Restricted	705,464	711,690	17,514	14,985	722,978	726,675	-0.5%
Unrestricted	(187,759)	(305,243)	41,272	49,178	(146,487)	(256,065)	42.8%
Total net position	\$ 1,733,811	\$ 1,616,147	\$ 548,396	\$ 539,077	\$ 2,282,207	\$ 2,155,224	5.9%

Financial Summary

Table A-2
Changes in Sample City's Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	20X5	20X4	20X5	20X4	20X5	20X4	20X5-20X4
Revenues							
Program revenues:							
Charges for services	\$ 45,301	\$ 41,393	\$ 62,200	\$ 59,998	\$ 107,501	\$ 101,391	6.0%
Operating grants and contributions	38,163	31,057	-	-	38,163	31,057	22.9%
Capital grants and contributions	30,885	14,846	2,938	2,199	33,823	17,045	98.4%
General revenues:							
Sales taxes	279,567	278,136	-	-	279,567	278,136	0.5%
Property taxes	78,930	77,074	-	-	78,930	77,074	2.4%
Other taxes	74,940	61,861	-	-	74,940	61,861	21.1%
Payments in lieu of taxes	16,869	15,872	-	-	16,869	15,872	6.3%
Investment earnings	20,667	7,629	1,674	951	22,341	8,580	160.4%
Other	12,519	11,765	420	56	12,939	11,821	9.5%
Total revenues	597,841	539,633	67,232	63,204	665,073	602,837	10.3%
Expenses							
General government	46,059	42,388	-	-	46,059	42,388	8.7%
Public safety	205,416	218,558	-	-	205,416	218,558	-6.0%
Public works	71,308	67,872	-	-	71,308	67,872	5.1%
Culture and recreation	25,631	21,347	-	-	25,631	21,347	20.1%
Social and economic development	79,701	26,014	-	-	79,701	26,014	206.4%
Interest on long-term debt	25,566	21,284	-	-	25,566	21,284	20.1%
Public utility	-	-	42,687	40,526	42,687	40,526	5.3%
Transit authority	-	-	25,826	25,755	25,826	25,755	0.3%
Golf courses	-	-	8,396	7,250	8,396	7,250	15.8%
Total expenses	453,681	397,463	76,909	73,531	530,590	470,994	12.7%
Excess (deficiency) before unusual/infrequent items and transfers	144,160	142,170	(9,677)	(10,327)	134,483	131,843	2.0%
Transfers	(18,996)	(4,639)	18,996	4,639	-	-	-
Unusual or infrequent item—flood damage:							
Grant revenue	2,500	-	-	-	2,500	-	100%
Cleanup	(10,000)	-	-	-	(10,000)	-	100%
Change in net position	117,664	137,531	9,319	(5,688)	126,983	131,843	-3.7%
Net position—beginning of period	1,616,147	1,478,616	539,077	544,765	2,155,224	2,023,381	6.5%
Net position—end of period	\$ 1,733,811	\$ 1,616,147	\$ 548,396	\$ 539,077	\$ 2,282,207	\$ 2,155,224	5.9%

Financial Summary

Table A-3
Revenues, Expenditures, and Changes in Fund Balances
(amounts expressed in thousands)

	General Fund		Debt Service Fund		Infrastructure Capital Projects Fund	
	20X5	20X4	20X5	20X4	20X5	20X4
Total Revenues	\$ 213,376	\$ 193,431	\$ 78,976	\$ 77,013	\$ 141,327	\$ 128,968
Total Expenditures	196,136	194,744	76,435	74,871	177,395	130,437
Excess (deficiency) of revenues over expenditures	17,240	(1,313)	2,541	2,142	(36,068)	(1,469)
Other Financing Sources (Uses)						
Other debt activity (net)	-	-	19	-	125,930	-
Proceeds from the sale of capital assets	275	646	-	-	-	-
Transfers in	2,630	365	-	-	192	-
Transfers out	(662)	-	-	-	(18,294)	(2,580)
Total other financing sources (uses)	2,243	1,011	19	-	107,828	(2,580)
Unusual or Infrequent Item—Flood Damage						
Grant revenue	2,500	-	-	-	-	-
Cleanup	(10,000)	-	-	-	-	-
Total unusual or infrequent item	(7,500)	-	-	-	-	-
Net change in fund balances	11,983	(302)	2,560	2,142	71,760	(4,049)
Fund balances—beginning of period	55,009	55,311	65,729	63,587	548,550	552,599
Fund balances—end of period	\$ 66,992	\$ 55,009	\$ 68,289	\$ 65,729	\$ 620,310	\$ 548,550

