

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**TABLE OF CONTENTS**

	<u>PAGE</u>
Introduction.....	2
Overview of the Conversion Process.....	5
Fund Classification.....	10
General Purpose External Financial Statements.....	19
Measurement Focus and Basis of Accounting.....	26
Program Revenues.....	28
Accounts.....	33
Illustration of Conversion Process.....	38
Trial Balances and Worksheets.....	39
Budgetary Reporting.....	44
Conversion Programs	
Cash, Cash Equivalents and Investments.....	46
Receivables.....	47
Prepaid Assets.....	59
Inventory.....	60
Capital Assets including Infrastructure.....	61
Interfund Activity.....	67
Non-Capital Liabilities.....	69
Capital-Related Liabilities.....	72
Fund Balance and Net Assets.....	74
Management’s Discussion and Analysis.....	76
Notes to the Basic Financial Statements.....	79
Combining and Individual Fund Statements and Schedules.....	86

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**INTRODUCTION**

***This plan assumes that the Generic School District has converted to Generally Accepted Accounting Principles (GAAP) prior to the implementation of GASB 34; therefore this plan will discuss only changes from the current reporting model to the new model as set forth by GASB 34.***

***Annual Financial Reporting*** School Districts are required to implement GASB Statement 34 “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments” according to the effective date and transition schedule included in the statement. All School Districts should prepare and publish, as a matter of public record, a financial report that encompasses all activities that make up the reporting entity. GASB Statement 34 establishes accounting and financial reporting standards for the general purpose external financial statements. The purpose of the financial statements is to report the Government-wide financial position and results of operations of the reporting entity as well as fund information that focuses on major funds. The basic financial statements serve as the official annual report of the School District and should contain all necessary information to demonstrate compliance with legal and contractual provisions.

The School District must report as a minimum, the basic financial statements and required supplementary information that is discussed in detail below. The School District also has the option to present a Comprehensive Annual Financial Report (CAFR) that is also discussed in further detail below.

***Minimum Requirements for Basic Financial Statements and Required Supplementary Information***

***Management’s Discussion and Analysis*** This analysis should introduce the basic financial statements and provide an analytical overview of the government’s financial activities. The statements should provide an easy to understand overview of the of the School District’s financial activities and should be based on known facts and conditions at the time of publication and should include an analysis of current-year results in comparison with the prior year. The analysis can include charts, graphs, or any other information that may be helpful in explaining the financial position of the School District.

***Basic Financial Statements*** These statements are discussed in the General Purpose External Financial Statement Section and include:

- Government-wide statements
  - Statement of net assets
  - Statement of activities
- Fund financial statements
  - Balance sheet - governmental funds
  - Statement of revenues, expenditures and changes in fund balances - governmental funds
  - Statement of revenues, expenditures and changes in fund balance - budget (non-gaap basis) and actual - general and major special revenue funds
  - Statement of net assets - proprietary funds
  - Statement of revenues, expenses and changes in fund net assets - proprietary funds
  - Statement of cash flows - proprietary funds
  - Statement of fiduciary net assets - fiduciary funds
  - Statement of changes in fiduciary net assets - fiduciary funds
  - Notes to the basic financial statements

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

*Required Supplementary Information* The RSI include budgetary comparison schedules for the School District's general fund and each major special revenue fund and information about infrastructure assets reported using the modified approach. Please note that the majority of School Districts will not have infrastructure assets to be reported (there will be further discussion in the capital asset section of this plan).

***Optional Reporting Requirements for a Comprehensive Annual Financial Report (CAFR)***

The comprehensive annual financial report is still required to include three basic sections, Introductory, Financial and Statistical, which include primarily the same information as the old reporting model with the following changes:

**Introductory Section**

The transmittal letter basic contents are amended to include:

- Formal transmittal of the CAFR
- Profile of the school district
- Information useful in assessing the school district's financial condition:
  - Local economy
  - Long-term financial planning
  - Cash management and investments
  - Risk financing
  - Pension benefits
  - Postemployment benefits
- Awards and acknowledgements

**Financial Section**

The financial section will include the basic financial statements as required by the new reporting model, as well as combining and individual fund presentation and supplementary information which have been modified to include:

- Budgetary Comparisons
  - Will include an additional column for original budget
- The CAFR should include a combining statement to support each column in the basic financial statements that aggregates data from more than one fund or discretely presented component unit, which could include the following:
  - Combining statements - nonmajor governmental funds
  - Combining statements - nonmajor enterprise funds
  - Combining statements - internal service funds
  - Combining statements - private purpose trust funds
  - Combining statements - pension (and other employee benefit) trust funds
  - Combining statements - investment trust funds
  - Combining statements - agency funds
  - Combining statements - nonmajor discretely presented component units

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**Statistical Section**

The statistical section remains generally unchanged in the new model, but will require additional data in the following tables:

General Governmental Revenues by Source and Expenses/Expenditures By Function - Last Ten Fiscal Years

Will include additional columns for modified and full accrual revenues and expenditures/expenses for the years reported under the new model.

