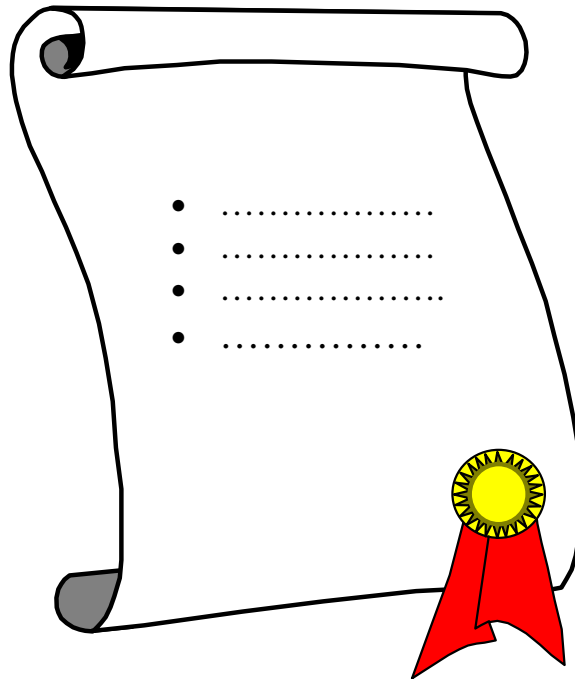


GASB Statement No. 34 Implementation Checklist



**Checklist Of Activities To Be Followed To Prepare Financial
Statements In Compliance With The New Requirements Under
GASB Statement No. 34**

APPENDIX 1: Checklist and related discussion of activities to be followed to prepare financial statements in compliance with the new requirements

I. Board of Trustee Actions

II. Project Steering Committee Actions

- A. Phase 1: Understanding the Implications of GASB Statement No. 34 and
Developing a Workplan for Implementation
- B. Phase 2: Identifying key areas needed to be addressed and necessary actions to be
taken relating to the district's implementation of GASB 34
- C. Phase 3: Preparing draft financial statements in accordance with GASB 34
- D. Phase 4: Publishing financial statements in accordance with GASB 34

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Checklist of Key Issues for Implementation

(Note: R= Required Activity A = Available Alternative)

I. Board of Trustee Actions

	Activity	Status
R	Form a project steering committee to oversee the implementation process.	_____
R	Ensure that the committee consists of individuals representing the various departments including financial management, budget, internal audit, information systems, etc. with a broad knowledge of the district’s activities.	_____
R	Budget for additional costs resulting from the implementation project. These costs include costs related to: <ul style="list-style-type: none"> • Additional demands on staff time • Recruiting of additional personnel • Training of staff • System modifications • Time and resources for capital asset identification and valuation 	_____
A	Receive reports from the project steering committee and facilitate discussions concerning progress.	_____

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II. Project Steering Committee Actions

GASB Statement 34 Implementation Checklist

	Recommended Activity	Phase
R	Gain awareness of GASB Statement No. 34 and its implications on the annual report by: <ul style="list-style-type: none"> • Reading GASB Statement No. 34 as available from the Governmental Accounting Standards Board • Reading the TEA Implementation Guide with comprehensive information and specific guidance to school districts in Texas 	Phase 1
R	Develop a general time line for the district’s implementation of GASB Statement No. 34 by fiscal year 2002. Insert link to timeline at Exhibit I	Phase 1
R	Identify key areas needed to be addressed relating to the district’s implementation of GASB Statement No. 34 <ul style="list-style-type: none"> • Fund structure and fund statement changes • Capital assets including infrastructure tracking and reporting procedures • Financial statement preparation 	Phase 2
R	Assess the availability of significant information that the district needs, to satisfy each significant reporting area of GASB Statement No. 34.	Phase 2
	Establish key accounting policy changes. Insert link to Exhibit II here.	Phase 2
R	Assess the ability of the district’s current accounting system to assemble information in accordance with GASB Statement No. 34.	Phase 2
R	Determine methods to resolve potential problems and establish procedures to accumulate information necessary for financial statement preparation.	Phase 2
A	Prepare draft financial statements based on fiscal year 2000 or 2001 financial statements.	Phase 3
R	Publish financial statements in accordance with GASB Statement No. 34 requirements for fiscal year 2002.	Phase 4

A. Phase 1

Task	Status
<p>Understand the implications of GASB Statement No. 34 and develop a workplan for implementation</p>	
<p><u>Understanding GASB Statement No. 34</u></p> <p>In June 1999, GASB introduced the new financial reporting model in Statement No. 34, <i>Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments</i>. The Statement integrates the traditional focus of government fund financial statements, relating to fiscal accountability and the modified accrual basis of accounting, with new forms of reporting to meet users’ needs for longer-term financial information, and to ensure that the operational accountability objective of governments is fulfilled. In order to understand the scope and implications of this Statement it is essential for the Steering Committee members to gain a strong understanding of GASB Statement No. 34 and its effect on the annual report. This understanding can be obtained by:</p> <p><u>Step 1:</u> Reading GASB Statement No. 34 as available from the Governmental Accounting Standards Board.</p> <p><u>Step 2:</u> Reading the TEA Implementation Guide with comprehensive information and specific guidance for school districts in Texas.</p>	<p>_____</p> <p>_____</p>
<p><u>Developing a workplan for the implementation of GASB Statement No. 34 by fiscal year 2002.</u></p> <p>Refer to Exhibit 1 for a suggested time line</p>	<p>_____</p>