Detailed Analyses

- Tell the story behind the numbers
- Fact based and discuss activities that had significant positive or negative impact on balances compared to the prior year
- Emphasis on why balances changed
 - Market changes or investment policy changes
 - Major event during the year
- Avoid repetition
 - Reference prior discussion if explanations are relevant in multiple sections
 - Refer to significant capital asset and long-term financing activity section or vice versa

Detailed Analyses

Government-Wide

- Not required to analyze whether net position has improved or worsened
- Reasons for change and why and quantified magnitude
- Facts, decisions, and conditions in addition to policy changes
- Market conditions
- Internal policy changes

Fund Level

- Analysis of each major fund
- Reasons for change and why and quantified magnitude
- Restrictions, commitments, and assignments of fund balance
- Facts, decisions, and conditions in addition to policy changes
 - Market conditions
 - Internal policy changes

Detailed Analyses – Government-Wide

Growth in intergovernmental grant revenues

There were notable increases in 20X5 in both operating and capital grants and contributions. Capital grants and contributions, which account for 5.2 percent of overall revenues for governmental activities, more than doubled to \$30.9 million from 20X4 to 20X5. Most of that amount was a one-time \$22.0 million capital contribution from the federal government in the form of the land and facilities of former Army Base 559, which is located in Sample City and ceased operations in 20X0. The City is in the process of converting the base to a central public works and transportation garage and headquarters.

Operating grants and contributions, which account for 6.4 percent of overall revenues for governmental activities, increased 22.9 percent to \$38.2 million in 20X5. All of that growth came from an increase in public safety grants from both the State and federal governments, which totaled \$31.4 million or over 82 percent of the operating grant revenue. Most of the additional grant revenue was received as part of a federal program to improve local emergency services readiness to respond to a variety of emergency scenarios, including natural disasters, terrorist attacks, and medical crises.

Detailed Analyses – Government-Wide

Sales tax

The largest single source of governmental activities revenue for the City is the local-option sales tax, which amounted to \$279.6 million in 20X5 or 46.8 percent of total revenue for the governmental activities. Sales tax revenue increased only 0.5 percent in 20X5 despite a 7.9 percent growth in taxable retail sales during the year, due to the expiration of a temporary 0.25 percent sales tax that financed the extension of a Highway 401 spur into downtown. That construction project was completed in 20X4.

The City sales tax rate of 3.40 percent has three components. The largest single portion, 1.50 percent, is restricted to paying for road and bridge construction and other infrastructure projects. Another 0.65 percent is restricted to public safety and to street, bridge, and other infrastructure maintenance. The remaining 1.25 percent provides unrestricted resources to support City services.

In 20X3, the City Council approved an ordinance to temporarily direct 0.09 percent of that 1.25 percent into the City's financial emergency reserve beginning in fiscal year 20X4. The related sales tax revenues will be set aside in the reserve until it reaches 10 percent of the City's adopted operating expense budget. Since the ordinance was passed, the reserve has grown from \$3.7 million to \$19.1 million, which represents 5.3 percent of the 20X6 adopted operating expense budget. Additions to the reserve of \$7.4 million in 20X5 are a part of the 38.4 percent decrease in governmental activities negative unrestricted net position.