***Note: The GAAFR provides specific guidance for statistical table information.***

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**OVERVIEW OF CONVERSION PROCESS - OLD MODEL TO NEW**

The conversion from previously reported GAAP information to financial statements that conform to the new reporting model is a bit more complicated than the conversion process needed for the old model. The obvious reason for this is the need to create the new government-wide statements on a full accrual basis. There are two aspects of those statements that complicate the conversion process beyond simply applying a new basis of accounting. The first is the need to split net assets into a restricted net asset component and to distinguish between major categories of restrictions. The second is the requirement to identify program revenues and then associate them with the programs reported on the statement of activities.

It would be a straight forward process to compute the full accrual information for governmental activities if you could simply roll the modified accrual information for the governmental funds together and then convert this to full accrual information using journal entries that encompassed all governmental activities. The problem with this approach is that you lose the ability to identify restricted net assets by category. For example, from the modified accrual statements, the fund balance available for debt service is evident. Once all funds are rolled together and the full accrual entries posted, however, the ability to identify the net assets restricted for debt service is lost.

One way to address this issue is to split the accrual journal entries based on the categories of restricted net assets they affect. The other is to take the additional step of posting the journal entries needed to calculate restricted net assets at the fund level. This is the method we have adopted. This method permits restricted net assets to be categorized in as much detail as the reporting government could ever want. It permits the accrual entries to be calculated at the same time and in the same manner as the modified accrual entries. It also generates trial balances that facilitate analytic review, which is beneficial both to the preparer and to the auditors. The posting of full accrual entries at the fund level also facilitates the identification of program revenues by program.

Program revenues will be identified at this fund level and will be tracked on separate columns on the full accrual trial balance for each individual fund. Tracking at this level is much easier, as the revenues can be analyzed as the individual statement is prepared, and then split to the programs for which the revenues are associated. A complete discussion regarding the identification and classification of program revenues is included in this plan.

The following outline is provided to summarize the steps needed in order to convert the School District's financial statements from the old reporting model to the new reporting model. Each item in the outline is referenced to the section of the plan that includes detailed information.

- I. Reclassify funds utilizing the new fund structure and fund definitions. (FUND CLASSIFICATION)
  - A. Identify fund structure.
  - B. Consolidation of funds
    1. Small fund or funds of a similar purpose may be combined for reporting purposes.
- II. Identify major funds (spreadsheet provided by LGS). (FUND CLASSIFICATION)
- III. Prepare draft financial statements by identifying appropriate accounts and activities. (GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS and ACCOUNTS)
  - A. Statement of Net Assets
    1. Chose either the order of liquidity or classified format.
    2. Determine the accounts to be included. If aggregated, will need detailed note disclosure per GASB 38.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

3. Determine the classifications of restricted net assets.
  4. Determine the method of accumulating restricted net assets
    - a) Fund, or
    - b) Classification.
- B. Statement of Activities
1. Determine the level of expense presentation. It is important to note that school districts do not have to follow the function breakdown for expense presentation.
  2. Determine whether to present a column for indirect cost allocation (discretionary).
  3. Determine presentation of program revenues (charges for services, operating grants, and capital grants).
    - a) May report more than one column under each major category of program revenues.
    - b) Create program revenue worksheet to track specific program revenues throughout the conversion process, for all funds with multiple activities.
      - 1) For each fund with multiple transaction types, list each transaction type by type of program revenue and associated activity.
  4. Determine classification of General Revenues and the level of detail to be reported.
  5. Determine the breakdown between activities and enterprise funds. Don't assume that business-type activities are only enterprise funds. Business-type activities must include different and identifiable activities reported in enterprise funds.
- C. Determine the presentation of component units. It is important to note that the component units will only be presented on the school district-wide financial statements, therefore the financial information of the component units will also need to be converted to GASB 34.
1. May report multiple discretely presented component units as a combined total on the face of the school district-wide financial statements with the combining information included as part of the notes to the basic financial statements; or
  2. May report multiple discretely presented component units as a combined total on the face of the school district-wide financial statements with a separate combining statement included in the basic financial statements; or
  3. May report multiple discretely presented component units in separate columns on the face of the school district-wide financial statements.
- D. Finalize the account structure and presentation format.
- IV. Create trial balance worksheets based on the account structure determined from the draft financial statements. (TRIAL BALANCES AND WORKSHEETS)
- A. Restatement Trial Balance at Beginning of Year. One trial for each governmental fund.
  - B. Consolidation Trial Balance at Beginning of Year, One trial for the total of all governmental funds.
- V. Calculate change in beginning of year fund balances for interpretation 6 (and GASB 33/36 if not already implemented). (NON-CAPITAL LIABILITIES/RECEIVABLES)
- A. Restate beginning of year deferred revenue based on implementation of GASB 33/36 for analytical review and for the balance sheet reconciliation.
  - B. Post to restatement trial balances.
- VI. Calculate beginning of year governmental activity.
- A. Breakdown by fund primarily to determine restricted net assets.
  - B. Convert revenues to full accrual (RECEIVABLES)
    1. Identify by major revenue transaction types to maintain breakdown of program and general revenues. (PROGRAM REVENUES)