B. Phase 2

	Tasks	Status
	<p>Identify key areas needed to be addressed and necessary actions to be taken relating to the district’s implementation of GASB Statement No. 34</p>	
	<p>B1. Required Fund Reclassifications</p>	
<p>R</p>	<p>As required under the previous reporting model, GASB 34 continues to require fund level financial statements. However, GASB 34 requires that the following changes be made <i>at the fund level</i>:</p> <p><i>Contributed Capital</i></p> <p>As GASB 34 eliminates the use of contributed capital, reclassify contributed capital to retained earnings as of the effective date of reporting model. Record all contributed capital received after the effective date as revenues. Refer to GASB 34 Paragraphs 102 and 103 for guidance on where such revenues will be reported. The following entry should be made at the fund level to reclassify contributed capital at initial implementation to retained earnings:</p> <p style="padding-left: 40px;">Dr Contributed capital Cr. Retained earnings</p> <p><i>Fiduciary Funds</i></p> <p><u>Step 1</u>: Analyze funds currently being reported as fiduciary to determine if there are any that meet the definition of pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds or agency funds. [¶ 69 – 73]</p> <p><u>Step 2</u>: Analyze funds currently being reported as nonexpendable and expendable trust to determine how they will be classified in the new reporting model. The classification of each fund is dependent upon the circumstances of the fund, however, the conversion would generally occur as follows:</p> <ul style="list-style-type: none"> • Nonexpendable trust funds, such as scholarship funds, will generally be classified as Permanent Funds. Permanent Funds are required to be used to report resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government programs. Note that this is a change from 	

full accrual to modified accrual. The district should report the Permanent Funds under fund codes 830 – 849 as appropriate. Therefore, this will simply be a change of title from “nonexpendable trust fund” to “Permanent Fund”.

Make the following entries at the beginning of year in which reporting model is effective in order to reclassify Non-Expendable trust funds from accrual to modified accrual basis of accounting:

1. Record receivable at modified accrual basis of accounting. Identify the receivables as of the beginning of the year that are not measurable and available (receivable not collectible within 60 days from year end) and record the following entries at the fund level:

Dr. Fund balance
Cr. Deferred revenues

2. Record payable at modified accrual basis of accounting. Eliminate any long term liabilities, including debt, from fund level:

Dr. Liability
Cr. Fund balance

3. Remove fixed assets originally capitalized, remove any accumulated depreciation:

Dr. Fund balance
Cr. Fixed assets
Dr. Accumulated depreciation
Cr. Fund balance

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Step 3: Analyze the expendable trust funds to determine whether they should be reclassified as special revenue funds or whether they meet the definition of the private-purpose trust or investment trust. If so, use fund code _____ for private-purpose trusts and fund codes _____ for investment trusts. Expendable trusts which do not meet those definitions will be reclassified to Special Revenue fund codes 460 – 499.

The treatment noted above assumes that the purposes for which the district currently uses its expendable and nonexpendable trust funds meet the existing definitions of such funds. The purpose of each fund should be reviewed to ensure that the classification is in accordance with the requirements of ¶35 and ¶405-406 of the Statement.

Step 4: Analyze the agency funds to assure they are appropriately classified as agency funds. Any portions of agency fund assets which are held for other

funds should be reported in those funds rather than in agency funds. [¶395.]
Continue to report agency funds at fund codes 860 – 899.

Enterprise Funds

Analyze funds currently being reported as enterprise funds to determine needed fund changes based on criteria under GASB Statement No. 34. GASB Statement No. 34 has made the conditions under which a government uses enterprise funds more restrictive [¶66 – 67]. Activities are required to be reported as enterprise funds if the activity is financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity, *or* has laws or regulations that require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenue, *or* has pricing policies of the activity which establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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	<p>B2. Potential Fund Reclassifications</p>	
<p>O</p>	<p><i>Internal Service Funds</i></p> <p>Consider eliminating ineffective or unnecessary internal service funds and performing the accounting for the activities in these funds as a Special Revenue fund or in a separate department in the General fund. Note that if this one-time option is used, the internal service funds will actually be eliminated in the general ledger and the activities accounted for in the General Fund department. Once the initial elimination is made on the books, the internal service funds will not exist, except as a department of the General Fund. In order to eliminate the internal service fund prior to the effective date of reporting model, perform a residual equity transfer of the retained earnings to the funds that had made equity contributions to internal service funds (take into consideration any federal compliance issues):</p> <p>Internal service Fund: Dr. retained earnings Dr. Accounts payable Dr. Accrued liabilities Dr. Long Term Debt Dr. Due to Cr. Cash Cr. Receivables Cr. Due from Cr. Inventories Cr. Prepaid Cr. Fixed assets</p> <p>Governmental Funds: Dr. Cash Dr. Receivables Dr. Due from Dr. Inventories Dr. Prepaid Cr. Fund balance Cr. Accounts payable Cr. Accrued liabilities Cr. Due to Cr. Deferred revenue</p>	
	<p>B3. Major Fund Determination</p>	
<p>R</p>	<p>After any necessary fund reclassifications have been made and <i>after ALL year-end closing entries have been made</i>, the district should determine the major funds.</p>	