Detailed Analyses – Major Funds

Table A-3
Revenues, Expenditures, and Changes in Fund Balances
(amounts expressed in thousands)

	General Fund		Debt Service Fund		Infrastructure Capital Projects Fund	
	20X5	20X4	20X5	20X4	20X5	20X4
Total Revenues	\$ 213,376	\$ 193,431	\$ 78,976	\$ 77,013	\$ 141,327	\$ 128,968
Total Expenditures	196,136	194,744	76,435	74,871	177,395	130,437
Excess (deficiency) of revenues over expenditures	17,240	(1,313)	2,541	2,142	(36,068)	(1,469)
Other Financing Sources (Uses)						
Other debt activity (net)	-	-	19	-	125,930	-
Proceeds from the sale of capital assets	275	646	-	-	-	-
Transfers in	2,630	365	-	-	192	-
Transfers out	(662)	-	-	-	(18,294)	(2,580)
Total other financing sources (uses)	2,243	1,011	19	-	107,828	(2,580)
Unusual or Infrequent Item—Flood Damage						
Grant revenue	2,500	-	-	-	-	-
Cleanup	(10,000)	-	-	-	-	-
Total unusual or infrequent item	(7,500)	-	-	-	-	-
Net change in fund balances	11,983	(302)	2,560	2,142	71,760	(4,049)
Fund balances—beginning of period	55,009	55,311	65,729	63,587	548,550	552,599
Fund balances—end of period	\$ 66,992	\$ 55,009	\$ 68,289	\$ 65,729	\$ 620,310	\$ 548,550

Detailed Analyses – Major Funds

General fund

The fund balance of the City's general fund increased by 21.8 percent. Excluding the effects of the flood damage, the general fund's fund balance would have been \$7.5 million greater. This increase in fund balance is attributable to (1) the 0.09 percent sales tax that has been set aside in a reserve as required by the ordinance passed in 20X3, (2) growth in revenues (previously discussed), and (3) a delay in planned increases in public safety expenditures as a result of the delay in the opening of new police station #453, offset by net flood damage expenditures.

Debt service fund

The City's inflows from property taxes may be used only to repay outstanding general obligation bonds. The small increase in inflows from property taxes mentioned earlier was more than sufficient to cover debt service fund expenditures for principal and interest. Overall, fund balance in the debt service fund increased 3.9 percent.

Infrastructure capital projects fund

Outlays for capital assets increased in 20X5 in the capital projects fund to the highest level in 10 years. The increase was the product of several major components of the city-wide highway and street improvement program ending this year and substantial progress being made on others. (Capital asset activity is discussed further below.) Despite those capital outlays and an additional transfer out to finance capital investments in other funds (principally the Transit Authority), the combination of sales tax revenues and tax-backed bond proceeds increased fund balance by 13.1 percent.

Detailed Analyses – Business-Type Activities

Table A-4
Revenues and Expenses
(amounts expressed in thousands)

	Public Utility		Transit Authority		Golf Courses	
	20X5	20X4	20X5	20X4	20X5	20X4
Total operating revenues	\$ 41,286	\$ 37,033	\$ 18,669	\$ 18,406	\$ 2,665	\$ 2,838
Total operating expenses	40,777	39,959	25,378	25,255	7,433	5,676
Operating income (loss)	509	(2,926)	(6,709)	(6,849)	(4,768)	(2,838)
Noncapital Subsidies						
Transfers in	-	-	2,090	3,502	110	2,203
Transfers out	(1,980)	-	-	-	-	-
Total noncapital subsidies	(1,980)	-	2,090	3,502	110	2,203
Operating income (loss) and noncapital subsidies	(1,471)	(2,926)	(4,619)	(3,347)	(4,658)	(635)
Other Nonoperating Revenues (Expenses)						
Earnings on investments	1,496	844	75	69	103	-
Interest expense	(1,910)	(2,141)	(448)	(500)	(963)	-
Capital contributions	2,938	2,199	-	-	-	-
Transfers in restricted for capital assets	1,032	497	15,360	-	2,384	252
Total other nonoperating revenues (expenses)	3,556	1,399	14,987	(431)	1,524	252
Increase (decrease) in fund net position	2,085	(1,527)	10,368	(3,778)	(3,134)	(383)
Total fund net position—beginning of period	331,657	333,184	177,997	181,775	29,423	29,806
Total fund net position—end of period	\$ 333,742	\$ 331,657	\$ 188,365	\$ 177,997	\$ 26,289	\$ 29,423

Among the three enterprise funds, only the Public Utility had a positive financial performance from operations in 20X5. (See Table A-4.) Operating expenses for the Public Utility rose 2.0 percent, predominantly because of a significant increase in pension expense of \$2.8 million. Operating revenues, of which 99.3 percent were charges for services, outpaced expenses by rising 11.5 percent.

