

**MaherDuessel**  
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**Foundations of Governmental Accounting**  
**Presented to: Government Finance**  
**Officers Association**  
**Tracey L. Rash, CPA, CGFM**  
**Vice President**

April 28, 2019

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Sources

- GFOA, Governmental Accounting, Auditing, and Financial Reporting, 2012 edition
- PPC, Guide to Preparing Governmental Financial Statements, 18<sup>th</sup> edition
- GASB Standards, Interpretations, and Implementation Guides

2

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2

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Agenda

- What is a governmental unit?
- What rules are you to follow and where do you find them?
- Are you required to have an audit?
- What is a fund and what do I record in it?
- What is basis of accounting?
- How is fund balance reported?
- What is the basic accounting equation after GASB 65?
- What are some of the complicated entries to complete your financial statements?

3

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### What is a Governmental Unit?

- AICPA Audit and Accounting Guide
  - Public corporations and bodies corporate and politic
  - Other entities if they have one or more of the following:
    - Popular election of officers or appointment (or approval) of a controlling a majority of the members of the organization's governing body by officials of one or more state or local governments
    - The potential for unilateral dissolution by a government with the net position reverting to a government; or
    - The power to enact and enforce a tax levy

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### What is a Governmental Unit?

- Related Organizations
  - Component Units
    - Units for which the primary government is financially accountable
    - Units that must be included to keep the financial statements from being misleading because of the nature or significance of their relationships with the primary government



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### Who Creates the Rules?

- **Who is GASB (Government Accounting Standards Board)?**
  - Organized in 1984 to establish standards of financial accounting for state and local government entities
  - GASB.org
  - 90 standards
  - 6 interpretations
  - Comprehensive implementation guide – 2018-1

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Who Creates the Rules?

▪ GASB

- Standards must be followed by governmental entities
- Auditors ensure that standards are followed
- Guides presentation of external financial reports
- Covers all governments, school districts, authorities.....

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Who Creates the Rules?

▪ Who is GFOA (Government Finance Officers Association)?

- To provide leadership to the government finance profession through research, education, and recommended practices
- GFOA.org



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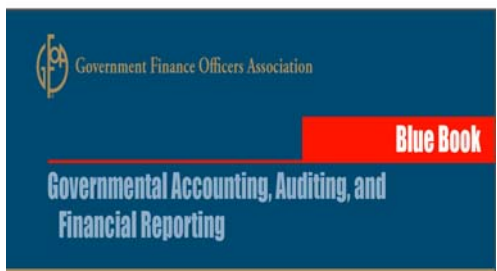
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Who Creates the Rules?



9

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Who Creates the Rules?

- GFOA – Recommended Practices
  - Accounting, Auditing, and Financial Reporting
  - Budgeting and Fiscal Policy
  - Debt Management
  - Economic Development and Capital Planning
  - Retirement and Benefits Administration
  - Treasury and Investment Management

10

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Who Creates the Rules?

- GFOA – Recommended Practices
  - Accounting, Auditing, and Financial Reporting
    - Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund
    - Replenishing General Fund Balance
    - Administering Grants Effectively
    - Establishing an Effective Grants Policy
    - Using Fund Accounting Effectively
  - Determining the Estimated Useful Lives of Capital Assets
  - Establishing Capitalization Thresholds for Capital Assets
  - Documenting Accounting Policies and Procedures
  - Maintaining Control over Items that are Not Capitalized
  - Purchasing Card Programs

11

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Who Creates the Rules?

- GFOA – Governmental Accounting, Auditing, and Financial Reporting (GAAFR)



12

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Who Creates the Rules?

- GFOA – Governmental Accounting, Auditing, and Financial Reporting (GAAFR)
  - “Unrivaled position as the premier source of practical guidance on all aspects of accounting, auditing, and financial reporting for state and local governments”
  - State chapter and local chapter training listed at <http://www.gfoapa.org/>

13

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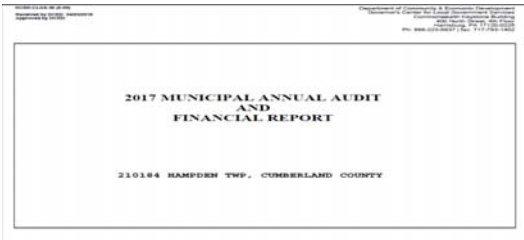
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Who Creates the Rules?

- Who is DCED (Pennsylvania Department of Community and Economic Development)?



14

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Who Creates the Rules?

- Who is DCED (Pennsylvania Department of Community and Economic Development)?

BALANCE SHEET

Account	2017	2016
Assets and Liabilities		
Assets		
Liabilities		
Equity		

15

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Who Creates the Rules?

- Who is DCED (Pennsylvania Department of Community and Economic Development)?
  - Governor's Center for Local Government Services
  - Publications
    - Chart of Accounts
    - Debt Management Handbook
    - Financial Monitoring Workbook
    - Fiscal Management
    - Municipal Authorities in Pennsylvania
    - Municipal Pension Handbook

16

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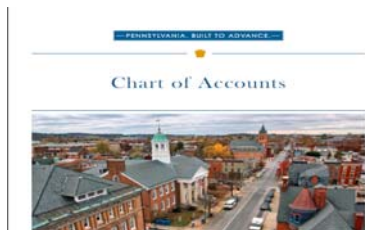
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Who Creates the Rules?

- Who is DCED (Pennsylvania Department of Community and Economic Development)?



17

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Who Creates the Rules?

- DCED
  - Publications can be found at [http://www.newpa.com/library/local\\_government/publications\\_documents/?id=28](http://www.newpa.com/library/local_government/publications_documents/?id=28)
  - Regional training opportunities at <http://www.newpa.com/local-government/training>



18

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### Why Do We Have Audits Done and What Type?

- **Why?**
  - Pennsylvania Codes
  - Fiduciary responsibility
- **What type?**
  - Financial statement
  - Yellow book
  - Uniform Guidance (Single Audit)



19

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### Who Can Do A Borough's Audit?

- **Elected auditors**
- **Controllers**
- **Appointed auditors**
  - 2/3 vote of Council
  - Certified public accountant, a firm of certified public accountants, a competent public accountant or a competent firm of public accountants
  - Appointed annually by resolution
  - Elected auditors and controllers position abolished

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### Who Can Do A First Class Township's Audit?

- **Elected auditors**
- **Controllers**
- **Appointed auditors**
  - By ordinance
  - Certified public accountant, a firm of certified public accountants, a competent public accountant or a competent firm of public accountants
  - Appointed annually by resolution

21

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Who Can Do A Second Class Township's Audit?

- Elected auditors
- Appointed auditors
  - Resolution to replace elected auditors
  - Certified public accountant, a firm of certified public accountants, a competent public accountant or a competent firm of public accountants
  - Appointed annually by resolution

22

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What About A Municipal Authority Audit?

- Audit required
- Certified Public Accountant



23

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Who is primarily responsible for a government's accounting? (GAAFR Chapter 1 question)

- A. The governing body
- B. The independent auditor
- C. Management



24

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What determines the content and format of internal financial reports? (GAAFR Chapter 1 question)

- A. Generally accepted accounting principles
- B. Management's needs and preferences
- C. Both A and B



25

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What determines the content and format of general purpose external financial reports? (GAAFR Chapter 1 question)

- A. Generally accepted accounting principles
- B. Management's needs and preferences
- C. Both A and B



26

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Who is ultimately responsible for a government's financial reporting? (GAAFR Chapter 1 question)

- A. The independent auditor
- B. Management
- C. The governing body



27

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What is a Fund?

▪ GAAFR

- Fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.
- No limit on the number of funds; however, only minimum should be established



28

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What is a Fund?

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 42,246,684	\$ 1,200,129	\$ 3,823,240	\$ 47,270,053
Investments - restricted	-	6,008,729	-	6,008,729
Receivables:				
Taxes	12,790,697	-	-	12,790,697
Loans	138,600	-	5,893,024	6,031,624
Accounts	2,448,313	421,981	113,395	2,983,689
Grants	693,342	3,495,783	1,339,616	5,528,741
Utility system concession lease	23,300,000	-	-	23,300,000
Interest	-	-	5,749	5,749
Due from pension trust funds	25,157	-	-	25,157
Due from other funds	6,333,130	1,806,840	258,568	8,598,538
<b>Total Assets</b>	<b>\$ 88,175,923</b>	<b>\$12,933,462</b>	<b>\$ 11,433,592</b>	<b>\$ 112,542,977</b>

29

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What is a Fund?

Assets	Special Revenue Funds						Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Tierder	E-911	Debt Service	
Cash and cash equivalents	\$ 1,549,676	\$ 501,900	\$ 16,337	\$ -	\$ 1,753,217	\$ -	\$ 3,823,240
Receivables:							
Loans	-	4,380,466	1,312,518	-	-	-	5,893,024
Grants	-	577,826	-	761,790	-	-	1,339,616
Accounts	-	-	-	-	113,395	-	113,395
Interest	-	-	-	5,749	-	-	5,749
Due from other funds	-	-	-	113,342	145,226	-	258,568
<b>Total Assets</b>	<b>\$ 1,549,676</b>	<b>\$ 5,660,192</b>	<b>\$ 1,328,855</b>	<b>\$ 880,881</b>	<b>\$ 2,013,948</b>	<b>\$ -</b>	<b>\$11,433,592</b>

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What is a Fund?

Assets	General	Special Revenue		Capital	Total	Total
		Liquid Fuels	Offenders Supervision	Projects Construction Loan Fund	Other Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 362,913	\$ 357,089	\$ 304,257	\$ 317,180	\$ 1,443,209	\$ 2,784,648
<b>Total Assets</b>	<b>\$ 362,913</b>	<b>\$ 357,089</b>	<b>\$ 304,257</b>	<b>\$ 317,180</b>	<b>\$ 1,443,209</b>	<b>\$ 2,784,648</b>

31

What is a Fund?