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	<p>NOTE: In determining major funds, include General, Special Revenue, Capital Projects, Debt Service, Permanent Funds and Enterprise Funds.</p> <p>DO NOT include Fiduciary Funds (as defined under the new reporting model) or any remaining Internal Service Funds in the major fund determination calculation.</p> <p><u>Step 1:</u> Determine major funds and document criteria and methodology used. [¶ 75 – 76]</p> <p>GASB has defined major funds as those funds meeting the following criteria:</p> <ul style="list-style-type: none"> – Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary revenues and expenditures/expenses) of the individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category (governmental funds) or type (enterprise funds), <i>and</i> – Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary revenues and expenditures/expenses) of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. <p style="text-align: center;">INSERT LINK TO MAJOR FUND MATRIX HERE</p>	
O	<p><u>Step 2:</u> Consider whether other funds which do not meet the criteria in step 1 are to be presented separately in the basic financial statements. Statement No. 34 allows the district to report additional major funds if management believes those funds should be shown separately. Document reasons for classifying additional funds as major. [¶ 76]</p>	_____
O	<p><u>Step 3:</u> Consider whether the district will present combining statements for non-major funds as supplementary information. <i>This presentation is not required by GASB or TEA.</i> The exclusion of combining statements for non-major funds will streamline the presentation of the annual financial report. [¶76]</p>	_____
O	<p><u>Step 4:</u> Consider the option of combining Special Revenue funds into “Federal”, “State” and “Local” categories for fund statement presentation. However, if a fund has a legally adopted budget, combining funds for the budgetary presentation is not permitted. If the Food Service fund is accounted for as a Special Revenue fund, it MUST be presented separately.</p>	
	<p>B4. Prepare Governmental Fund Financial Statements</p>	

	<p>As required under the previous reporting model, the district should continue to prepare the governmental fund type financial statements under the modified accrual method of accounting. See Appendices 3 and 4 for sample financial statements. The template in Appendix 5 may be used to prepare your financials.</p> <p>The funds to be reported are the General fund and the major funds. The district will no longer present the General Fixed Assets Account Group or the General Long-Term Debt Account Group separately in the external financial report, as these will be reported in the governmental activities column in the government-wide statement of net assets as further discussed in Section_____of this appendix.</p>	
	<p>B5. Prepare Proprietary Fund Financial Statements</p>	
	<p>As required under the previous reporting model, the district should continue to prepare the proprietary fund type financial statements under the full accrual method of accounting. See Appendices 3 and 4 for sample financial statements. The template in Appendix 5 may be used to prepare your financials.</p> <ul style="list-style-type: none"> • Determine the methodology for capturing information for the cash flow statement using the direct method. [¶ 105, 440] See also the example provided by GASB in the GASB 34 Implementation Guide. • Distinguish between current and long term assets and liabilities to meet ‘classified’ format requirements. • Ensure that the system has the ability to identify operating and nonoperating revenues and expenses. • Capture information about capital contributions and additions to the principal of permanent and term endowments which are to be presented as revenue after nonoperating revenues and expenses on the statement of revenues, expenses and changes in fund net assets [see ¶ 101]. • Determine whether segment information should be presented in the notes to the financial statements [¶ 122]. A segment is an identifiable activity reported within an enterprise fund for which a revenue bond is outstanding. A segment has an identifiable revenue stream that is pledged on a revenue bond. 	

	<p>B6. Prepare Fiduciary Fund Financial Statements</p>	
	<p>The fiduciary fund category under GASB Statement No. 34 includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. Fiduciary fund reporting focuses on net assets and changes in fiduciary net assets. Fiduciary fund financial statements should include information about all fiduciary funds of the primary government, as well as component units that are fiduciary in nature. The statements should provide a separate column for each fund type. Fiduciary component units should be reported within the appropriate fiduciary fund types rather than aggregated in a separate fiduciary component unit column.</p>	