Significant Capital Assets and Long-Term Financing

Capital Assets

- Description of significant capital asset activity – including intangibles
- Significant additions and disposals of capital assets and changes to commitments
- Policy changes or economic factors that affected activity

Long-Term Financing

- Similar to prior presentation
- Includes debt, leases, PPPs, and SBITAs
- Changes in credit rating, debt limitations
- Policy changes or economic factors that affected activity

Significant Capital Assets

Significant capital asset and long-term financing activity

The discussion thus far has only touched upon certain significant transactions and events during 20X5 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets—original cost minus accumulated depreciation—increased 3.2 percent over 20X4. However, that relatively small change does not completely capture the substantial amount of capital investment activity that occurred in 20X5.

The City's governmental activities had \$182.8 million in its beginning balance of construction in progress with another \$145.9 million in capital projects started during 20X5. Of those amounts, the City put \$127.4 million into operation during the year and, therefore, reclassified that amount to the other capital asset classifications of infrastructure and buildings and improvements. Additionally, the City contributed \$55.3 million of capital assets to not-for-profit organizations. This resulted in an ending balance of construction in progress of \$145.9 million. Many of the completed and ongoing capital projects are a part of the city-wide highway and street improvement program.

As previously noted, significant capital investments also are expected to be made as part of converting the former Army base to a city-wide public works and transportation garage and headquarters. The receipt of the base was reported as a \$22 million capital contribution, which increased both the land and buildings and improvement categories of the City's capital assets by \$15 million and \$7 million, respectively.

Significant Long-Term Financing

In 20X3, voters approved a referendum authorizing the City to issue up to \$125 million of tax-backed bonds to pay for a city-wide capital program to reconstruct major routes, including adding lanes, upgrading street surfaces in the business district, and adding additional buses and bus routes serving the business district. The City issued \$118.1 million of those bonds in 20X5, which is the primary reason that governmental activities long-term liabilities increased 5.7 percent overall. Slightly more than half of the addition to long-term liabilities by those bonds was offset by a reduction in general obligation debt outstanding (which decreased 12.4 percent) due to a series of bond calls and refundings that continued in 20X5.

Total bonds and notes payable outstanding increased 8.0 percent to \$718.5 million in 20X5. The most prominent aspect of that change, as already mentioned, was the issuance of \$118.1 million of bonds backed by the City sales tax, under the authorization of the 20X3 voter referendum. Netted against the principal that was repaid during the year, that new issuance increased tax-backed bonds outstanding by 50.7 percent.

By contrast, the amount of general obligation bonds outstanding decreased 12.4 percent to \$385.6 million. Each year since 20X0, the City has engaged in bond calls and refundings of significant amounts of general obligation debt, which has had the effect of reducing annual debt payments. In 20X5, the City called and refunded \$32.2 million of general obligation bonds. Additionally, the City has not issued any new general obligation debt since fiscal year 20W9.

As of the end of 20X5, the City's bonds—both general obligation and tax-backed—continued to possess the highest available rating from the municipal bond ratings services. Because all of the City's debt is voter approved, none of its outstanding debt is subject to the state-imposed debt limit.

Currently Known Facts, Decisions, or Conditions

- Description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or that are expected to produce significant differences from current period results of operations
 - Trends in relevant economic or demographic data
 - Factors used to develop subsequent year's budget
 - Budgetary analysis moved to RSI
- Replaces Significant Matters

Currently Known Facts, Decisions, or Conditions

Currently known facts, decisions, or conditions

The City is aware of five developments that will have an impact on the City's finances in the future and were therefore incorporated into next year's budget:

- (1) Public safety employee unions' new contract
- (2) Amendments to the City budget
- (3) Recent economic reports
- (4) Adoption of the State budget
- (5) Pension plan changes.