Assets	Domestic Relations	Special Revenue					
		Emergency Planning and Response	Children Services Grants	Counseling Fee	Record Improvement Funds	Clean and Green Fund	911 Wireless Fund
Cash and cash equivalents	\$ 88,124	\$ 52,844	\$ 162,801	\$ 2,577	\$ 51,723	\$ 33,989	\$ 30,135
<b>Total Assets</b>	<b>\$ 88,124</b>	<b>\$ 52,844</b>	<b>\$ 162,801</b>	<b>\$ 2,577</b>	<b>\$ 51,723</b>	<b>\$ 33,989</b>	<b>\$ 30,135</b>

Assets	Automation Funds	Special Revenue					
		Hotel Excise Tax Fund	911 Fund	General County Fund	Election Fund	Planning Office	Human Services Department
Cash and cash equivalents	\$ 94,125	\$ 1,287	\$ 66,255	\$ -	\$ 51,198	\$ 41,641	\$ 77,909
<b>Total Assets</b>	<b>\$ 94,125</b>	<b>\$ 1,287</b>	<b>\$ 66,255</b>	<b>\$ -</b>	<b>\$ 51,198</b>	<b>\$ 41,641</b>	<b>\$ 77,909</b>

32

What is a Fund?

Assets	DUI Task Force Fund	DTF Housing Authority Fund	Task Force Recovery Grant	Special Revenue			
				District Attorney ARD Fund	FFA Court Fund	Recycling Fund	Microlith Shale Fund
Cash and cash equivalents	\$ 1,471	\$ 648	\$ 1	\$ 20,939	\$ 318	\$ 242,118	\$ 210,255
<b>Total Assets</b>	<b>\$ 1,471</b>	<b>\$ 648</b>	<b>\$ 1</b>	<b>\$ 20,939</b>	<b>\$ 318</b>	<b>\$ 242,118</b>	<b>\$ 210,255</b>

Assets	Circuit Court's Office Act 122 Fund	Special Revenue		Capital Projects		Debt Service	Total
		Total Special Revenue	Contingency Fund	Capital Reserve Fund	Total Capital Projects	Domestic Construction	Other Governmental Funds
Cash and cash equivalents	\$ 17,763	\$ 1,248,221	\$ 2,387	\$ 181,484	\$ 183,871	\$ 11,317	\$ 1,443,209
<b>Total Assets</b>	<b>\$ 17,763</b>	<b>\$ 1,248,221</b>	<b>\$ 2,387</b>	<b>\$ 181,484</b>	<b>\$ 183,871</b>	<b>\$ 11,317</b>	<b>\$ 1,443,209</b>

33

What is a Fund?

11 fund types grouped into 3 categories

Governmental Funds

General Fund

"to account for all financial resources not accounted for in some other fund."

-Report activity in General Fund unless compelling reason not to:

- 1. GAAP requirement
- 2. Legal requirement
- 3. Sound financial administration



34

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What is a Fund?

11 fund types grouped into 3 categories

Governmental Funds

Special Revenue Funds

"to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects."

- Typically permitted rather than required
- Required if enabling legislation requires permanent investment

35

35

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What is a Fund?

11 fund types grouped into 3 categories

Governmental Funds

Debt Service Funds

"to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest."

- Normally permitted rather than required
- Required if:
  - » Use of a debt service fund is legally mandated
  - » If financial resources are being accumulated for principal and interest payments maturing in future years

36

36

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What is a Fund?

- **11 fund types grouped into 3 categories**
  - Proprietary Funds
    - Enterprise Funds
      - May be used to report any activity for which a fee is charged to external users for goods or services
      - Required for any activity whose *principal* external revenue sources meet any of the following criteria:
        - » *Debt backed solely by fees and charges.*
        - » *Legal requirement to recover cost.*
        - » *Policy decision to recover cost.*

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What is a Fund?

- **11 fund types grouped into 3 categories**
  - Proprietary Funds
    - Internal Service Funds
      - "to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis."
      - Never required.
      - Should be to measure the *full cost* of providing goods or services for the purpose of *fully recovering* that cost through fees or charges.

41

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What is a Fund?

- **11 fund types grouped into 3 categories**
  - Fiduciary Funds
    - "to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs."
  - Pension (and Other Employee Benefit) Trust Funds
    - "should be used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans."
    - Separate trust fund for each plan
    - IRC Section 457 not reported if
      - » The plan assets are held by a non-governmental third party administrator and
      - » The plan administrator invests plan assets at the discretion of the plan's participant, not the employer government

42

42

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What is a Fund?

- **11 fund types grouped into 3 categories**
  - Fiduciary Funds
    - Investment Trust Funds
      - Required to report any external investment pool that it sponsors
    - Private-Purpose Trust Funds
      - May be used to report any trust arrangement not properly reported in a pension trust fund or an investment trust fund "under which principal and income benefit individuals, private organizations, or other governments."
      - virtually no discretion in determining what specific amount in the trust accrues to which specific individual

43

43

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What is a Fund?

- **11 fund types grouped into 3 categories**
  - Fiduciary Funds
    - Agency Funds
      - Typically do *not* involve a formal trust agreement.
      - *Required* to account for debt service transactions involving special assessment debt for which the government is not obligated in any manner.
      - Mandate the use of an agency fund to account for pass-through grants that are equivalent to pure cash conduits
        - » no administrative involvement with the program
        - » no *direct* financial involvement with the grant program

44

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What Is A Fund?

	Employee Benefit Trust Fund	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 4,533,536
Interest and dividends receivable	332,183	-
Due from the City	-	3,136,150
Investments	136,651,334	-
<b>Total Assets</b>	<b>136,983,517</b>	<b>7,669,686</b>
<b>Liabilities</b>		
Escrow liabilities	-	7,669,686
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 7,669,686</b>

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Which of the following is a fund category? (GAAFR Chapter 4 question)

- A. Internal service funds
- B. Business-type activities
- C. Fiduciary funds
- D. All of the above



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Which of the following best describes the "number of funds principle"? (GAAFR Chapter 4 question)

- A. Use separate funds for separate activities
- B. Funds in the financial statements should mirror funds in the accounting system
- C. Use as many funds as bank accounts
- D. Use only as many funds as necessary



47

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By default, resources not accounted for in some other funds should be reported in the general fund (GAAFR Chapter 4 question)

- A. True
- B. False



48

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**For Discussion**

- What are the fund type options for reporting the following scenarios and why?
  - A. The Mayor of City X has decided to provide any employee that moves into the City limits with down payment assistance. There is no specific revenue source to fund this expenditures
  - B. The Township charges for collection of trash. There is no debt associated with trash collection and no requirement to cover costs.
  - C. The Borough has a motor pool, where all vehicles of the Borough are serviced. Costs of the motor pool are then charged to the various departments/funds of the Borough based on the number of vehicles used by each department/fund

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49

**What Are Activities?**

- **Government-wide financial statements**
  - Governmental Activities = governmental funds
  - Business-type Activities = enterprise funds
  - No fiduciary funds
  - Internal service funds go with predominant user




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**What Are Activities?**

Assets	Governmental Activities	Business-Type Activities	Total Primary Government
Current assets:			
Cash and cash equivalents	\$ 14,373,147	\$ 5,295,465	\$ 19,668,612
Investments	93,183	-	93,183
Receivables (net of allowance for uncollectibles):			
Taxes	3,581,553	-	3,581,553
Accounts	685,428	7,283,472	7,968,900
Pledges	-	-	-
Other	747,239	-	747,239
Accrued interest	-	8,042	8,042
Due from component unit	131,250	-	131,250
Due from other governments	6,811,009	-	6,811,009
Internal balances	290,783	(290,783)	-
Inventories	-	272,065	272,065
Prepaid expenses	-	-	-
<b>Total current assets</b>	<b>26,713,592</b>	<b>12,568,261</b>	<b>39,281,853</b>

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51

### What is the Basis of Accounting?

- Accrual basis (economic resources measurement focus)

Revenues when earned, expenses when incurred

- Government-wide activities
- Proprietary funds
- Trust funds

Terminology

- Expenses
- Net Position



52

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### What is the Basis of Accounting?

- Modified accrual basis (current financial resources measurement focus)

Revenues when earned, to the degree that they are *available* to finance expenditures of the fiscal period, expenses when incurred, except for debt service payments and other specific liabilities that are recognized when due

- Governmental funds

Terminology

- Expenditures
- Other Financing Sources/Uses
- Fund Balance

- Other comprehensive basis of accounting

53

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### What is the Basis of Accounting

- Modified accrual basis

Other Financing Sources

- The issuance of long-term debt (face amount and premium/discount)
- The inception of a capital lease
- Debt service on demand bonds reported as fund liabilities
- Sales of capital assets
- Insurance recoveries
- Transfers

Other Financing Uses

- Original issue discount on debt
- Payments to advance refunding escrow agent
- Reclassification of demand bonds as fund liabilities
- Transfers

54

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**MaherDuessel**

## What is the Basis of Accounting

- Other comprehensive basis of accounting
  - AICPA publication

The image shows the cover of a publication titled 'Applying OCBOA in State and Local Governmental Financial Statements'. The cover features a photograph of a modern building with a staircase and the AICPA logo at the bottom.