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<p><u>Step 8</u>: Ensure that there are mechanisms in place to calculate and monitor depreciation expense and accumulated depreciation.</p> <p><u>Step 9</u>: Implement procedures to capture net interest to be capitalized on assets acquired with debt proceeds, as well as ancillary costs, after the effective date of the reporting model. Note that these procedures are NOT to be implemented retroactively, but on a prospective basis after the effective date of the reporting model.</p>	
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<p><u>Infrastructure Assets – if applicable to the district</u></p> <p><u>Step 1:</u> Prepare a detailed inventory listing of known infrastructure assets [¶ 148]:</p> <ul style="list-style-type: none"> • <i>Prospective Basis:</i> If the infrastructure assets are NOT major (as defined in Step 4 below, then only the acquired, renovated, restored, or improved infrastructure assets AFTER the effective date of implementing Statement No. 34 should be recorded and reported. • <i>Retroactive Basis:</i> This basis should be used for all major general infrastructure assets (as defined in Step 4 below) acquired, renovated, restored, or improved in the fiscal years ending after June 30, 1980. <p><u>Step 2:</u> Determine whether the district will record infrastructure assets acquired prior to June 30, 1980.</p> <p><u>Step 3:</u> Determine the level of detail for identifying and valuing infrastructure assets. The level of detail is determined by capitalization policies established by the district. Capital assets may be recorded at the class, network, subsystem or individual asset level.</p> <p>School districts may have infrastructure such as roads, or water treatment facilities. The following is an example of the capitalization of water treatment facilities, however, it can be applied to other types of infrastructure within the district.</p> <p>For example:</p> <ul style="list-style-type: none"> • The district could capitalize one type of infrastructure asset at the <i>network level</i>, for example all water treatment facilities could be considered the water treatment network.. • All of the water treatment facilities could be capitalized at the <i>subsystem level</i> such as by intake structures, pipelines, and treatment areas. • The system could be capitalized as subsystems by geographic region, for example if more than one treatment facility is utilized. • Subsystems could also be defined as components such as buildings, clarifiers, pipelines, etc. • Additionally, the district may capitalize one type of infrastructure asset at the network level, such as water treatment facilities and another type at the subsystem level, such as roads by region, or even by individual asset. <p><u>Step 4:</u> Use the following criteria in determining major general infrastructure assets at the network or subsystem level:</p>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
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<ul style="list-style-type: none"> • The cost or estimated cost of the subsystem is expected to be at least 5 percent of the total cost of all general capital assets of the government reported in the first fiscal year ending after June 15, 1999 <i>or</i> • The cost or estimated cost of the network is expected to be at least 10 percent of the total cost of all general capital assets of the government reported in the first fiscal year ending after June 15, 1999. <p>If either of the above criteria are not met, recording of the network is not necessary, however, reporting of nonmajor networks is encouraged.</p> <ul style="list-style-type: none"> • Use the following calculation matrix for determining major infrastructure assets. <p>INSERT tea_infra_major.xls HERE</p> <ul style="list-style-type: none"> • The district is only required to record those infrastructure assets which are major. <p><u>Step 5:</u> Identify personnel who will be determining cost of infrastructure:</p> <ul style="list-style-type: none"> • Consider the qualifications of department staff in making valuation estimates. • Consider engaging outside experts, if necessary. <p><u>Step 6:</u> Determine the cost of infrastructure assets and document the methodology used:</p> <ul style="list-style-type: none"> • <i>Historical Cost:</i> Historical costs represent the total cost of construction, additions, and improvements since June 30, 1980, plus capitalized interest and ancillary charges necessary to place the asset into its intended use. Note: The cost of land should be broken out separately when determining the cost of infrastructure assets. If the cost of land could not be substantiated because it was purchased over 50 years ago, it may be that the cost of land is immaterial to the financial statements, and therefore simply include land in the cost of the infrastructure. • <i>Estimated Historical Cost:</i> If cost records are inadequate, historical costs may be estimated by calculating the current replacement value of a similar asset and deflating the cost by applying price-level indices to the year of acquisition or most recent improvement. For roads, refer to the web-site www.fhwa.dot.gov/ohim/hs98/tables./pt.pdf for the Price Trends for Federal Aid Highway Construction, published by the U.S. Department of Transportation, Federal Highway Administration, Office of Program Administration, Office of Infrastructure. 	<hr/> <hr/>
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	<p><u>Step 7:</u> Determine the useful lives and salvage value of infrastructure assets necessary for straight-line method of depreciation.</p> <p><u>Step 8:</u> Consider whether additional resources, such as software, are needed to calculate depreciation and accumulated depreciation for infrastructure assets.</p>	
	<p><u>Historical Treasures/Works of Art</u></p> <p><u>Step 1:</u> Determine the district’s policy regarding capitalization of historical collections, i.e. historical treasures, including historical buildings, and works of art:</p> <ul style="list-style-type: none"> • If the district’s policy is not to capitalize historical collections, there is no need to determine the cost of historical collections, simply disclose the policy. However, if the district is currently capitalizing historical collections, then the district must continue to do so. • If the district’s policy is to capitalize historical collections, identify the historical collections and determine the historical costs. <p><u>Step 2:</u> Calculate accumulated depreciation and depreciation expense for historical collections. Take into consideration all exhaustible historical collections such as those exhibits whose useful lives are diminished by display.</p>	<hr/> <hr/>
	<p>B7. Government-Wide Financial Statement Preparation</p>	
	<p>The government wide financial statements require full accrual accounting. It is anticipated that the district’s records will continue to be retained on a modified accrual basis of accounting. As such, the adjustments discussed below will generally NOT be recorded in the district’s general ledger due to the limitations of systems to maintain both modified accrual and full accrual records for all funds. However, such adjustments should be accumulated and carried forward to future years in order to facilitate future full accrual reporting for the government wide statements in subsequent years. This accumulation of adjustments MUST be maintained on-site at the district.</p> <p><u>Statement of Net Assets</u></p> <p><u>Long Term Debt and Other Liabilities</u></p> <p>Note that the long-term portion of governmental liabilities will not be included at the fund level financial statements, because the general long term</p>	<hr/> <hr/> <hr/>