Public safety employee unions' new contract

The collective bargaining agreement for uniformed police officers and firefighters expired at the end of fiscal year 20X5. On September 15, 20X5, the members of the public safety employee unions ratified a new four-year contract that is retroactive to the start of fiscal year 20X6. The key features of the contract are annual increases in base pay of 3.5 percent; increases in rank pay, shift premiums, and other add-ons averaging 2.5 percent; and a series of nonpensionable bonuses at the end of each calendar year. The contract also changes certain staffing rules that will allow the City more flexibility in deploying its uniformed employees and, as a result, is expected to reduce overtime spending. The City's Labor Relations Division budgeted an annual increase of \$4.1 million of expenses to the public safety function, net of reduced overtime costs, as a result of the contract.

POLLING QUESTION #2

What is your plan for the MD&A this year?

- A. The MD&A has been reviewed for GASB 103 updates and is ready to go.
- B. We have our team working through it now.
- C. We have hired a consultant to help us prepare.
- D. We are planning to update the MD&A in the future and still determining the means.

Unusual or Infrequent Items

Unusual or Infrequent Items

- Extraordinary and Special Items are now Unusual or Infrequent Items
- Requirements to be recorded as such are as follows under GASB 62:
 - Unusual in Nature – The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the government, taking into account the environment in which the government operates.
 - Infrequency of Occurrence – the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the government operates.

Unusual or Infrequent Items

- Examples of Unusual or Infrequent Items
 - Unusual Natural Disasters (Consider the environment)
 - Capital asset impairments from an event.
 - Sale or disposal of significant assets
 - Environmental Cleanup (Oil Spill)
 - Large one-time donations
- Examples of what is not an unusual or infrequent item
 - California Governments – Earthquakes and Fires
 - Major financing
 - Legal settlements (Personal injury claims)

Unusual or Infrequent Items

- Presented separately and not shown net
- Located as a separate section before the change in fund balance/net position as well as a note disclosure.
- Must show the inflows and outflows for the occurrence

OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	-	30,649	119,681	-	150,330
Premium on debt issued	-	-	1,600	6,249	-	7,849
Payment to bond refunding escrow agent	-	-	(32,230)	-	-	(32,230)
Proceeds from the sale of capital assets	275	-	-	-	-	275
Transfers in	2,630	-	-	192	1,303	4,125
Transfers out	(662)	-	-	(18,294)	(5,680)	(24,636)
Total other financing sources (uses)	<u>2,243</u>	<u>-</u>	<u>19</u>	<u>107,828</u>	<u>(4,377)</u>	<u>105,713</u>
UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE						
Grant revenues	2,500	-	-	-	-	2,500
Cleanup	(10,000)	-	-	-	-	(10,000)
Total unusual or infrequent item	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>
Net change in fund balances	11,983	453	2,560	71,760	3,454	90,210
Fund balances—beginning of period	<u>55,009</u>	<u>4,024</u>	<u>65,729</u>	<u>548,550</u>	<u>14,879</u>	<u>688,191</u>
Fund balances—end of period	<u>\$ 66,992</u>	<u>\$ 4,477</u>	<u>\$ 68,289</u>	<u>\$ 620,310</u>	<u>\$ 18,333</u>	<u>\$ 778,401</u>

Proprietary Fund Statements

GASB 103 – Reporting Model Changes

- Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
 - The statement should distinguish between:
 - Operating revenues and expenses
 - Nonoperating revenues and expenses
 - Noncapital subsidies should be separately reported

GASB 103 – Reporting Model Changes

- Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
 - Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses
 - Nonoperating revenues and expenses are defined as:
 - Subsidies received and provided (Capital)
 - Non-capital is presented in a separate group
 - Contributions to permanent and term endowments
 - Revenues and expenses related to financing
 - Resources from the disposal of capital assets and inventory
 - Investment income and expenses
 - If the item does not fit inside one of these categories it cannot be reported as nonoperating revenues and expenses.