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**MaherDuessel**

## What is the Basis of Accounting

- Other comprehensive basis of accounting

**Table of Contents**

<b>Chapter 1: Overview of Cash- and Tax-Basis Financial Statements</b> .....	3
Introduction.....	3
Cash-Basis of Accounting.....	4
In-Substance Tax-Save Transactions or Events in the Cash-Basis of Accounting.....	9
Modified Cash-Basis of Accounting.....	9
Tax-Basis of Accounting.....	9
Deciphering Whether to Prepare and Issue Cash- or Tax-Basis Financial Statements.....	10
Deciding Between Modified Cash- or Accrual Tax-Basis Financial Statements.....	12
<b>Chapter 2: Recognition and Measurement Issues in Financial Statements Prepared When Applying the Cash- or Tax-Basis of Accounting</b> .....	13
Cash-Basis and Modified Cash-Basis.....	13
Inventory.....	14
Receivables.....	14
Property and Equipment.....	14
Bank Overdrafts.....	15
Retainage.....	15
Tax-Basis.....	15
Month-to-Month Revenue and Month-to-Month Expenses.....	16
Additional Income Taxes for Prior Years.....	16
Accounting Changes for Tax Purposes.....	17
S Corporations.....	17
Significant Differences Between GAAP and Tax-Basis.....	17
	iv

AICPA

56

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## What measurement focus (MF) and basis of accounting (BA) are used for governmental funds? (GAAFR Chapter 9 question)

- A. Economic resources MF/accrual BA**
- B. Economic resources MF/modified accrual BA**
- C. Current financial resources MF/accrual BA**
- D. Current financial resources MF/modified accrual BA**

57

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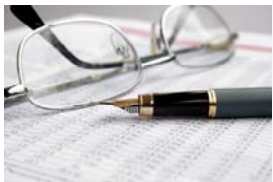
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Which of the following assets, if present, will always appear on a statement of position, regardless of the measurement focus? (GAAFR Chapter 7 question)

- A. Prepaids
- B. Capital assets
- C. Receivables
- D. All of the above



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Which of the following liabilities, if present, will always appear on a statement of position, regardless of the measurement focus? (GAAFR Chapter 7 question)

- A. Vendor payables
- B. Interest payable
- C. Long-term debt
- D. All of the above
- E. Both A and B



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Which of the following would not appear in a statement of resource flows prepared using the economic resources measurement focus? (GAAFR Chapter 7 question)

- A. Revenues
- B. Expenses
- C. Expenditures
- D. None of the above



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Which of the following would not appear in a statement of resource flows prepared using the current financial resources measurement focus? (GAAFR Chapter 7 question)

- A. Revenues
- B. Expenses
- C. Expenditures
- D. None of the above



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How is Fund Balance Reported?

- **Assets plus Deferred Outflows of Resources less Liabilities less Deferred Inflows of Resources reported in Governmental Fund Types**

- "The extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent" (GASB #54, Para 5)



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Components of Fund Balance

- **Five categories**

- Nonspendable
- Spendable
  - Restricted
  - Committed
  - Assigned
  - Unassigned

- **Not all will always be present**



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### Nonspendable Fund Balance

- **Not in spendable form**
  - Cannot *ever* be spent
  - Cannot *currently* be spent
- **Legally or contractually required to be maintained intact**



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### Spending Constraints

- **Three categories**
  - Restricted fund balance
  - Committed fund balance
  - Assigned fund balance
- **No requirement that constraint be narrower than the purpose of the fund**

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### Restricted Fund Balance

- **Constraints enforceable by outside parties**
  - Creditors
  - Grantors and contributors
  - Law or regulations of other governments
  - Constitutional provisions/enabling legislation
- **Same as restricted net position**



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### Committed Fund Balance

- **Constraints imposed by government itself**

- Formal action to impose and remove
- Highest level of decision-making authority
- Action must be taken prior to the end of the reporting period



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### Assigned Fund Balance

- **Intent to use for a specific purpose**

- Body or official delegated by governing body or governing body itself
- Governing body's intentions not management's
- Action taken before issuance of financial statements

- **Never in excess of total fund balance less other components**

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### Unassigned Fund Balance

- **Residual balance reported in general fund**

- The use of some other fund type presumes that all of the resources reported in that fund are either restricted, committed, or assigned

- **Positive balance only in general fund**

- **Deficit possible in any governmental fund**

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### Summary of Fund Balance Components

Nonspendable	<i>Form or legal limitation</i>
Restricted	<i>Externally enforceable limitations</i>
Committed	<i>Self-imposed limitations</i>
Assigned	<i>Intended use</i>
Unassigned	<i>Residual</i>

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### What is the Basic Accounting Equation After GASB 65?

- **Assets + Deferred Outflows of Resources = Liabilities + Deferred Inflows of Resources + Net Position (Still uses Fund Balance for governmental funds)**
  - GASB concept statement #4 introduces
    - Deferred inflows of resources
    - Deferred outflows of resources

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### What is the Basic Accounting Equation After GASB 65?

- **GASB 65**
  - Defines certain items as deferred outflows of resources and deferred inflows of resources that were previously reported as assets and liabilities
  - Recognizes certain items that were previously assets and liabilities as outflows of resources (expense or expenditures) or inflows of resources (revenues)
  - Addresses the impact of deferred outflows of resources and deferred inflows of resources on major fund determination
  - Limits the use of the term "deferred" in the financial statement

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What is the Basic Accounting Equation After GASB 65?

- **Current or advance refundings of debt in government-wide and proprietary funds**
  - Difference between the reacquisition price and the net carrying amount of the old debt – deferred outflow or inflow of resources
  - Amortized to interest expense in a systematic manner
  - Over remaining life of old or new debt, whichever is shorter
  - Reported separately from related bonds payable

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What is the Basic Accounting Equation After GASB 65?

- **Nonexchange Transactions**
  - Imposed Nonexchange Transactions - result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (for example, property taxes and fines)
    - Deferred inflows of resources when received or reported as receivable before:
      - The period for which property taxes are levied
      - The period when resources are required to be used or when use is first permitted for all other imposed nonexchange revenues in which the enabling legislation includes time requirements

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What is the Basic Accounting Equation After GASB 65?

- **Nonexchange Transactions**
  - Government Mandated and Voluntary Nonexchange Transactions - occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform) or result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (for example, certain grants and private donations)
    - Resources received before eligibility requirements are met (excluding time requirements) should be reported as assets by the provider and as liabilities by the recipient
    - Resources received before time requirements are met (but all eligibility requirements met) should be reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient

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What is the Basic Accounting Equation After GASB 65?

- **Sales of Future Revenues**
  - Transferor government should report the proceeds as a deferred inflow of resources
  - Intra-Entity Transfers – transferee should report the amount paid as a deferred outflow of resources to be recognized over the duration of the sales agreement
- **Debt Issuance Costs**
  - Exclusive of prepaid insurance, should be expensed in the period incurred
  - Prepaid insurance is an asset that should be recognized as an expense in a systematic manner over the duration of the related debt

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What is the Basic Accounting Equation After GASB 65?

- **Sale-Leaseback Transactions**
- **Acquisition Costs Related to Insurance Activities**
- **Lending Activities**
- **Loan Origination Fees and Costs**
- **Commitment Fees**
- **Purchase of a Loan or Group of Loans**
- **Mortgage Banking Activities**
- **Fees Relating to Loans Held for Sale**
- **Regulated Operations**

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What is the Basic Accounting Equation After GASB 65?

- **Revenue Recognition in Governmental Funds**
  - When an assets is recorded in governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.
- **“Deferred” should be limited to items reports as deferred outflows of resources or deferred inflows of resources – use terms such as unearned or advances**



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Primary Adjustments

- Capital assets
- Deferred revenue
- Debt
- Capital leases
- Compensated absences
- Net OPEB obligation
- Net pension liability



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79

Example of Capital Assets

- **Example of Entry in Governmental Fund:**  
\$5,000 Truck purchased for Highway Department
  - Debit
  - Credit
- **Example of Entry in Accrual Fund:**
  - Debit
  - Credit

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Example of Capital Assets (Cont'd)

- **Accrual Fund**
- **Life of Truck is determined to be 5 years**
  - Debit
  - Credit

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81

**Example of Capital Assets (Cont'd)**

- **Difference in Basis of Accounting**
  - Modified Accrual Basis – Expenditures \$5,000
  - Accrual Basis – Expenses \$1,000
  - Cash Basis – Disbursements \$5,000
- **Modify that the Truck was received in December but payment was made in January**
  - Modified Accrual Basis – Expenditures \$5,000
  - Accrual Basis – Expenses \$1,000
  - Cash Basis – Disbursements \$0

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**Example of Capital Assets (Cont'd)**

- **At the end of year 2, you decide to sell the truck through the COG auction. Proceeds of the sale are \$250.**
  - Debit
  - Credit
- **Example of Entry in Accrual Fund:**
  - Debit
  - Credit
  - Debit
  - Debit

83

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**Example of Capital Assets (Cont'd)**

- **Difference in Basis of Accounting**
  - Modified Accrual Basis – Other Financing Source \$250
  - Accrual Basis – Depreciation Expense \$1,000; Loss on Sale \$2,750
  - Cash Basis – Receipts \$250

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Example of Capital Assets (Cont'd)

- **Reminders**
  - Interest incurred on debt financed capital projects must be treated as part of the capital asset.
  - Retainage payable on ongoing capital projects should be included in construction in progress.
  - Land, construction in progress, easements, some intangibles are not depreciated.

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Deferred Revenue

- Exchange Transactions
- Nonexchange Transactions
  - Derived Tax Transactions
    - Result from assessments made by government on exchange transactions
  - Imposed Nonexchange Transactions
    - Result from assessments made by governmental entities on nongovernmental entities

86

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Deferred Revenue

- Nonexchange Transactions (Cont'd)
  - Government-Mandated Nonexchange Transactions
    - Result from a government requiring another government to perform a particular program and providing the funding for the program
  - Voluntary Nonexchange Transactions
    - Result from legislative or contractual agreements entered into willingly between governmental or nongovernmental entities

87

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**Unavailable Revenue**

Class	Recognition
<b>Derived tax revenues</b> Examples: sales taxes, personal and corporate income taxes, motor fuel taxes, and similar taxes on earnings or consumption	<b>Assets *</b> Period when underlying exchange has occurred or when resources are received, whichever is first.  <b>Revenues</b> Period when underlying exchange has occurred (Report advance receipts as liabilities.) When modified accrual accounting is used, resources also should be available. Deferred inflows of resources are reported for resources that do not meet the availability criterion.