	<p>debt account group is no longer included in the external financial statements.</p> <p>Additionally, note that long term debt amounts payable within one year must be shown separately. Consider whether such amounts are known or can be reasonably estimated using the current system.</p> <p><u>Step 1:</u> Identify all the long-term obligations of the district. These are required to be recorded at the government-wide financial statement level.</p> <p><u>Step 2:</u> For the governmental capitalize debt issuance costs that are <i>incurred after</i> the effective date of the reporting model. Calculate amortization of this amount and record the amortization in the government-wide financial statements.</p> <p><u>Step 3:</u> Capitalize gains/losses on all debt refundings <i>made after</i> the effective date of the reporting model. Calculate amortization of this amount and record the amortization in the government-wide financial statements on a prospective basis over the shorter of the new debt or old debt. Note that this will be a permanent difference between the modified accrual and the full accrual methods as opposed to temporary timing differences such as those related to receivables.</p>	
	<p>Record Long-Term Debt and Other Liabilities</p> <p>Make the following accrual journal entries to record long term debt and other liabilities at the government-wide financials. Take into consideration other liabilities, such as capital lease liabilities, claims and judgements, self-insurance liability or others, which are not detailed here.</p> <p><u>Step 1:</u> Record debt as of the beginning of the year. Note that these are the amounts from the general long term debt account group:</p> <ul style="list-style-type: none"> • Dr. Net assets-invested in fixed assets net of related debt (as appropriate) Dr. Net assets-restricted (as appropriate) Dr. Net assets-unrestricted (for amounts not included in the other 2 net asset categories) <ul style="list-style-type: none"> Cr. Revenue bonds payable Cr. GO bonds payable Cr. CO bonds payable Cr. Compensated absences liability Cr. Arbitrage liability <p><u>Step 2:</u> Record the current year change in liabilities. This expense amount is the difference between the liability balance at the beginning of the year and the required liability balance at the end of the year. Debit/credit the appropriate expense function, or allocate among functions as necessary.</p>	

<ul style="list-style-type: none"> • Dr. Expense function Cr. Compensated absences liability • Dr. Expense function Cr. Arbitrage liability <p><u>Step 3:</u> Record current year principal payments:</p> <ul style="list-style-type: none"> • Dr. Revenue bond payable Dr. CO bond payable Dr. GO bond payable Cr. Debt service expenditure-principal <p><u>Step 4:</u> Record refunding transaction:</p> <ul style="list-style-type: none"> • Dr. Bond payable-old Dr. Loss on refunding Cr. Payment to refunding agent Dr. Refunding bond proceeds Cr. Bond payable-new <p><u>Step 5:</u> Record new debt :</p> <ul style="list-style-type: none"> • Dr. Debt proceeds Cr. Bond/loan payable <p><u>Step 6:</u> Record accrued interest. The following entry will only be made in the year of implementation.</p> <ul style="list-style-type: none"> • Dr. Net assets Cr. Interest expense (for prior year interest accrual) <p>Record accrued interest. Each year this entry should be reversed prior to recording the current accrued interest.</p> <ul style="list-style-type: none"> • Dr. Interest expense Cr. Accrued interest payable (at year end) 	
<p><i>Pension Liability</i></p> <p>This is only applicable for pensions established by the district (not TRS).</p> <p><u>Step 1 :</u> Calculate the pension liability as of the effective date of the reporting model and prepare the necessary journal entry to be recorded at the</p>	<hr/>

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<p>government-wide financial statements.</p> <p><u>Step 2:</u> Implement procedures that require the accumulation of the pension liability on the general ledger to determine the liability for government wide financial statements.</p> <p><u>Step 3:</u> Calculate the liability for long term benefits as of the effective date of the reporting model and prepare the necessary journal entry to be recorded at the government-wide financial statements.</p> <p><u>Step 4:</u> Implement procedures that require the accumulation of the liability for long term benefits on the general ledger to determine the liability for government-wide financial statements.</p>	<hr/> <hr/>
<p><i>Receivables</i></p> <p><u>Step 1:</u> Consider the nature of revenues. Are there material revenues that have historically been recorded when received in cash under the modified accrual basis of accounting that should be recorded as receivables and revenue at year end under the accrual basis of accounting?</p> <p><u>Step 2:</u> If the answer to Step 1 is yes, determine whether the existing systems can capture the information necessary to record receivables for these revenues at year end. Consider system changes as necessary.</p> <p><u>Step 3:</u> Establish beginning balance for receivables at September 1, 2001.</p> <p><u>Step 4:</u> Calculate an allowance for doubtful accounts for accounts receivable.</p> <p><u>Step 5:</u> Identify receivables that have associated interest and calculate interest receivable associated with these receivables at the beginning of year and at end of year.</p>	<hr/> <hr/> <hr/> <hr/>
<p><i>Deferred Revenue</i></p> <p><u>Step 3:</u> Property taxes <i>imposed by the district</i> should be reported under the accrual method. Any tax revenue imposed by the district should be reported as general revenues on the Statement of Activities.</p> <p>State aid to school districts restricted to be used for education should be reported as program revenues on the Statement of Activities, under the accrual method. If the revenue from the state is not restricted, it should be reported as general revenues.</p>	