GASB 103 – Reporting Model Changes

- Subsidies are defined as:
 - Resources received from another party or fund
 - For which the proprietary fund doesn't provide goods and services to the other party or fund
 - That directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise
 - Resources provided to another party or fund
 - For which the other party or fund doesn't provide goods and services to the proprietary funds
 - That are recoverable through the proprietary fund's current or future pricing policies
 - All other transfers

GASB 103 – Reporting Model Changes

- What does this mean?
 - Non-Capital Subsidies:
 - Included in separate section; non-capital subsidies
 - Must not be limited for capital:
 - Transfers from general fund to keep rates low
 - Grants (Multi-purpose grants defaults to noncapital)
 - Payments in lieu of taxes (PILOTs) – Nonexchange and if they keep fees lower.
 - Capital Subsidies:
 - Included under nonoperating revenues and expenses.
 - Are these subsidies limited for capital?
 - Proceeds of debt for capital related purposes
 - Grant award limited for capital related purposes
 - Extra fee approved for recovery of prior or future capital costs.

Presentation of the Proprietary Fund Statement of Revenue, Expenses and Changes in Net Position

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

Presentation of the Proprietary Fund Statement of Revenue, Expenses and Changes in Net Position

	<u>Public Utility</u>
OPERATING REVENUES	
Charges for services	\$ 41,003
Miscellaneous	283
Total operating revenues	<u>41,286</u>
OPERATING EXPENSES	
Personnel services	13,991
Contractual services	13,952
Insurance claims and expenses	-
Depreciation	11,767
Other	1,067
Total operating expenses	<u>40,777</u>
Operating income (loss)	<u>509</u>
NONCAPITAL SUBSIDIES	
Intergovernmental revenue	-
Transfers in	-
Transfers out	<u>(1,980)</u>
Total noncapital subsidies	<u>(1,980)</u>
Operating income (loss) and noncapital subsidies	<u>(1,471)</u>
OTHER NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,496
Gain from the sale of capital assets	-
Interest expense	(1,910)
Capital contributions	2,938
Transfers in—restricted for capital assets	<u>1,032</u>
Total other nonoperating revenue (expenses)	<u>3,556</u>
Increase (decrease) in fund net position	2,085
Fund net position—beginning of period	<u>331,657</u>
Fund net position—end of period	<u>\$ 333,742</u>

GASB 103 – Reporting Model Changes

- Statistical Section
 - Governments engaged in only business-type or business-type and fiduciary activities should present revenues by major source
 - Distinguish between operating, noncapital subsidy, and other nonoperating revenues and expenses

POLLING QUESTION #3

What is the most challenging aspect of GASB 103 so far?

- A. The changes to the MD&A
- B. Unusual or Infrequent Items
- C. Subsidies and Nonoperating Revenues and Expenses
- D. Budgetary Comparison Changes

Major Component Unit Information

GASB 103 – Reporting Model Changes

- Information about Major Component Units in Basic Financial Statements
 - Should present each major component unit separately in the statements of net position and activities if it does not reduce the readability of the statements
 - If it does reduce the readability, combining statements of major component units should be included in the basic financial statements after the fund 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	
Primary government:								
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>	
Total component units	<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
Component units:								
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)
Total component units	\$ 111,018	\$ 72,991	\$ 16,503	\$ 12,902	(202)	2,619	(11,039)	(8,622)
General revenues:								
Taxes:								
Sales taxes					-	-	6,340	6,340
Property taxes					-	-	3,153	3,153
Investment earnings					554	1,523	957	3,034
Total general revenues					554	1,523	10,450	12,527
Change in net position					352	4,142	(589)	3,905
Net position—beginning of period					23,687	275,715	96,166	395,568
Net position—end of period					\$ 24,039	\$ 279,857	\$ 95,577	\$ 399,473

Budgetary Comparison Information

GASB 103 – Budgetary Comparison Information

- Budgetary Comparison Information
 - Schedules should be presented as RSI for the General Fund and major special revenue funds
 - Requires separate columns for the variances between
 - Original and Final Budget Amount
 - Final Budget amounts and actual results
 - Explanation of significant variations required to be presented in the notes to RSI.
 - Remove discussion from MD&A
 - Significant = Material
 - Must be specific
- GASB 103 no longer supports Budgetary Statements reported in your Basic Financial Statement.

