

**ANALYSIS OF OCBOA FINANCIAL STATEMENTS
POST GASB 34**

OCBOA Issue	General Considerations	Cash Receipts and Disbursements Basis (Cash Basis)	Modified Cash Basis – Modifications of Cash Basis Having Substantial Support
<p>Required OCBOA Financial Statements and Required Supplemental Information (RSI) - Upon GASB 34 Applicability or Implementation</p>	<p>Same type of financial statements and RSI that are required under GAAP (GASB 34) and are applicable to the cash basis or modified cash basis.</p>	<ul style="list-style-type: none"> • MD&A • Government-Wide Statement of Cash Balances • Government-Wide Statement of Cash Receipt and Disbursement Activities • Governmental Funds Balance Sheet – Cash Basis • Governmental Funds Statement of Receipts, Disbursements and Changes in Cash Balances • Proprietary Funds Balance Sheet – Cash Basis • Proprietary Funds Statement of Receipts, Disbursements and Changes in Cash Balances • Fiduciary Funds Statement of Cash Balances • Fiduciary Funds Statement of Changes in Cash Balances • Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds – Budget Basis 	<ul style="list-style-type: none"> • MD&A • Government-Wide Statement of Net Assets – Modified Cash Basis • Government-Wide Statement of Activities – Modified Cash Basis • Governmental Funds Balance Sheet – Modified Cash Basis • Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis • Proprietary Funds Balance Sheet – Modified Cash Basis • Proprietary Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis • Fiduciary Funds Statement of Net Assets – Modified Cash Basis • Fiduciary Funds Statement of Changes in Net Assets – Modified Cash Basis • Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds – Budget Basis
<p>Footnote Disclosures Required in OCBOA Presentation</p>	<p>Footnotes should include a summary of significant accounting policies that discusses the basis of presentation and accounting and how it differs from GAAP. In addition, when the financial statements contain items that are the same as, or similar to, those in GAAP based financial statements, similar informative and required disclosures are appropriate. Other GAAP required general disclosures would also be appropriate, such as related party transactions.</p>	<ul style="list-style-type: none"> • Summary of significant accounting policies and differences from GAAP • Custody credit risk of deposits and investments • Any other disclosures appropriate for elements, accounts or items presented • Material noncompliance with financial related laws, regulations or contract provisions • Pension plan participation • Commitments and contingencies • Risk management • Subsequent events • Related party transactions 	<ul style="list-style-type: none"> • Summary of significant accounting policies and differences from GAAP • Same or similar GAAP disclosures that are applicable to all accounts presented on the modified cash basis • Material noncompliance with financial related laws, regulations or contract provisions • Pension plan participation • Commitments and contingencies • Risk management • Subsequent events • Related party transactions

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Government-Wide Statement of Net Assets	The Statement of Net Assets would be required to be segregated between governmental activities, business-type activities and discretely presented component units.	Accounts reported would normally include: Cash Marketable Investments (if defined as part of cash) Net Assets (classified as restricted and unrestricted)	Accounts included would be the same as cash basis plus modifications for any other accounts that could be recorded under GAAP and that do not result in an illogical presentation. (Such as capital assets, depreciation and long-term debt.)
Government-Wide Statement of Activities	The Statement of Activities would need to report program receipts (revenues), disbursements (expenses) and net program receipts (revenues) or net disbursements (expenses) segregated between governmental activities, business-type activities and discretely presented component units, in addition to reporting general receipts (revenues) and changes in cash balances.	Presentation would be limited to receipts and disbursements and be organized as follows: Program Cash Disbursements Program Cash Receipts: <ul style="list-style-type: none"> • Charges for services • Operating grants and contributions • Capital grants and contributions Net Receipts (Disbursements) General Receipts Changes in Cash Balances	Presentation would include the same accounts as the cash basis plus modifications that could be recorded under GAAP and that do not result in an illogical presentation (such as depreciation on capital assets). The presentation would be organized as follows: Program Expenses Program Revenues: <ul style="list-style-type: none"> • Charges for services • Operating grants and contributions • Capital grants and contributions Net Revenues (Expenses) General Revenues Changes in Net Assets
Fund Financial Statements	The fund financial statements should be presented in a similar format to the GAAP presentation. Major funds would be reported in separate columns and non-major funds aggregated in a single column.	Accounts presented for all fund types would include cash, investments, receipts and disbursements such as those included in the government-wide presentation but presented in the balance sheet and statement of receipts and disbursements and changes in cash balances format.	Accounts presented for governmental funds would include those presented on the cash basis plus modifications for any other accounts that could be recorded under GAAP for governmental funds (modified accrual and current financial resource focus) and that do not result in an illogical presentation. Accounts presented for proprietary and fiduciary funds would include those presented on the cash basis plus modifications for any other accounts that could be recorded under GAAP for proprietary (accrual basis and economic resource focus) and that do not result in an illogical presentation.