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

- a) Exchange and exchange-like transactions.
- b) Nonexchange transactions.
  - 1) Derived tax revenues.
  - 2) Imposed non-exchange revenues.
  - 3) Government-mandated non-exchange transactions
  - 4) Voluntary non-exchange transactions.
- 2. Link transaction types to accounts on fund and government-wide financial statements (maintaining program revenue worksheet).
- C. Convert expenditures to expenses. (PREPAIDS/INVENTORY)
  - 1. Conversion to consumption method of inventory.
  - 2. Reporting of governmental prepaids (at a minimum on the school district wide financial statements).
- D. Allocate non-capital debt items to the funds maintaining an activity account level of breakdown in order to reverse these items. (NON-CAPITAL LIABILITIES)
  - 1. Compensated absences.
  - 2. Retirement.
  - 3. Special termination benefits.
- E. Identify beginning of year restricted net asset balances. (TRIAL BALANCES AND WORKSHEETS)
  - 1. Through the combining of individual restatement trial balances.
  - 2. Account for unspent debt proceeds (restricted net assets).
- F. Create governmental activity worksheets
  - 1. Capital Debt. (CAPITAL DEBT)
    - a) Maintain a breakdown between balances due within one year and due in more than one year.
    - b) Including governmental activity debt issued to purchase proprietary assets.
  - 2. Capital Assets - General and Infrastructure. (CAPITAL ASSETS)
    - a) Maintain a breakdown between depreciable and non-depreciable capital assets.
- G. Create the consolidated trial balance. (TRIAL BALANCES AND WORKSHEETS)
  - 1. Post the full accrual totals of the governmental restatement trials.
  - 2. Post capital debt balances.
  - 3. Post capital asset balances.
  - 4. Post internal service funds' balances (FUND BALANCE AND NET ASSETS)
    - a) Allocate balance to the governmental activities if a governmental fund was the predominant participant.
    - b) Create an internal balance if significant participation by a business-type activity. (INTERFUND ACTIVITY)
      - 1) The internal balance would be reported as part of unrestricted net assets.
- VII. Calculate end of year governmental activity
  - A. Create Budgetary Trial Balances. (BUDGETARY REPORTING)
    - 1. One trial balance for each fund as consolidated by new combined fund structure.
    - 2. May still be able to generate the majority of this information through the old GAAP subsystem.
      - a) Need to incorporate original budgeted information, at a minimum, for the general fund and all major special revenue funds.
    - 3. Information from these trial balances will be carried forward to:
      - a) Cash Transaction column on modified accrual and full accrual trial balances