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)

	<u>Budgeted Amounts</u>		<u>Variance with Original Budget— over (under) Final Budget</u>	<u>Actual Amounts Budgetary (and GAAP) Basis</u>	<u>Variance with Final Budget— over (under) Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
BUDGETARY REVENUES					
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					
BUDGETARY EXPENDITURES					
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>
RECONCILIATION TO GAAP BASIS					
Total fund balance GAAP basis				<u>\$ 4,477</u>	

Required Supplementary Information
Note to Budgetary Comparison Schedules
(amounts expressed in thousands)

Note A—Actual Budget Results

	<u>General Fund over (under)</u>	<u>Public Safety and Transportation Fund over (under)</u>
BUDGETARY REVENUES		
Differences—final budget to actual:		
The City experienced an increase in revenue for taxes from budgeted amounts primarily due to the opening of the new shopping center 3 months earlier than expected.	\$ 4,170	\$ 1,617
Actual amounts of interest revenue exceeded budgeted amounts as the City saw higher interest rates than expected.	1,692	395
BUDGETARY EXPENDITURES		
Differences—original budget to final budget:		
The original budget was amended for public safety as the new police station #453 was completed 7 months behind schedule. The original budget included salaries and benefits for new officers and administrative staff, in addition to noncapital building expenditures. Station #453 will be opening in the next fiscal year, and these expenditures have been included in the next year's budget.	\$ (2,526)	\$ -
UNUSUAL OR INFREQUENT ITEM		
Differences—original budget to final budget:		
The City experienced flood damage during the current fiscal year. During the year, the City increased the original budget to account for the State grants received to address the flood damage.	\$ 2,500	\$ -
During the year, the City increased the original budget to account for the spending required to address the flood damage.	(10,000)	-

Note: This explanation of significant differences is shown in a tabular format. Governments can show this information in other styles such as paragraph form if they choose.

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.

POLLING QUESTION #4

How are you feeling about GASB 103 after this?

- A. More confident
- B. The same
- C. Less confident

Review the Example in GASB 103

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

Exhibit 1: Management's Discussion and Analysis	37
Exhibit 2: Statement of Net Position	51
Exhibit 3: Statement of Activities.....	52
Exhibit 4: Balance Sheet—Governmental Funds.....	53
Exhibit 5: Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds.....	54
Exhibit 6: Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	55
Exhibit 7: Statement of Net Position—Proprietary Funds.....	56
Exhibit 8: Statement of Revenues, Expenses, and Changes in Fund Net Position— Proprietary Funds.....	57
Exhibit 9: Statement of Cash Flows—Proprietary Funds	58
Exhibit 10: Statement of Fiduciary Net Position—Fiduciary Funds.....	59
Exhibit 11: Statement of Changes in Fiduciary Net Position—Fiduciary Funds.....	60
Exhibit 12: Combining Statement of Net Position—Discretely Presented Component Units	61
Exhibit 13: Combining Statement of Activities—Discretely Presented Component Units.....	62
Exhibit 14: Selected Notes to Financial Statements.....	63
Exhibit 15: Budgetary Comparison Schedule—General Fund.....	66
Exhibit 16: Budgetary Comparison Schedule—Public Safety and Transportation Special Revenue Fund	67
Exhibit 17: Notes to Budgetary Comparison Schedules.....	68
Exhibit 18: Combining Balance Sheet—Nonmajor Governmental Funds.....	69
Exhibit 19: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	70
Exhibit 20: Combining Statement of Net Position—Internal Service Funds.....	71
Exhibit 21: Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Internal Service Funds.....	72
Exhibit 22: Combining Statement of Cash Flows—Internal Service Funds	73

Questions?

Contact



Riley Greenlee, CPA
Senior Manager
Assurance & Advisory
Riley.greenlee@lslcpas.com



LSL



WEBINAR

**GASB 104 & 105: Small Updates That
Can Create Big Questions**

Earn 1 CPE credit!

**Tues, July 14
10:00AM PST**

Contact Us



www.lslcpas.com



contact.us@lslcpas.com



(949) 829-8299