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**Example of Derived Tax Revenue**

- **The asset is recognized when the underlying exchange takes place or the resources are received, whichever is first.**
- **Example of Entry in Governmental Fund: Joe Smith earned \$5,000 during the year ended December 31, 2018. Tax rate is 1%.**
  - Debit



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**Example of Derived Tax Revenue (Cont'd)**

- **The revenue must be recognized when the underlying exchange has occurred for accrual purposes. When modified accrual accounting is used, resources also should be "available".**
- **Definition of "available" for modified accrual – collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period**
  - Property taxes – defined as 60 days
  - All other revenue – defined by the government

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Example of Derived Tax Revenue (Cont'd)

- **Example of Entry in Governmental Fund: Available defined as 60 days. \$50 is received on February 15.**
  - Credit
- **Example of Entry in Governmental Fund: Available defined as 60 days. \$20 is received on February 15, \$30 is received on March 15**
  - Credit
  - Credit

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Example of Derived Tax Revenue (Cont'd)

- **Summary of Entry in Governmental Fund**
  - Debit Asset - Taxes Receivable - EIT                      Estimate
  - Credit Earned Income Tax Revenue                      Estimate "Available"
  - Credit Deferred Inflow - Unavailable Revenue - EIT   Plug



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Example of Derived Tax Revenue (Cont'd)

- **Revenue must be recognized when the underlying exchange has occurred for accrual purposes.**
- **Example of Entry in Accrual Fund: \$20 is received on February 15, \$30 is received on March 15**
  - Debit
  - Credit

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Example of Derived Tax Revenue (Cont'd)

- **Governmental Fund**
  - Debit
  - Credit
  - Credit
  
- **Accrual Fund**
  - Debit
  - Credit

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Example of Derived Tax Revenue (Cont'd)

- **Difference in Basis of Accounting**
  - Modified Accrual Basis – Revenue \$20
  - Accrual Basis – Revenue \$50
  - Cash Basis – Receipts \$0



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Example of Imposed Nonexchange Transactions

Imposed nonexchange revenues

Examples: property taxes, most fines and forfeitures

Assets \*

Period when an enforceable legal claim has arisen or when resources are received, whichever is first.

Revenues

Period when resources are required to be used or that period that use is permitted (for example, for property taxes, the period for which levied). Report deferred inflows of resources for resources received or reported as a receivable before such period. When modified accrual accounting is used, resources also should be available. Deferred inflows of resources are reported for resources that do not meet the availability criterion.

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Example of Imposed Nonexchange Transactions

- The asset is recognized when an enforceable legal claim has arisen or when resources are received, whichever is first.
  - Debit      Taxes Receivable – Property    Entire  
   Assessment

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Example of Imposed Nonexchange Transactions (Cont'd)

- The revenue is to be reported in the period when resources are required to be used or the first period that is permitted (for example, property taxes, the period for which levied).
- Example:
  - Full 2018 levy was \$2,000,000.
  - At December 31, 2018, \$20,000 delinquent.
  - Between January 1, 2019 and February 28, 2019, collected and remitted \$5,000

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Example of Imposed Nonexchange Transactions (Cont'd)

- Example of Entry in Governmental Fund: assuming taxes recorded cash basis throughout the year
  - Debit
  - Credit
- Example of Entry in Governmental Fund: at December 31
  - Debit
  - Credit
  - Credit

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Example of Imposed Nonexchange Transactions (Cont'd)

▪ Example of Entry in Accrual Fund: at December 31

- Debit
- Credit



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Imposed Nonexchange Transactions (Cont'd)

▪ Governmental Fund

- Debit
- Credit
- Credit

▪ Accrual Fund

- Debit
- Credit

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Imposed Nonexchange Transactions (Cont'd)

▪ Difference in Basis of Accounting

- Modified Accrual Basis – Revenue \$1.985 million
- Accrual Basis – Revenue \$2 million
- Cash Basis – Receipts \$1.980 million



102

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### Example of Government Mandated Transactions and Voluntary Nonexchange Transactions

Government mandated nonexchange transactions	Assets and liabilities
<p><b>Examples:</b> Federal government mandates can state and local governments, federal resources</p> <p><b>Voluntary nonexchange transactions</b></p> <p><b>Examples:</b> Federal resources, federal grants and reimbursements, state donations</p>	<p><b>Recognized when all eligibility requirements have been met or when resources are received, whichever is first.</b></p> <p><b>Recognized when all eligibility requirements have been met or when resources are received, whichever is first.</b></p>

103

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### Example of Government Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions

- **Assets and liabilities, should be recognized in the period when all eligibility requirements have been met or when resources are received, whichever is first.**



104

104

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### Example of Government Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions (Cont'd)

- **Example: Reimbursement grant to fund new police officer's salary**
- **Entry In Governmental Fund: after incurring December's salary**
  - Debit

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105

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Example of Government Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions (Cont'd)

- The revenue is recognized when all eligibility requirements have been met. When modified accrual accounting is used for revenue recognition, resources also should be "available".
- Example of Entry in Governmental Fund: Available defined as 60 days. \$500 received in April
  - Credit
- Example of Entry in Governmental Fund: Available defined as 60 days. \$500 received in January
  - Credit

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Example of Government Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions (Cont'd)

- Example of Entry in Accrual Fund: \$500 received in April
  - Debit
  - Credit



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Example of Government Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions (Cont'd)

- Governmental Fund
  - Debit
  - Credit
- Accrual Fund
  - Debit
  - Credit

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108

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### Example of Government Mandated Transactions and Voluntary Nonexchange Transactions (Cont'd)

- **Difference in Basis of Accounting – April receipt**
  - Modified Accrual Basis – Revenue \$0
  - Accrual Basis – Revenue \$500
  - Cash Basis – Receipts \$0
- **Difference in Basis of Accounting – January receipt**
  - Modified Accrual Basis – Revenue \$500
  - Accrual Basis – Revenue \$500
  - Cash Basis – Receipts \$0

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### Example of Debt

- **Example of Entry in Governmental Fund: \$5,000 in General Obligation Bonds Issued**
  - Debit
  - Credit
- **Example of Entry in Governmental Fund: \$5,000 in General Obligation Bonds Issued, \$4,500 received**
  - Debit
  - Debit
  - Credit

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### Example of Debt (Cont'd)

- **Example of Entry in Accrual Fund: \$5,000 in General Obligation Bonds Issued, \$4,500 received**
  - Debit
  - Credit

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Example of Debt (Cont'd)

▪ **Governmental Fund**

- Debit
- Debit
- Credit

▪ **Accrual Fund**

- Debit
- Credit

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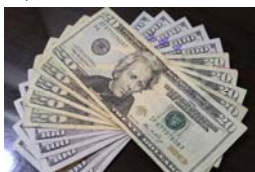
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Example of Debt (Cont'd)

▪ **Difference in Basis of Accounting**

- Modified Accrual Basis – Other Financing Source \$5,000, Expenditures \$500
- Accrual Basis – None
- Cash Basis – Receipts \$4,500



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Example of Debt (Cont'd)

▪ **Example of Entry in Governmental Fund: Annual debt payment**

- Debit
- Debit
- Credit

▪ **Example of Entry in Accrual Fund: Annual debt payment**

- Debit
- Credit

114

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Example of Debt (Cont'd)

- **Difference in Basis of Accounting**
  - Modified Accrual Basis – Expenditures \$400
  - Accrual Basis – Expenses \$100
  - Cash Basis – Disbursements \$400

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Example of Debt (Cont'd)

- **Reminders**
  - Interest on long-term debt is required to be accrued in the government-wide statements
  - Capital appreciation debt is required to be accreted.

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Example of Capital Leases

- **Present value of the payments**
- **Example:**
  - Street Sweeper 5 years of payments \$1m
  - Annually pay \$200,000
  - Present Value \$800,000
- **Example of Entry in Governmental Fund: upon issuance of capital lease**
  - Debit
  - Credit

117

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Example of Capital Leases (Cont'd)

▪ Example of Entry in Accrual Fund

- Debit
- Credit
- Debit
- Credit

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118

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Example of Capital Leases (Cont'd)

▪ Governmental Fund

- Debit
- Credit

▪ Accrual Fund

- Debit
- Credit
- Debit
- Credit

19

119

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Example of Capital Leases (Cont'd)

▪ Difference in Basis of Accounting

- Modified Accrual Basis – Other Financing Source \$800,000, Expenditures \$800,000
- Accrual Basis – None
- Cash Basis – None



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Example of Compensated Absences

▪ Definition

GASB 16 defines compensated absences as:

*"Absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave."*



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121

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Example of Compensated Absences

▪ Three Specific Measurements

- Vacation Leave
- Sick Leave
- Sabbatical Leave



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Example of Compensated Absences

▪ Vacation Leave

- Accrue as a liability as the benefits are *earned* and the following conditions are met.
  - a. Rights to receive compensation are attributable to services already rendered
  - b. It is *probable* that benefits will be paid through paid time off or some other means, such as cash payments at termination or retirement

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Example of Compensated Absences

- **Vacation Leave, cont.**
  - Benefits *earned but not yet available* i.e. minimum service period for new employees, should be accrued to the extent it is *probable* that conditions for compensation will be met in the future
  - Benefits earned but expected to lapse should *not* be accrued as a liability



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Example of Compensated Absences

- **Example 1**
  - Benefit Provisions
    - a. All employees receive 12 vacation days a year
    - b. Six month employment requirement before leave is taken
    - c. Paid at current salary rates to all terminating employees, including those with < 6 months service

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Example of Compensated Absences

- **Example 1, Leave Records**

Employee	LOS	VB	Daily Pay
1	5 yrs.	20	\$70
2	7 yrs.	22	\$60
3	6 mths	6	\$50

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126

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Example of Compensated Absences

Employee	VB	Daily Pay	Liability
1	20	\$70	\$1,400
2	22	\$60	1,320
3	6	\$50	300
	Vacation Liability		3,020
	Medicare/SS		231
	Total Liability		\$3,251

127

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Example of Compensated Absences

- Example 1
- Governmental Fund
- Accrual Fund
  - Debit
  - Credit

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Example of Compensated Absences

- Example 2
  - All benefit provisions are the same as in example 1 *except 1 year service requirement before vacation can be used or paid at termination*
  - Leave records are the same as in example 1
  - *Average LOS for employee 3 position is < 1 year*

129

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Example of Compensated Absences

▪ Example 2, Calculation

Emp.	VB	PP	Daily Pay	Liability
1	20	20	\$70	\$1,400
2	22	22	\$60	1,320
3	6	0	\$50	0
Vacation Liability				2,720
Medicare/SS				208
Total Liability				<u>\$2,928</u>

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Example of Compensated Absences

▪ Example 2 Journal Entry

▪ Governmental Fund

▪ Accrual Fund

- Debit
- Credit

31

131

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Example of Compensated Absences

▪ Example 3

- All benefit provisions are the same as example 1 *except there is a limit of 12 vacation days that can be carried at year-end.*
- *If employee terminates prior to year-end, termination payments will be for all accumulated vacation.*



32

132

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Example of Compensated Absences

▪ Example 3, Leave Records – December 31<sup>st</sup>

Employee	LOS	VB	Daily Pay
1	5.50yrs	15	\$75
2	8.67yrs	16	\$65
3	1.83yrs	12	\$55

33

133

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Example of Compensated Absences

▪ Example 3, Assumptions

- Employee 1 terminates before year-end

34

134

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Example of Compensated Absences

▪ Example 3, Calculation

Emp.	VB	Exp.	PP	Daily Pay	Liab.
1	15	0	15	\$75	\$1,125
2	16	4	12	\$65	780
3	12	0	12	\$55	660
Vacation Liability					2,565
Medicare/SS					196
Total Liability					\$2,761

35

135

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Example of Compensated Absences

- **Example 3, cont.**
  - Because employee 1 terminates before year-end, the total accumulated balance of vacation is eligible for payment.