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

- b) Budgetary statements that are either reported in the basic financial statements or as required supplementary information.
    - 4. Identify and post cash transactions by type of activity to the program revenues worksheet.
  - B. Create modified accrual trial balances. (TRIAL BALANCES AND WORKSHEETS)
    - 1. One trial balance for each fund as consolidated by new combined fund structure.
    - 2. Utilizing account structure from the draft statements.
    - 3. Will post beginning information from the restatement trials, modified accrual total columns.
  - C. Create restricted net assets trial balances. (TRIAL BALANCES AND WORKSHEETS)
    - 1. One trial balance for each fund as consolidated by new combined fund structure.
    - 2. Utilize account structure from the draft statements.
    - 3. Will post beginning information from the restatement trials, full accrual total columns.
  - D. Create consolidated trial balance. (TRIAL BALANCES AND WORKSHEETS)
    - 1. Beginning columns will be posted from the totals of the governmental restricted net assets trial balances.
  - E. Complete workpaper sections and gather information for fund level presentation.
    - 1. Revenue journal entries. (RECEIVABLES)
      - a) Prepare full receivable amounts based on GASB 33/36, and then determine the amount received in the available period for the modified accrual revenue amount.
      - b) Create revenue modified and full accrual entries at the time of completion of workpaper sections keeping the full accrual entries as the net change.
    - 2. Expenditure/Expense journal entries. (PREPAIDS/INVENTORY)
      - a) Must report prepaid items on a full accrual basis.
      - b) Inventory must be reported through the consumption method.
      - c) Non-fund obligations must maintain a breakdown by activity/program.
        - 1) Depreciation
        - 2) Internal service activity
  - F. Post modified accrual reversing and adjusting journal entries to the modified accrual fund trial balances.
  - G. Post both modified and full accrual reversing and adjusting journal entries to the restricted net assets trial fund balances.
    - 1. Post journal entries by transaction type to the program revenue worksheet.
      - a) Maintain program revenue information as right-hand columns of the restricted net assets trial balances, creating activity expense breakdowns for the Statement of Activities.
    - 2. Post reclassification journal entries for program revenues and the breakdown of general revenues.
  - H. Create combining statements. (GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS/COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES)
    - 1. Entity-Wide Statements.
      - a) Combining statement of program revenues for governmental funds and proprietary funds.
      - b) Combining statement of net assets and statement of activities for governmental funds and proprietary funds.
      - c) Post the combining information to the consolidated trial balance.
    - 2. Fund Statements.



## **Generic School District**

### *GAAP Conversion Plan - Implementation of GASB 34*

*June 30, FY2*

- a) Combining balance sheet for non-major governmental funds.
  - b) Combining statement of revenues, expenditures/expenses, and changes in fund balance for non-major governmental funds.
  - c) Post the combining information to the balance sheet and statement of revenues, expenditures and changes in fund balances.
- I. Post current year activity to capital debt and capital assets worksheets and post to the consolidated trial balance.
    - 1. Will eliminate debt service principal, and capital outlay.
  - J. Eliminate Interfund Activity.
  - K. Post all information into the financial statement format.

Information in this overview is detailed in the following sections of this plan.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**FUND CLASSIFICATION**

In governmental accounting there are three fund classifications. They are:

***Governmental Funds***

Governmental fund reporting focuses on the sources, uses and balances of current financial resources and often has a budgetary orientation. The governmental funds include the *general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds*. With the exception of permanent funds, those governmental funds are defined in NCGA Statement 1, as amended.

*Permanent funds* should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The proprietary fund classification includes enterprise and internal service funds.

*Enterprise funds* may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of the net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable solely from the revenues of the activity.)

Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

*Internal service funds* may be used to report any activity that provides goods or services to the other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should only be used if the reporting government is the predominate participant in the activity. Otherwise, the activity should be reported as an enterprise fund.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Fiduciary Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

*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.

*Investment trust funds* should be used to report the external portion of investment pools reported by the sponsoring government, as required by Statement 31, paragraph 18.

*Private-purpose trust funds*, such a fund to report escheat property, should be used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

*Agency funds* should be used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Many governments combine funds with similar characteristics for external reporting purposes. The needs of those who require the establishment of separate funds can generally be met with internal or special purpose reports. The minimum number of funds principal in NCGA Statement 1 would suggest that the government should combine certain funds for external reports. Governments can exercise a certain amount of latitude in determining what should be reported as a "fund" in external reports. The concept of combining funds on a functional basis is often applied. Certain funds were presented separately for budgetary purposes but are combined for GAAP purposes. The funds will continue to be maintained separately on the books of the School District. Consult with your auditors if you question whether the consolidation of a particular fund is appropriate.

***Current School District Funds***

The School District maintains several funds to account for the various programs and activities financed by general and specific revenue sources. The School District maintains accounting records and related cash assets on their system for the following funds:

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

<u>Fund/SCC</u>	<u>Fund Name</u>
001-0000	General Fund
001-9001	Equity Funding
001-9194	School Bus Reimbursement
002-0000	Bond Retirement
002-9000	Note Retirement
003-0000	Permanent Improvement
006-0000	Food Service
007-0000	Scholarship
007-0001	Alumni Association
007-0002	Vocational Compact
007-0003	Staff Services
009-0000	Uniform School Supplies
010-0000	Classroom Facilities
011-0000	Consumer Services Rotary
012-0000	Adult Education
014-0000	Special Rotary
014-9090	Special Rotary - SERRC
018-0000	Public School Support
024-0000	Self-Insurance
031-0000	Underground Storage tank
032-0000	Venture Capital
200-0000	Student Activities
300-0000	Athletic and Music
401-0000	Auxiliary Services
416-0000	Teacher Development
422-0000	Excellence in Education
447-0000	Disadvantaged Pupils Impact Aid
450-0000	SchoolNet
451-0000	OECN Data Communication
454-0000	Technology Equity
499-0000	School Security Equipment
501-0000	Adult Basic
514-0000	Title II (Eisenhower)
515-0000	Area Learning Resource Center
516-0000	Title VI-B
516-9090	Title VI-B SERRC
524-0000	Vocational Education
528-0000	Refugee Children
572-0000	Title I
573-0000	Title VI