<p><u>Statement Of Activities</u></p> <p><u>Step 1:</u> For the purpose of classification of statement of activities, identify governmental expenses, related revenues, related depreciation expense, and if desired, indirect cost by function. Note that some revenues in the special revenue funds may need to be allocated among the functions. The district should establish policies regarding revenue allocations as necessary..</p> <p><u>Step 2:</u> Determine whether the district has the ability to track revenue by function.</p> <p><u>Step 3:</u> Identify and document revenue to be reported on the face of the statement.</p> <p>On the statement of activities, there are two types of revenue: program revenues and general revenues.</p> <p><u>Program Revenues</u></p> <ul style="list-style-type: none"> • Charges for services: Program revenues which are based on exchange or exchange-like transactions. These revenues arise from charges to those who purchase, use or directly benefit from the goods or services provided. • Operating Grants and Contributions: Program revenues which are restricted to a specific program. These revenues arise from mandatory and voluntary nonexchange transactions with other governments, individuals or organizations and are restricted to use with specific operating expenses of the program. • Capital Grants and Contributions: Program revenues which consist of capital assets or resources that are restricted for capital purposes. Note that if a grant is restricted to a program but can be used for <i>either</i> operating <i>or</i> capital purposes, it should be reported under Operating Grants and Contributions. <p><u>General Revenues</u></p> <p>Unless a revenue is required to be reported as a program revenue, it is a general revenue.</p> <ul style="list-style-type: none"> • All taxes are general revenues. • Any multipurpose grant that does not provide for specific identification of programs should be reported as general revenues. • All other nontax revenues (such as interest, grants and contributions) which are not required to be reported as program revenues should be reported as general revenues. 	<hr/> <hr/> <hr/> <hr/>
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<p><u>Other Revenues</u></p> <ul style="list-style-type: none"> Earnings on endowments or permanent fund investments should be reported as program revenues <i>only</i> if they are restricted to a program specifically identified in the endowment or permanent fund agreement. If not restricted, they should be reported as general revenues. Contributions to permanent funds and endowments should be reported separately from, but in the same manner as general revenues. <p><u>Special and Extraordinary Items</u></p> <p>Extraordinary items are events or transactions that are <i>both</i> unusual <i>and</i> infrequent in occurrence. Special items are significant transactions or events which are in the control of management that are <i>either</i> unusual or infrequent in occurrence. Regardless of whether these items are revenues or expenses, they should be reported separately on the bottom of the statement of activities.</p> <p>Use the following as a guide for revenue classification in the statement of activities:</p> <p style="text-align: center;">INSERT rev_matrix.xls HERE</p> <p><u>Step 4:</u> Determine which revenues should be deferred at the government wide financial statements such as grant contributions or contractual revenues. <i>Property taxes receivable are not deferred under full accrual accounting.</i> Calculate the amount that should be recorded as receivables as of the beginning and at the end of the year.</p> <p><u>Step 5:</u> Implement procedures to identify contributions to permanent endowment and permanent fund principal activities to report them separately on the statement of activities.</p> <p><u>Step 6:</u> Identify extraordinary and special items as defined in paragraphs 55 and 56 of the Statement and classify them separately on the statement of activities.</p>	<hr/> <hr/> <hr/>
<p><u>Business Type Activities</u></p> <p>Districts which use enterprise funds are required to present segment information for those activities in the financial statement footnotes. As pursuant to paragraph 122 of the Statement, a segment is an activity reported as or within an enterprise fund for which one or more revenue bonds are</p>	

<p>outstanding.</p> <p><u>Step 1:</u> Obtain the official statements of all debt issuances outstanding for business type activities. Review the official statements to determine which individual debt issuance was issued for only one business type activity when the activity is accounted for in the financial records as combined with other activities and reported in one fund. These individual activities are defined as segments. If the district has activities defined as segments, separate footnote disclosure is required. [¶122]</p> <p><u>Step 2:</u> Determine whether or not the district maintains the accounting for the activities separately on the general ledger. If not, allocate the different accounts for this fund between the segments as of the effective date of the reporting model. Maintain the accounting separately on a prospective basis for each of the segments.</p> <p><u>Step 3:</u> Prepare the information needed for the footnotes to the financial statements with regards to the segments [¶ 122].</p>	<hr/> <hr/> <hr/>
<p><i>Net Assets</i></p> <p>There are three components of net assets – <i>invested in capital assets, net of related debt; restricted; and unrestricted.</i> Invested in capital assets consists of capital assets, less accumulated depreciation, less related debt. For remaining amounts, determine whether restrictions to assets are externally imposed or imposed by law. If externally imposed or restricted by law, the financial statements should show a restriction of net assets; if not, it is considered unrestricted. No <i>designation</i> of net assets is allowed in the government-wide financial statements. The following is an example of the calculation of net asset balances and the steps in converting fund balances to net assets:</p> <p>INSERT NA-Calc.xls CALCULATION TABLE HERE</p> <p><u>Step 1:</u> Determine major categories of restrictions that will be separately reported.</p> <p><u>Step 2:</u> As illustrated above, set up columns for each restricted category, a column for unrestricted net assets and one for invested in capital assets, net of related debt.</p> <p><u>Step 3:</u> Attribute the fund balances of the governmental funds across the various restricted categories. Any unrestricted amounts should be entered in the unrestricted column.</p> <p><u>Step 4:</u> Attribute items in the reconciliation of net assets at the government wide level statements to fund balances at the fund level statements to the</p>	<hr/> <hr/> <hr/> <hr/>