136

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Example of Compensated Absences

- **Example 3 Journal Entry**
- **Governmental Fund**
  - Debit
  - Credit
- **Accrual Fund**
  - Debit
  - Credit

137

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Example of Compensated Absences

- **Difference in Basis of Accounting**
  - Modified Accrual Basis – Example 1 and 2 none, Example 3 expenditure \$1,211
  - Accrual Basis – Example 1 expenses \$3,251, Example 2 expenses \$2,928, Example 3 expenses \$2,761
  - Cash Basis – Example 1, 2 and 3 none



138

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Example of Compensated Absences

▪ Sick Leave

- Liability should be accrued as the benefits are *earned* and it is *probable* that the benefits will be paid through cash payments conditioned on termination or retirement

Example – Retirement payment – Accrue  
Example – Absence due to illness - Do not accrue

39

139

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Example of Compensated Absences

- Sick leave estimates should be based on sick leave accumulated at the balance sheet date for employees eligible and expected to become eligible to receive termination and retirement payments
- Calculate sick leave payments based on historical payout experience adjusted for effects of changes in termination and retirement policies

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140

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Example of Compensated Absences

▪ Sick Leave, cont.

- Two types of payout methods
  - a. Termination Payment Method
  - b. Vesting Method

41

141

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Example of Compensated Absences

Termination Payout Method Example

- Benefit Provisions
  - a. All employees receive one day sick leave per month
  - b. Sick leave can only be used for illness of employee or a dependent
  - c. No limit on accumulation of balances
  - d. Termination provision – 10 years service, paid for up to 30 days at one-half pay rate

42

142

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Example of Compensated Absences

Termination Payout Method, cont.

- Three Step approach
  - a. Obtain information about termination payments and LOS for employees who have terminated service during the past five years
  - b. Determine the sick leave termination cost for each year worked
  - c. Determine the year-end sick leave liability

43

143

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Example of Compensated Absences

Termination Payout Method  
Assume the following information

Emp.	Year	Sick Paid	or	Sick Settle	LOS
1	1999	10		\$ 400	25
2	2000	0		0	5
3	2001	30		1,350	30
4	2002	5		250	25
5	2003	5		250	15
<i>Totals</i>		50			100

44

144

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Example of Compensated Absences

- When determining sick leave termination cost there are two options
  - a. Sick days paid
  - b. Sick leave termination payment

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145

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Example of Compensated Absences

- Termination Payout Method, cont.
  - Sick days paid - Make sure to convert to termination payment per year worked

Sick days paid (50)  
X Current average daily pay rate for *active employees* (\$72)  
X Sick leave termination payment rate (50%)  
= **\$1,800**

Convert to average per years worked

\$1,800/100 years = **\$18 per year worked**

46

146

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Example of Compensated Absences

- Termination Payout Method, cont.
  - Year-end liability calculation

Assumption: 10 employees, 5 employed 10 years, 5 employed 6 years

Total years for active employees	80
X Sick leave per year worked	\$18
= Sick leave termination liability	1,440
+ Medicare/SS	110
= Total Liability	<b>\$1,550</b>

47

147

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Example of Compensated Absences

▪ Termination Payout Method Journal Entry

- Governmental Fund
  
- Accrual Fund
  - Debit
  - Credit

48

148

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Example of Compensated Absences

▪ Vesting Method

- Similar to the Termination Payout Method
  
- Preparer should determine whether it is probable that employees with less than ten years of service will meet the conditions to receive cash payment at termination for their sick leave balances
  
- Group averages or patterns of attaining the condition would be basis for making the determination

49

149

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Example of Compensated Absences

Vesting Method, Leave records

Emp.	LOS	Sick Leave Balance	Daily Pay
1	4yrs, 11mths	42	\$70
2	7yrs, 2 mths	53	60
3	0yrs, 2 mths	2	50

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150

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Example of Compensated Absences

- **Vesting Method, Preparer's Judgment**
  - a. Probable that admin employees who attain 7 yrs of service will attain 10 yrs of service
  - a. All police officers attain ten years of service

51

151

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Example of Compensated Absences

- **Vesting Method, Assumptions**
  - a. Employees 2 and 3 are admin employees
  - b. Only employee 2 has obtained 7 years of service
  - c. Employee 1 is a police officer
  - d. 30 day maximum on benefit payments
  - e. Leave balances are calculated on one-half final pay rate

52

152

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Example of Compensated Absences

- **Vesting Method, Calculation**

Emp.	Sick Leave Days		Pay Rate		Liability
	Accum/Accrued	Pay	Red.		
1	42/30	\$70/day	50%		\$1,050
2	53/30	\$60/day	50%		900
Sick leave vesting liability					1,950
Medicare/SS					149
<b>Total Liability</b>					<b>\$2,099</b>

53

153

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Example of Compensated Absences

▪ Termination Payout Method Journal Entry

- Governmental Fund
  
- Accrual Fund
  - Debit
  - Credit

154

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Example of Compensated Absences

▪ Criteria to Remember

- Calculation should be based on the pay or salary rates in effect at the balance sheet date
- Additional amounts directly and incrementally associated with payments made for compensated absences on termination or retirement should be accrued for.
- Examples – Social Security withholdings, Medicare withholdings and pension plan contributions.

155

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Example of Compensated Absences

▪ Difference in Basis of Accounting

- Same as vacation examples
  - Modified Accrual Basis – expenditure to extent due and payable
  - Accrual Basis – expense full amount
  - Cash Basis – disbursements to the extent paid



156

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Example of Net Pension Liability and Net OPEB Liability

- **Simplified definition:** Difference between fair value of pension assets and actuarially accrued liability
- **Example is plain vanilla single-employer defined benefit plan with the plan's measurement date the same as the employer's fiscal year end**
- **Example:**
  - Year 1 is implementation year
  - Year prior to implementation fair value of pension assets is \$100,000
  - Year prior to implementation actuarially accrued liability is \$150,000
  - Year 1 fair value of pension assets is \$110,000
  - Year 1 actuarially accrued liability is \$170,000
  - Year 1 MMO and payment \$30,000

57

157

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Example of Net Pension Liability

- **Example Entry in Governmental Fund: Nothing but your normal cash outlay**
  - Year 1
    - Debit
    - Credit



58

158

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Example of Net Pension Liability

- **Example Entry in the Accrual Fund:**
  - Year 1 (to implement)
    - Debit
    - Credit
  - Year 1
    - Debit
    - Credit Liability

**Oversimplified:**

Would report deferred inflows and/or deferred outflows for:

- Difference between estimated and actual investment earnings
- Difference in assumptions
- Difference between expected and actual experience

59

159

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### Example of Net Pension Liability

- **Difference in Basis of Accounting**
  - Year 1
    - Modified Accrual Basis – expenditure \$30,000
    - Accrual Basis – expense \$10,000
    - Cash Basis – disbursement \$30,000



160

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What is the maximum availability period allowed for property taxes? (GAAFR Chapter 9 question)

- A. 30 days
- B. 45 days
- C. 60 days
- D. 90 days



161

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Employees of the general fund accrue \$150,000 of vacation leave prior to the close of the fiscal year. It is anticipated that \$90,000 of that amount will be used in the following 12-month period (\$10,000 within the first 60 days). How much should be reported as an expenditure of the current period? (GAAFR Chapter 9 question)

- A. \$150,000
- B. \$70,000
- C. \$10,000
- D. \$0

162

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Which of the following would always be recognized as an expenditure at the time a liability is incurred under the modified accrual basis of accounting? (GAAFR Chapter 9 question)

- A. Salaries
- B. Professional services
- C. Utilities
- D. All of the above
- E. None of the above

63

163

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When should an expenditures normally be recognized in connection with the interest on long-term debt? (GAAFR Chapter 9 question)

- A. When incurred
- B. When due
- C. When paid

64

164

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**Questions? Contact Me!**



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165

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# TOWNSHIP OF HAMPDEN

## STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 15,957,983	\$ 11,621,943	\$ 27,579,926
Receivables:			
Accounts, net	669,903	1,107,657	1,777,560
Taxes	2,528,773	-	2,528,773
Assessments	-	9,533	9,533
Internal balances	118,050	(118,050)	-
Restricted assets:			
Cash and cash equivalents	-	11,379	11,379
Inventory	-	44,257	44,257
Capital assets not being depreciated	3,749,690	1,207,718	4,957,408
Capital assets, net of accumulated depreciation	34,159,822	81,853,996	116,013,818
<b>Total Assets</b>	<b>57,184,221</b>	<b>95,738,433</b>	<b>152,922,654</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	-	126,697	126,697
Deferred outflows of resources - pensions	1,723,836	433,963	2,157,799
<b>Total Deferred Outflows of Resources</b>	<b>1,723,836</b>	<b>560,660</b>	<b>2,284,496</b>
<b>Liabilities</b>			
Accounts payable	372,211	342,111	714,322
Unexpended escrow deposits	-	494,164	494,164
Other payables	2,252,826	328,413	2,581,239
Unearned revenue	-	7,516,057	7,516,057
Net other post-employment liability	2,008,453	303,398	2,311,851
Net pension liability	3,074,987	629,781	3,704,768
Noncurrent liabilities:			
Due within one year	1,111,729	1,602,296	2,714,025
Due in more than one year	19,930,586	32,992,644	52,923,230
<b>Total Liabilities</b>	<b>28,750,792</b>	<b>44,208,864</b>	<b>72,959,656</b>
<b>Deferred Inflows of Resources</b>			
Deferred charge on refunding	187,665	-	187,665
Deferred inflows of resources - pensions	715,038	347,229	1,062,267
<b>Total Deferred Inflows of Resources</b>	<b>902,703</b>	<b>347,229</b>	<b>1,249,932</b>
<b>Net Position</b>			
Net investment in capital assets	26,579,876	41,440,738	68,020,614
Restricted for:			
Sewer	6,000,000	-	6,000,000
Highways and streets	497,756	-	497,756
Unrestricted	(3,823,070)	10,302,262	6,479,192
<b>Total Net Position</b>	<b>\$ 29,254,562</b>	<b>\$ 51,743,000</b>	<b>\$ 80,997,562</b>

The accompanying notes are an integral part of these financial statements.