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Proprietary Funds Cash Flow Statement	A cash flow statement for proprietary funds would only be required when the operating statement does not present all cash flow activities.	Cash flow statement is not required, since all cash flow data is already presented in the proprietary operating statement.	Cash flow statement would be required when modifications to the cash basis result in certain cash flows (such as purchase of capital assets or retirement of long-term debt) not being presented in the proprietary fund operating statement.
Reconciliation of Fund Financial Statements to the Government-Wide Statements	<p>A reconciliation could be required in four instances:</p> <ol style="list-style-type: none"> 1. A difference in measurement focus; 2. A difference in basis of accounting for certain accounts; 3. Government-wide governmental activities reported in proprietary funds; or 4. Government-wide business-type activities reported in governmental funds 	<p>There should be no reconciliation required resulting from a difference in measurement focus. Focus is on cash receipts and disbursements only at both the fund level and government-wide level.</p> <p>Reconciliation may be required if government-wide governmental activities are reported in proprietary funds. <i>Example:</i> non-enterprise park activities reported in an enterprise fund.</p> <p>Reconciliation may be required if government-wide business-type activities are reported in governmental funds. <i>Example:</i> utility activity capital improvements reported in a governmental capital project fund.</p>	<p>A reconciliation may be required since the governmental fund financial statements are presented on a current financial resources measurement focus while the government-wide are presented on an economic resources focus and certain modifications to the cash basis could result in measurement focus differences. <i>Example:</i> capital assets acquired in governmental funds would be recorded as capital outlay expenditure in the fund statements, while they would be capitalized and depreciated in the government-wide statements.</p> <p>A reconciliation may be required since the governmental fund financial statements could include certain accounts reported on the modified accrual basis while the government-wide statements would report the certain accounts on the accrual basis. <i>Example:</i> a cash basis modification to record deferred revenue may result in different amounts reported in the fund statements (modified accrual - measurable and available recognition for this account) and the government-wide statements (full accrual recognition for this account).</p> <p>Reconciliation may also be required for the reclassification of fund activity to governmental and business-type activities as discussed.</p>

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Management's Discussion and Analysis (MD&A)	An MD&A would be required in any OCBOA presentation. It should be appropriately tailored to discuss financial information in the context of the limitations of the basis of accounting used.	An MD&A would be required. It should be appropriately tailored to discuss financial information in the context of the limitations of the cash basis of accounting. <i>Example:</i> when discussing the improvement or deterioration of the overall financial condition of the entity, the MD&A should alert the reader to the fact that the reported change in financial condition is actually a change in cash position and not a change in the economic condition of the entity.	An MD&A would be required. It should be appropriately tailored to discuss financial information in the context of the limitations of the modified basis of accounting. <i>Example:</i> see example in the cash basis section
Budgetary Comparison Schedule	A budgetary comparison schedule would be required for the general fund and any major special revenue funds with legally adopted annual budgets and would be presented on the basis of accounting used for budgeting.	A budgetary comparison schedule would be required and would be presented on the budgetary basis of accounting if different from the cash basis. <i>Example:</i> the budgetary basis could report encumbrances as charges against appropriation in addition to cash disbursements.	A budgetary comparison schedule would be required and would be presented on the budgetary basis of accounting if different from the modified cash basis. <i>Example:</i> the budgetary basis could report encumbrances as charges against appropriation in addition to modified cash basis expenditures.
Treatment of Capital Assets & Depreciation	Capital asset and depreciation treatment will vary depending upon the basis of accounting used, such as use of the cash receipts and disbursements basis or use of a modified cash basis that has elected to report capital assets and depreciation where appropriate.	Capital assets resulting from cash transactions will be reported as cash disbursements in the acquiring fund and appropriate government-wide activity column upon cash acquisition. No capital assets or related depreciation will be reported in the fund financial statements or the government-wide statements.	The recording of capital assets and depreciation (where appropriate) can be a modification to the cash basis having substantial support. With such a modification, in the fund financial statements, capital assets and depreciation would <u>not</u> be reported in the governmental funds, but would be reported in proprietary and fiduciary funds. With such a modification, in the government-wide statements, capital assets and depreciation would be reported for all activities.

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<p>Treatment of Long-term Debt and Debt Service</p>	<p>Long-term debt and debt service treatment will vary depending upon the basis of accounting used, such as use of the cash receipts and disbursements basis or use of a modified cash basis that has elected to report long-term debt and debt service where appropriate.</p>	<p>Proceeds from long-term debt arising from cash transactions will be recorded as a cash receipt upon receipt of the proceeds. Debt service (both principal and interest payments) resulting from cash transactions will be reported as cash disbursements in the paying fund and appropriate government-wide activity column upon cash payment. No long-term debt will be reported in the fund financial statements or the government-wide statements.</p>	<p>The recording of long-term debt and debt service (where appropriate) can be a modification to the cash basis having substantial support.</p> <p>With such a modification, in the governmental fund financial statements, long-term debt arising from cash transactions would <u>not</u> be reported in the funds, their proceeds would be reported as other financing sources, and principal and interest payments on the debt would be reported as expenditures.</p> <p>With such a modification, in the proprietary and fiduciary fund financial statements, long-term debt arising from cash transactions would be reported as a liability in the funds, principal payments would be reported as a reduction of the liability, and interest payments on the debt would be reported as expenses.</p> <p>With such a modification, in the government-wide statements, long-term debt arising from cash transactions would be reported as a liability in the appropriate activity column, principal payments would be reported as a reduction of the liability, and interest payments on the debt would be reported as expenses.</p>

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Notes:

(1) Professional standards references:

- AICPA Professional Standards – AU § 623.02 – 623.10
- AICPA Professional Standards - AU § 623.88 – 623.93
- AICPA Professional Standards – TIS § 1500.04 – 1500.05

(2) The above analysis is limited to addressing the issues related to implementing GASB Statement 34 as the issues relate to financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles (OCBOA) that is considered a cash basis or modified cash basis presentation. This analysis does not address GASB 34 issues as they relate to a regulatory basis OCBOA or special purpose presentations as defined in AU § 623.

(3) The above analysis has been developed as a guide to preparing certain OCBOA financial statement presentations for state and local governments upon the applicability or early implementation of the new financial reporting model promulgated by the GASB in Statement 34. The analysis is based solely on the interpretation of standards and the opinion of the author, and should not be considered authoritative guidance.