<p>appropriate net asset categories. Make any other necessary adjustments.</p>	
<p><i>Inter-fund Activity Elimination Entries</i></p> <p>In preparation of the statements of net assets and activities, eliminate all amounts reported as interfund balances on the fund financials within the governmental activities and business-type activities. Do not eliminate the residual internal balances between the two types of activities as separate reporting of governmental and business-type activities are required.</p> <p>Show residual internal receivable and payable balances between governmental and business-type activities on a single line called “internal balances” which will offset each other in the aggregate.</p> <p><u>Step 1:</u> Identify amounts required for journal entries to eliminate inter-fund receivables and payables <i>within</i> the governmental activities.</p> <p>This entry will be made to eliminate any due to/due froms or advances between governmental fund types upon the consolidation of the governmental funds at the government-wide financial statements.</p> <p>To eliminate due to and due from at the Government-wide:</p> <p>Dr Due to/advance to other funds Cr. due from/advance from other funds</p> <p><u>Step 2:</u> Identify amounts required for journal entries to eliminate inter-fund receivables and payables <i>within</i> the business type activities.</p> <p>This entry will be made to eliminate any due to/due froms or advances between business type funds upon the consolidation of the business type funds at the government-wide financial statements.</p> <p>To eliminate due to and due from at the Government-wide:</p> <p>Dr Due to/advances to other funds Cr. due from/advances from other funds</p> <p><u>Step 3:</u> Identify amounts required to eliminate inter-fund transfers <i>within</i> governmental activities.</p> <p>To eliminate operating transfers within governmental funds at the government wide</p> <p>Dr operating transfers in Cr. Operating transfers out (total transfers within governmental funds)</p>	<hr/> <hr/> <hr/>

<p><u>Step 4:</u> Identify amounts required to eliminate inter-fund transfers <i>within</i> the business type activities.</p> <p>To eliminate operating transfers within Business Type activity funds at the government wide</p> <p>Dr operating transfers in Cr. Operating transfers out (total transfers within enterprise funds)</p> <p><u>Step 5:</u> Identify amounts required to prepare journal entries to eliminate purchases and sales <i>between</i> business type activities and governmental activities.</p>	<hr/> <hr/>
<p>Internal Service Funds - Eliminations</p> <p>If the district does not eliminate internal service funds as discussed in Section B2, then pursuant to paragraphs 310 – 316, internal activity and internal balances in fund financials should be eliminated when preparing the government wide statements of net assets and activities. This will eliminate the “grossed-up” amounts in the aggregated amounts.</p> <p>In the statement of activities, eliminate the “doubling-up” effect of internal service fund activity. If the internal service fund has net income, there would be a pro rata reduction in the charges made to the participating functions. A net loss would cause a pro rata increase in the amounts charged to the participating functions.</p> <p>If the district does not eliminate internal service funds but maintains them as separate funds, use the following entries to allocate internal service activities to governmental activities and business type activities at the government-wide financial statements:</p> <p>Governmental Activities (apply percentage pertaining to governmental activities) Dr. Cash Dr. Receivables Dr. Due from Dr. Inventories Dr. Prepaid Dr. Fixed assets Cr. Net assets Cr. Accounts payable Cr. Accrued liabilities Cr. Debt Cr. Due to</p>	

	<p>Cr. Deferred revenue Dr. Function expenses – as necessary with proper allocation amount Dr. or Cr. Internal balances – as necessary for profit elimination between governmental and business type activities Cr. Program revenues – as necessary with proper allocation amount</p>	
	<p><i>Other Presentation Issues</i></p> <p><u>Step 1:</u> Consider whether the district wants to show indirect costs separately. If so develop and document allocation method. Identify indirect costs allocated to each function shown separately on the statement of activities.</p> <p><u>Step 2:</u> Segregate the capital assets on the fixed asset register by function. Depreciation on assets which serve more than one function should be allocated, if feasible, to those functions. Depreciation expense of capital assets related to each function should be recorded as part of the direct expenses of each function.</p> <p>Step 3: Determine how the district will present component units. The district has three options:</p> <ul style="list-style-type: none"> • The district may present the component units in separate columns on the government-wide statements. • The district may present one combined component unit column on the government-wide statements and present condensed financial statements of the component units in the notes to the financial statements. • The district may include a combining statement of major component units in the basic financial statements after the fund financial statements. 	<hr/> <hr/> <hr/>
	<p><u>Budget</u></p> <p>As per TEA Resource guide section 2.6.2, budgets for the General Fund, the Food Service Fund (whether accounted for in the General Fund, a Special Revenue Fund or Enterprise Fund) and the Debt Service Fund must be included in the official district budget. Budgetary comparison schedules should be presented as required supplementary information (RSI). However, they may be presented as a statement as part of the basic financial statements. Budgetary comparison schedules should be presented for the general fund, food service fund, debt service fund as well as for each major special revenue fund with a legally adopted budget. The schedules should present both the original and final budgets for the year. The budgetary basis</p>	

<p>of actual inflows, outflows and balances should be shown.</p> <p><u>Step 1:</u> Determine whether to present the budgetary comparison schedules as RSI or as a basic statement.</p> <p><u>Step 2:</u> Determine whether or not the district will present a variance column between the final budget and the actual amounts. While this is encouraged, it is not required.</p> <p>Note that if the district chooses to present <i>nonmajor</i> special revenue funds as major, all of the major fund reporting requirements should be met. This includes the presentation of budgetary comparison schedules, if the funds have a legally adopted budget.</p>	<hr/> <hr/>
<p><i>Reconciliation between Government Wide and Fund Level Statements</i></p> <p>Prepare a reconciliation between net assets at the government wide financial statements and fund balances/net assets at the fund level financial statements.</p> <p>Prepare a reconciliation between the <i>change</i> in net assets at the government wide financial statements and the <i>change</i> in fund balance/net assets at the fund level financial statements.</p>	<hr/>
<p><i>Prepare a draft MD&A based on FY 2001 information.</i></p> <ul style="list-style-type: none"> • Develop mechanisms to compile needed information. • Prepare a draft MD&A based on draft financial statements. Refer to GASB 34 ¶8-11. • Determine who is responsible for reviewing and approving the MD&A. 	