# TOWNSHIP OF HAMPDEN

## STATEMENT OF ACTIVITIES

### YEAR ENDED DECEMBER 31, 2017

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,165,794	\$ 285,560	\$ -	\$ 439,365	\$ (1,440,869)	\$ -	\$ (1,440,869)
Public safety	7,109,657	2,640,729	8,448	-	(4,460,480)	-	(4,460,480)
Public works	5,352,889	2,105	150,907	892,516	(4,307,361)	-	(4,307,361)
Parks and recreation	938,542	610,627	-	62,195	(265,720)	-	(265,720)
Interest on long-term debt	374,165	-	-	-	(374,165)	-	(374,165)
Total governmental activities	<u>15,941,047</u>	<u>3,539,021</u>	<u>159,355</u>	<u>1,394,076</u>	<u>(10,848,595)</u>	<u>-</u>	<u>(10,848,595)</u>
Business-type activities:							
Sewer	10,078,943	9,385,986	-	1,918,606	-	1,225,649	1,225,649
Sanitation	1,975,859	2,005,314	-	-	-	29,455	29,455
Stormwater	1,576,345	1,836,297	-	-	-	259,952	259,952
Other nonmajor funds	1,691,958	1,545,125	-	-	-	(146,833)	(146,833)
Total business-type activities	<u>15,323,105</u>	<u>14,772,722</u>	<u>-</u>	<u>1,918,606</u>	<u>-</u>	<u>1,368,223</u>	<u>1,368,223</u>
<b>Total Primary Government</b>	<u>\$ 31,264,152</u>	<u>\$ 18,311,743</u>	<u>\$ 159,355</u>	<u>\$ 3,312,682</u>	<u>(10,848,595)</u>	<u>1,368,223</u>	<u>(9,480,372)</u>
General revenues:							
Real estate taxes					563,015	-	563,015
Per capita taxes					183,602	-	183,602
Earned income taxes					5,795,027	-	5,795,027
Local services taxes					983,147	-	983,147
Real estate transfer taxes					1,196,300	-	1,196,300
Franchise taxes					660,892	-	660,892
Public utility taxes					8,732	-	8,732
Grants and contributions not restricted to specific purposes					686,308	-	686,308
Unrestricted investment earnings					50,083	338,909	388,992
Other income (not restricted to a specific purpose)					183,689	7,376	191,065
Transfers					6,112,968	(6,112,968)	-
Total general revenues and transfers					<u>16,423,763</u>	<u>(5,766,683)</u>	<u>10,657,080</u>
<b>Change in Net Position</b>					<u>5,575,168</u>	<u>(4,398,460)</u>	<u>1,176,708</u>
<b>Net Position:</b>							
Beginning of year					23,679,394	56,141,460	79,820,854
End of year					<u>\$ 29,254,562</u>	<u>\$ 51,743,000</u>	<u>\$ 80,997,562</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HAMPDEN**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
DECEMBER 31, 2017

<u>Assets</u>	<u>General</u>	<u>Capital Improvements</u>	<u>Sewer Maintenance</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 7,750,184	\$ 1,176,276	\$ 6,533,767	\$ 497,756	\$15,957,983
Receivables:					
Accounts, net	646,262	23,641	-	-	669,903
Taxes	2,366,317	-	-	-	2,366,317
Due from other funds	118,050	-	-	-	118,050
<b>Total Assets</b>	<b>\$10,880,813</b>	<b>\$ 1,199,917</b>	<b>\$ 6,533,767</b>	<b>\$ 497,756</b>	<b>\$19,112,253</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<u>Liabilities:</u>					
Accounts payable	\$ 269,915	\$ 102,296	\$ -	\$ -	\$ 372,211
Other payables	2,252,826	-	-	-	2,252,826
<b>Total Liabilities</b>	<b>2,522,741</b>	<b>102,296</b>	<b>-</b>	<b>-</b>	<b>2,625,037</b>
<u>Deferred Inflows of Resources:</u>					
Unavailable revenue - taxes	1,132,007	-	-	-	1,132,007
Unavailable revenue - emergency medical services	398,728	-	-	-	398,728
<b>Total Deferred Inflows of Resources</b>	<b>1,530,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,530,735</b>
<u>Fund Balance:</u>					
Restricted for:					
Sewer	-	-	6,000,000	-	6,000,000
Public works	-	-	-	497,756	497,756
Committed for:					
Unemployment claims	39,550	-	-	-	39,550
Retiree medical benefits	107,615	-	-	-	107,615
Capital projects	-	1,097,621	-	-	1,097,621
Sewer line improvements and repairs	-	-	533,767	-	533,767
Assigned for:					
Subsequent year's budget	3,013,593	-	-	-	3,013,593
Unassigned	3,666,579	-	-	-	3,666,579
<b>Total Fund Balance</b>	<b>6,827,337</b>	<b>1,097,621</b>	<b>6,533,767</b>	<b>497,756</b>	<b>14,956,481</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$10,880,813</b>	<b>\$ 1,199,917</b>	<b>\$ 6,533,767</b>	<b>\$ 497,756</b>	<b>\$19,112,253</b>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HAMPDEN

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 14,956,481</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	37,909,512
Long-term receivables applicable to governmental activities are not due and collectible in the current period and, therefore, are not reported in the governmental funds.	162,456
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,530,735
Deferred charge on refunding is amortized on the statement of net position.	(187,665)
Long-term liabilities and deferred outflows and inflows of resources, including bonds payable and pension related items, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(19,774,000)
Installment purchase	(371,971)
Net other post-employment liability	(2,008,453)
Net pension liability, net of related deferred outflows and inflows of resources	(2,066,189)
Compensated absences payable	(896,344)
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 29,254,562</u></b>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HAMPDEN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

	General	Capital Improvements	Sewer Maintenance	Other Governmental Fund	Total Governmental Funds
<b>Revenues:</b>					
Taxes:					
Real estate	\$ 562,212	\$ -	\$ -	\$ -	\$ 562,212
Per capita	183,282	-	-	-	183,282
Earned income	6,059,091	-	-	-	6,059,091
Local services	1,094,269	-	-	-	1,094,269
Real estate transfer	1,196,300	-	-	-	1,196,300
Franchise	661,177	-	-	-	661,177
Licenses and permits	1,178,059	-	-	-	1,178,059
Fines	113,369	-	-	-	113,369
Grants	115,663	161,207	-	-	276,870
Public utility tax	8,732	-	-	-	8,732
State shared revenue	-	-	-	892,516	892,516
Distribution from Auditor					
General's office	587,296	-	-	-	587,296
Emergency medical services	1,113,161	-	-	-	1,113,161
Interest	24,777	2,321	19,255	3,730	50,083
Recreation	334,057	-	-	-	334,057
Other	423,130	467,086	-	-	890,216
	<b>13,654,575</b>	<b>630,614</b>	<b>19,255</b>	<b>896,246</b>	<b>15,200,690</b>
<b>Expenditures:</b>					
Current:					
General government	1,611,753	-	-	-	1,611,753
Public safety	5,977,717	-	-	-	5,977,717
Public works	2,182,704	-	-	1,513,186	3,695,890
Parks and recreation	644,490	-	-	-	644,490
Capital outlay	-	2,763,093	-	-	2,763,093
Debt service:					
Principal	-	865,700	-	-	865,700
Interest	-	382,959	-	-	382,959
	<b>10,416,664</b>	<b>4,011,752</b>	<b>-</b>	<b>1,513,186</b>	<b>15,941,602</b>

(Continued)

# TOWNSHIP OF HAMPDEN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017  
(Continued)

	General	Capital Improvements	Sewer Maintenance	Other Governmental Fund	Total Governmental Funds
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	3,237,911	(3,381,138)	19,255	(616,940)	(740,912)
<b>Other Financing Sources (Uses):</b>					
Transfers in	49,000	3,344,788	6,000,000	-	9,393,788
Transfers out	(3,280,820)	-	-	-	(3,280,820)
Proceeds from issuance of debt	-	1,078,785	-	-	1,078,785
Sale of general capital assets	46,282	-	-	-	46,282
 Total other financing sources (uses)	 (3,185,538)	 4,423,573	 6,000,000	 -	 7,238,035
<b>Net Change in Fund Balance</b>	52,373	1,042,435	6,019,255	(616,940)	6,497,123
<b>Fund Balance:</b>					
Beginning of year	6,774,964	55,186	514,512	1,114,696	8,459,358
End of year	\$ 6,827,337	\$ 1,097,621	\$ 6,533,767	\$ 497,756	\$ 14,956,481

(Concluded)

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HAMPDEN

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

**Net Change in Fund Balance - Governmental Funds** \$ 6,497,123

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

The details of the difference are as follows:

Capital outlay	\$ 1,342,189	
Depreciation	(1,825,296)	
Net adjustment		(483,107)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change differs by the net book value of the capital assets sold. (28,259)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 439,365

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (236,808)

The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of the deferred charge on refunding when the debt is first issued, whereas these amounts are amortized in the statement of activities.