C. Phase 3

Task	Status
<p>Prepare Draft Financial Statements In Accordance With GASB Statement No. 34</p>	
<p><i>Draft fund statements based on FY 2001 data</i></p> <ul style="list-style-type: none"> • Governmental Funds 	<hr/>

<ul style="list-style-type: none"> • Proprietary Funds • Fiduciary Funds • Component Units (if necessary) 	<hr/> <hr/>
<p><i>Draft government-wide statement of net assets and statement of activities based on FY 2001 data.</i></p> <p><i>Statement of Net Assets</i></p> <p>Determine order of liquidity of assets and liabilities.</p> <ul style="list-style-type: none"> • Assets- Determined by how readily the asset can be converted into cash and whether restrictions limit use of resources. • Liabilities- Based on maturity or when cash is expected to be used to liquidate it. Liabilities whose average maturities are greater than one year should be reported in two components- the amount due within one year and the amount due in more than one year. <p><i>Statement of Activities</i></p> <p>See Appendices 3, 4 and 5</p>	<hr/>
<p><i>Prepare reconciliations of fund statements to government-wide statements.</i></p>	<hr/>
<p><i>Address needed note disclosure changes</i></p> <ul style="list-style-type: none"> • Develop mechanisms to capture the necessary information. • Prepare note disclosures based on FY 2001 data. 	<hr/>
<p><i>Prepare Budgetary Comparison Schedules</i></p> <ul style="list-style-type: none"> • Research budgetary processes, reports and systems to determine the best way to gather information on the original budget. • Determine the methodology for analyzing significant variances between the original and final budget and between the final budget and actual results for the MD&A. 	<hr/> <hr/>

	<ul style="list-style-type: none"> • For general fund, debt service fund, food service fund and any other funds with legally adopted budgets, prepare budget to actual statement at the statement of activities level . The schedules should compare the original and final appropriated budgets for the reporting period to actual results (inflows, outflows, and balances). • Prepare notes to RSI regarding the reconciliation of budgetary data to the GAAP data as well as an explanation of information on expenditures in excess of appropriations. 	<hr/> <hr/> <hr/>
	<p><i>Prepare a draft transmittal letter</i></p> <p>If the district prepares a Comprehensive Annual Financial Report (CAFR), prepare a draft transmittal letter and ensure that information in the MD&A is not duplicated.</p>	
	<p>Prepare combining fund financial statements (if the district chooses to report such)</p> <p>Prepare required TEA schedules</p>	<hr/> <hr/>

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D. Phase 4

Prepare and publish actual financial statements in accordance with GASB Statement No. 34 for the fiscal year ending 2002.

Refer to Appendices 3 and 4 for sample financial statements. The sample financial statements included in this appendix are presented to illustrate the display and disclosure requirements of GASB Statement 34. They are illustrative only and should be modified for the individual circumstances of each district.

The Microsoft Excel spreadsheet templates in Appendix 5 can be downloaded and utilized by the district to prepare financial statements in accordance with the requirements of GASB Statement 34. These statements should be modified for the individual circumstances of each district. Formulas to calculate totals have been included for the users’ convenience; if rows or columns are moved or deleted, formulas should be verified for integrity.

Exhibit I

Recommended Time Line for Implementation of GASB Statement No. 34

Phase	Activity	Time Line
Phase 1	Identification of issues	December 2000 – March 2001
Phase 2	Inventory of capital assets	January 2001
	Implementation of Receivable process	January 2001-June 2001
	Review of funds	January 2000-June 2001
	Calculation of depreciation	January 2000-June 2001
Phase 3	Draft financial statements	June 2001
Phase 4	Prepare financial statements under new reporting model	June 2002-November 2002

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Exhibit II

Recommended Accounting Policy Changes

Policy	Activity
Capitalization	Identify (or revise) capitalization thresholds for capital assets and infrastructure assets
Depreciation	Determine depreciable lives for capital assets and infrastructure assets Determine depreciation method Determine salvage value (if it is to be used) Allocation methodology (if necessary)
Consolidation and elimination	Determine policies for interfund eliminations at a government-wide level
Definition of major funds	Describe major fund determination procedures
Bases of accounting used	Describe which bases of accounting are used for the funds and the government-wide financial statements
Revenue recognition	Establish policies for revenue recognition for fund level and government-wide financial statements Establish a policy to indicate the order in which restricted and unrestricted resources will be used when both are available to fund certain expenses
Revenue allocation	Develop a methodology for allocation of program revenues to the appropriate programs
Expense allocation	Develop a methodology for allocation of indirect expenses among programs
Proprietary revenue	Determine definitions for what comprises operating vs. nonoperating revenues
Liability accruals	Establish policies for liability accruals and the statement of net asset classification of the liabilities

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