The details of the difference are as follows:

Issuance of debt	(1,078,785)	
Principal repayments	865,700	
Amortization of deferred charge on refunding	8,794	
Net adjustment		(204,291)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference are as follows:

Changes in net other post-employment liability		(217,834)
Changes in net pension liability, net of related deferred outflows and inflows of resources		(183,277)
Changes in compensated absences		(7,744)

**Change in Net Position of Governmental Activities** \$ 5,575,168

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HAMPDEN

## STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

DECEMBER 31, 2017

<u>Assets</u>	Business-type Activities - Enterprise Funds				<u>Totals</u>
	Sewer	Sanitation	Stormwater	Other Enterprise Funds	
Current assets:					
Cash and cash equivalents	\$ 9,523,460	\$ 281,210	\$ 1,231,081	\$ 586,192	\$11,621,943
Receivables:					
Accounts, net	460,896	18,787	625,737	2,237	1,107,657
Assessments	9,533	-	-	-	9,533
Due from other funds	-	-	-	3,993	3,993
Inventory	-	-	-	44,257	44,257
Restricted assets:					
Cash and cash equivalents	11,379	-	-	-	11,379
<b>Total current assets</b>	<b>10,005,268</b>	<b>299,997</b>	<b>1,856,818</b>	<b>636,679</b>	<b>12,798,762</b>
Noncurrent assets:					
Capital assets, not being depreciated	138,715	9,054	8,231	1,051,718	1,207,718
Capital assets, net of depreciation	78,048,326	14,242	2,372,008	1,419,420	81,853,996
<b>Total noncurrent assets</b>	<b>78,187,041</b>	<b>23,296</b>	<b>2,380,239</b>	<b>2,471,138</b>	<b>83,061,714</b>
<b>Total Assets</b>	<b>88,192,309</b>	<b>323,293</b>	<b>4,237,057</b>	<b>3,107,817</b>	<b>95,860,476</b>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	126,697	-	-	-	126,697
Deferred outflows of resources - pension	339,567	-	-	94,396	433,963
<b>Total Deferred Outflows of Resources</b>	<b>466,264</b>	<b>-</b>	<b>-</b>	<b>94,396</b>	<b>560,660</b>

(Continued)

	Business-type Activities - Enterprise Funds				Totals
	Sewer	Sanitation	Stormwater	Other Enterprise Funds	
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	149,528	1,817	172,441	18,325	342,111
Unexpended escrow deposits	494,164	-	-	-	494,164
Other payables	214,726	-	5,360	108,327	328,413
Unearned revenue	360,404	-	-	7,650	368,054
Compensated absences payable	70,809	801	1,079	44,607	117,296
Bonds payable - current	1,450,536	-	-	34,464	1,485,000
Due to other funds	406	64	121,573	-	122,043
<b>Total current liabilities</b>	<b>2,740,573</b>	<b>2,682</b>	<b>300,453</b>	<b>213,373</b>	<b>3,257,081</b>
Noncurrent liabilities:					
Unearned revenue	7,148,003	-	-	-	7,148,003
Compensated absences payable	122,151	343	466	104,039	226,999
Net other post-employment liability	209,621	22,065	11,033	60,679	303,398
Net pension liability	507,043	-	-	122,738	629,781
Bonds payable	32,012,428	-	-	753,217	32,765,645
<b>Total noncurrent liabilities</b>	<b>39,999,246</b>	<b>22,408</b>	<b>11,499</b>	<b>1,040,673</b>	<b>41,073,826</b>
<b>Total Liabilities</b>	<b>42,739,819</b>	<b>25,090</b>	<b>311,952</b>	<b>1,254,046</b>	<b>44,330,907</b>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources - pension	270,258	-	-	76,971	347,229
<b>Net Position</b>					
Net investment in capital assets	37,353,746	23,296	2,380,239	1,683,457	41,440,738
Unrestricted	8,294,750	274,907	1,544,866	187,739	10,302,262
<b>Total Net Position</b>	<b>\$45,648,496</b>	<b>\$ 298,203</b>	<b>\$ 3,925,105</b>	<b>\$ 1,871,196</b>	<b>\$51,743,000</b>

(Concluded)

The accompanying notes are an integral part of these financial statements.



# TOWNSHIP OF HAMPDEN

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds				Totals
	Sewer	Sanitation	Stormwater	Other Enterprise Funds	
<b>Operating Revenues:</b>					
Charges and fees	\$ 9,179,792	\$ 2,003,514	\$ 1,825,736	\$ 1,530,300	\$ 14,539,342
Other	206,194	1,800	10,561	14,825	233,380
<b>Total operating revenues</b>	<b>9,385,986</b>	<b>2,005,314</b>	<b>1,836,297</b>	<b>1,545,125</b>	<b>14,772,722</b>
<b>Operating Expenses:</b>					
Operating and administrative	5,106,938	169,135	781,774	1,464,593	7,522,440
Chemicals and utilities	792,618	-	-	-	792,618
Contracted services	-	1,803,899	-	-	1,803,899
Depreciation	2,815,734	2,825	142,938	194,610	3,156,107
Other	8,892	-	651,633	-	660,525
<b>Total operating expenses</b>	<b>8,724,182</b>	<b>1,975,859</b>	<b>1,576,345</b>	<b>1,659,203</b>	<b>13,935,589</b>
<b>Operating Income (Loss)</b>	<b>661,804</b>	<b>29,455</b>	<b>259,952</b>	<b>(114,078)</b>	<b>837,133</b>
<b>Nonoperating Revenues (Expenses):</b>					
Investment income	285,343	1,391	49,844	2,331	338,909
Tapping fees	1,826,346	-	-	-	1,826,346
Interest expense	(1,354,761)	-	-	(26,767)	(1,381,528)
Gain (loss) on sale of capital assets	7,376	-	-	(5,988)	1,388
<b>Total nonoperating revenues (expenses)</b>	<b>764,304</b>	<b>1,391</b>	<b>49,844</b>	<b>(30,424)</b>	<b>785,115</b>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>1,426,108</b>	<b>30,846</b>	<b>309,796</b>	<b>(144,502)</b>	<b>1,622,248</b>
Capital contributions	92,260	-	-	-	92,260
Transfers out	(6,041,500)	-	(63,968)	(7,500)	(6,112,968)
<b>Change in Net Position</b>	<b>(4,523,132)</b>	<b>30,846</b>	<b>245,828</b>	<b>(152,002)</b>	<b>(4,398,460)</b>
<b>Net Position:</b>					
Beginning of year	50,171,628	267,357	3,679,277	2,023,198	56,141,460
End of year	<b>\$ 45,648,496</b>	<b>\$ 298,203</b>	<b>\$ 3,925,105</b>	<b>\$ 1,871,196</b>	<b>\$ 51,743,000</b>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HAMPDEN

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds				Totals
	Sewer	Sanitation	Stormwater	Other Enterprise Funds	
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers and users	\$ 9,110,607	\$ 2,009,296	\$ 1,882,596	\$ 1,541,351	\$ 14,543,850
Payments to suppliers	(4,330,502)	(1,872,075)	(1,057,602)	(476,108)	(7,736,287)
Payments to employees	(2,126,384)	(97,039)	(156,927)	(909,683)	(3,290,033)
Net cash provided by operating activities	2,653,721	40,182	668,067	155,560	3,517,530
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers out	(6,041,500)	-	(63,968)	(7,500)	(6,112,968)
Net cash used in noncapital financing activities	(6,041,500)	-	(63,968)	(7,500)	(6,112,968)
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of capital assets	(172,828)	(10,374)	(473,331)	(148,717)	(805,250)
Change in developer deposits	75,959	-	-	-	75,959
Changes under direct financing lease	6,732	-	-	-	6,732
Tapping fees	1,826,346	-	-	-	1,826,346
Proceeds from sale of capital assets	7,445	-	-	345	7,790
Principal payments	(1,396,812)	-	-	(33,188)	(1,430,000)
Interest paid	(1,361,745)	-	-	(32,354)	(1,394,099)
Net cash used in capital and related financing activities	(1,014,903)	(10,374)	(473,331)	(213,914)	(1,712,522)
<b>Cash Flows From Investing Activities:</b>					
Investment income	38,494	1,391	49,844	2,331	92,060
Net cash provided by investing activities	38,494	1,391	49,844	2,331	92,060
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(4,364,188)	31,199	180,612	(63,523)	(4,215,900)
<b>Cash and Cash Equivalents:</b>					
Beginning of year	13,899,027	250,011	1,050,469	649,715	15,849,222
End of year	\$ 9,534,839	\$ 281,210	\$ 1,231,081	\$ 586,192	\$11,633,322

(Continued)

# TOWNSHIP OF HAMPDEN

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

(Continued)

	Business-type Activities - Enterprise Funds				Totals
	Sewer	Sanitation	Stormwater	Other Enterprise Funds	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Operating income (loss)	\$ 661,804	\$ 29,455	\$ 259,952	\$ (114,078)	\$ 837,133
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	2,815,734	2,825	142,938	194,610	3,156,107
Amortization	46,566	-	-	11,176	57,742
(Increase) decrease in:					
Accounts receivable	85,025	3,982	46,299	(344)	134,962
Due from other funds	-	-	-	(3,993)	(3,993)
Inventory	-	-	-	(14,316)	(14,316)
Deferred outflows of resources - pension	(10,457)	-	-	2,216	(8,241)
Increase (decrease) in:					
Accounts payable	(742,616)	280	138,919	5,087	(598,330)
Due to other funds	(152)	15	76,481	(172)	76,172
Other payables	(6,984)	-	360	8,101	1,477
Unearned revenue	(360,404)	-	-	(3,430)	(363,834)
Compensated absences	(2,846)	480	1,545	29,169	28,348
Net other post-employment liability	20,419	3,145	1,573	8,649	33,786
Net pension liability	147,632	-	-	32,885	180,517
 Net cash provided by operating activities	 <u>\$ 2,653,721</u>	 <u>\$ 40,182</u>	 <u>\$ 668,067</u>	 <u>\$ 155,560</u>	 <u>\$ 3,517,530</u>
 <b>Noncash Operating, Noncapital and Capital Financing, and Investing Activities:</b>					
Capital contributions	<u>\$ 92,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,260</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HAMPDEN

## STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS

DECEMBER 31, 2017

<b>Assets</b>	
Interest receivable	<u>\$ 13,032</u>
Investments, at fair value:	
Money market funds	145,815
U.S. Government obligations	690,842
U.S. Government agency obligations	454
Corporate bonds	6,900
Mutual bond funds	11,058,542
Mutual equity funds	<u>22,463,731</u>
Total investments	<u>34,366,284</u>
<b>Total Assets</b>	<u>34,379,316</u>
<b>Net Position</b>	
Restricted for pension benefits	<u><u>\$ 34,379,316</u></u>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HAMPDEN

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2017

### **Additions:**

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Contributions:

Employer	\$ 1,280,617
Employee	114,783

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Total contributions	1,395,400
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Investment earnings:

Net appreciation in fair value of investments	3,730,078
Interest	528,916

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Total investment earnings	4,258,994
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Less: investment expense	(91,758)
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Net investment earnings	4,167,236
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Total additions	5,562,636
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### **Deductions:**

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Benefits	1,690,358
Administrative	18,758

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Total deductions	1,709,116
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<b>Change in Net Position</b>	3,853,520
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### **Net Position:**

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Beginning of year	30,525,796
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End of year	\$ 34,379,316
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The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HAMPDEN

## COMBINING STATEMENT OF FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2017

	Park and Pool	Armitage Golf Club	Total Nonmajor Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 300,075	\$ 286,117	\$ 586,192
Accounts receivable, net	2,237	-	2,237
Due from other funds	-	3,993	3,993
Inventory	-	44,257	44,257
Total current assets	302,312	334,367	636,679
Noncurrent assets:			
Capital assets, not being depreciated	-	1,051,718	1,051,718
Capital assets, net of depreciation	720,551	698,869	1,419,420
Total noncurrent assets	720,551	1,750,587	2,471,138
<b>Total Assets</b>	1,022,863	2,084,954	3,107,817
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - pension	-	94,396	94,396
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,259	16,066	18,325
Other payables	1,000	107,327	108,327
Unearned revenue	7,650	-	7,650
Compensated absences payable	-	44,607	44,607
Bonds payable - current	25,600	8,864	34,464
Total current liabilities	36,509	176,864	213,373
Noncurrent liabilities:			
Compensated absences payable	-	104,039	104,039
Net other post-employment liability	5,516	55,163	60,679
Net pension liability	-	122,738	122,738
Bonds payable	559,404	193,813	753,217
Total noncurrent liabilities	564,920	475,753	1,040,673
<b>Total Liabilities</b>	601,429	652,617	1,254,046
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources - pension	-	76,971	76,971
<b>Net Position</b>			
Net investment in capital assets	135,547	1,547,910	1,683,457
Unrestricted	285,887	(98,148)	187,739
<b>Total Net Position</b>	\$ 421,434	\$ 1,449,762	\$ 1,871,196

# TOWNSHIP OF HAMPDEN

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2017

	Park and Pool	Armitage Golf Club	Total Nonmajor Enterprise Funds
<b>Operating Revenues:</b>			
Charges and fees	\$ 415,225	\$ 1,115,075	\$ 1,530,300
Other	-	14,825	14,825
<b>Total operating revenues</b>	<b>415,225</b>	<b>1,129,900</b>	<b>1,545,125</b>
<b>Operating Expenses:</b>			
Operating and administrative	348,274	1,116,319	1,464,593
Depreciation	95,414	99,196	194,610
<b>Total operating expenses</b>	<b>443,688</b>	<b>1,215,515</b>	<b>1,659,203</b>
<b>Operating Loss</b>	<b>(28,463)</b>	<b>(85,615)</b>	<b>(114,078)</b>
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	1,115	1,216	2,331
Interest expense	(19,880)	(6,887)	(26,767)
Gain (loss) on sale of capital assets	(6,333)	345	(5,988)
<b>Total nonoperating revenues (expenses)</b>	<b>(25,098)</b>	<b>(5,326)</b>	<b>(30,424)</b>
<b>Loss Before Transfers</b>	<b>(53,561)</b>	<b>(90,941)</b>	<b>(144,502)</b>
Transfers out	-	(7,500)	(7,500)
<b>Change in Net Position</b>	<b>(53,561)</b>	<b>(98,441)</b>	<b>(152,002)</b>
<b>Net Position:</b>			
Beginning of year	474,995	1,548,203	2,023,198
End of year	<u>\$ 421,434</u>	<u>\$ 1,449,762</u>	<u>\$ 1,871,196</u>

# TOWNSHIP OF HAMPDEN

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2017

	Park and Pool	Armitage Golf Club	Total Nonmajor Enterprise Funds
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers and users	\$ 411,451	\$ 1,129,900	\$ 1,541,351
Payments to suppliers	(150,460)	(325,648)	(476,108)
Payments to employees	(196,866)	(712,817)	(909,683)
Net cash provided by operating activities	64,125	91,435	155,560
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfers out	-	(7,500)	(7,500)
Net cash used in noncapital financing activities	-	(7,500)	(7,500)
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Principal payments	(24,648)	(8,540)	(33,188)
Purchase of capital assets	(23,036)	(125,681)	(148,717)
Proceeds from the sale of capital assets	-	345	345
Interest paid	(24,029)	(8,325)	(32,354)
Net cash used in capital and related financing activities	(71,713)	(142,201)	(213,914)
<b>Cash Flows From Investing Activities:</b>			
Investment income	1,115	1,216	2,331
Net cash provided by investing activities	1,115	1,216	2,331
<b>Net Decrease in Cash and Cash Equivalents</b>	(6,473)	(57,050)	(63,523)
<b>Cash and Cash Equivalents:</b>			
Beginning of year	306,548	343,167	649,715
End of year	\$ 300,075	\$ 286,117	\$ 586,192

(Continued)



# TOWNSHIP OF HAMPDEN

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2017  
(Continued)

	Park and Pool	Armitage Golf Club	Total Nonmajor Enterprise Funds
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>			
Operating loss	\$ (28,463)	\$ (85,615)	\$ (114,078)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	95,414	99,196	194,610
Amortization	-	11,176	11,176
(Increase) decrease in:			
Accounts receivable	(344)	-	(344)
Due from other funds	-	(3,993)	(3,993)
Inventory	-	(14,316)	(14,316)
Deferred outflows of resources - pension	-	2,216	2,216
Increase (decrease) in:			
Accounts payable	162	4,925	5,087
Other payables	-	8,101	8,101
Unearned revenue	(3,430)	-	(3,430)
Compensated absences	-	29,169	29,169
Due to other funds	-	(172)	(172)
Net other post-employment liability	786	7,863	8,649
Net pension liability	-	32,885	32,885
Net cash provided by operating activities	\$ 64,125	\$ 91,435	\$ 155,560
			(Concluded)

# TOWNSHIP OF HAMPDEN

## COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS

DECEMBER 31, 2017

	<u>Police Pension Trust Fund</u>	<u>Non-Uniformed Pension Trust Fund</u>	<u>Totals</u>
<hr/> <b>Assets</b> <hr/>			
Interest receivable	\$ 5,114	\$ 7,918	\$ 13,032
Investments, at fair value:			
Money market funds	46,126	99,689	145,815
U.S. Government obligations	677,552	13,290	690,842
U.S. Government agency obligations	214	240	454
Corporate bonds	2,300	4,600	6,900
Mutual bond funds	3,854,140	7,204,402	11,058,542
Mutual equity funds	8,651,840	13,811,891	22,463,731
	<hr/>	<hr/>	<hr/>
Total investments	13,232,172	21,134,112	34,366,284
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	13,237,286	21,142,030	34,379,316
<hr/> <b>Net Position</b> <hr/>			
Restricted for pension benefits	<u>\$ 13,237,286</u>	<u>\$ 21,142,030</u>	<u>\$ 34,379,316</u>

# TOWNSHIP OF HAMPDEN

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2017

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Totals
<b>Additions:</b>			
<hr/>			
Contributions:			
Employer	\$ 540,465	\$ 740,152	\$ 1,280,617
Employee	114,783	-	114,783
	<hr/>	<hr/>	<hr/>
Total contributions	655,248	740,152	1,395,400
	<hr/>	<hr/>	<hr/>
Investment earnings:			
Net appreciation in fair value of investments	1,433,722	2,296,356	3,730,078
Interest	203,574	325,342	528,916
	<hr/>	<hr/>	<hr/>
Total investment earnings	1,637,296	2,621,698	4,258,994
	<hr/>	<hr/>	<hr/>
Less: investment expense	(34,745)	(57,013)	(91,758)
	<hr/>	<hr/>	<hr/>
Net investment earnings	1,602,551	2,564,685	4,167,236
	<hr/>	<hr/>	<hr/>
Total additions	2,257,799	3,304,837	5,562,636
	<hr/>	<hr/>	<hr/>
<b>Deductions:</b>			
<hr/>			
Benefits	738,456	951,902	1,690,358
Administrative	6,630	12,128	18,758
	<hr/>	<hr/>	<hr/>
Total deductions	745,086	964,030	1,709,116
	<hr/>	<hr/>	<hr/>
<b>Change in Net Position</b>	1,512,713	2,340,807	3,853,520
	<hr/>	<hr/>	<hr/>
<b>Net Position:</b>			
<hr/>			
Beginning of year	11,724,573	18,801,223	30,525,796
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 13,237,286</u>	<u>\$ 21,142,030</u>	<u>\$ 34,379,316</u>