Principal and interest payments on general short-term debt, such as revenue and tax anticipation notes, is reported in the fund that received the debt proceeds. Under Ohio law, a debt retirement fund may be used for the payment of all debt principal and interest. During the fiscal year, the Generic School District made payments on outstanding general obligation bonded debt and issued and retired a tax anticipation note within the debt service fund. To comply with GAAP reporting requirements, the principal and interest payments on the School District's tax anticipation note, and the revenue used to make the payments, will be removed from the debt service fund and reported in the general fund, the fund that received the proceeds.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

GAAP reporting requires the funds of the School District to be organized by fund types. Following are the various funds of the School District summarized by type:

***Governmental Funds:***

*General Fund*

General Fund

- General Fund (001-000)
- Equity Fund (001-9001)
- Bus Reimbursement (001-9194)
- Consumer Services Rotary (011-0000)
- Special Rotary (014-0000) - Excluding SERRC Portion
- Bond Retirement - (002-9000) Notes Payable Portion Only

*Special Revenue Funds*

- Alumni Association (007-0001)
- Uniform School Supplies (009)
- Adult Education (012)
- Public Schools Support (018)
- Underground Storage Tank (031)
- Venture Capital (032)
- Athletic and Music (300)
- Auxiliary Services (401)
- Teacher Development (416)
- Excellence in Education (422)
- Disadvantaged Pupils Impact Aid (447)
- OECD Data Communication (451)
- Adult Basic (501)
- Title II (514)
- Area Learning Resource Center (515)
- Title VI-B (516-0000)
- Vocational Education (524)
- Refugee Children (528)
- Title I (572)
- Title VI (573)
- Drug Free Schools (584)

*Debt Service Funds*

- Bond Retirement - Bonds Payable Portion (002)
- Bond Retirement - Notes Payable Portion (002) (Budget Basis)

*Capital Projects Funds*

- Permanent Improvement (003)
- Classroom Facilities (010)
- SchoolNet (450)
- Technology Equity (454)
- School Security Equipment (499)

***Proprietary Funds:***

*Enterprise Funds*

- Food Service (006)

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

*Internal Service Fund*

Self-Insurance (024)

***Fiduciary Funds:***

*Private Purpose Trust*

Scholarship (007-0000)

*Agency Funds*

Student Activities (200)

Vocational Compact (007-0002)

SERRC (014-9090)

***Note: On the fund financial statements the internal service fund is reported as a proprietary fund, but is combined with governmental activities on the district-wide financial statements.***

**Major Funds**

GASB 34 focuses on reporting major funds rather than presenting columns by fund types.

A major fund is any fund meeting one of the following three requirements:

1. General Fund
2. Any individual fund with total assets, liabilities, revenues or expenditures/expenses that are at least 10 percent of the corresponding total for all funds of that type **and**  
  
Any individual fund with total assets, liabilities, revenues or expenditures/expenses that are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.
3. Any other fund that management believes is important to financial statement users.

The School District has identified the general fund as the only fund meeting the major fund definition.

***General Fund*** (001). This fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in other funds. Included in this fund for GAAP reporting purposes will be the consumer services rotary fund and the special rotary fund (excluding the SERRC portion) because the activity is not significant and is not required to be reported in another fund.

The following are descriptions of the School District's nonmajor governmental fund types:

***Non-Major Special Revenue Funds***

*Alumni Association* (007-0001). This fund is used to account for donations expended in support of School District programs identified by the alumni at the time of the donation.

*Uniform School Supplies* (009). This fund accounts for the purchase and sale of school supplies for use in the School District.

*Adult Education* (012). This fund accounts for revenues and expenses involved in upgrading and retraining out-of-school youths and adults for the purpose of improving

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

their skills and knowledge in their occupation or planned occupation.

*Public Schools Support* (018). This fund accounts for school site sales revenues, and expenditures for field trips, assemblies, and other activity costs.

*Underground Storage Tank* (031). This fund accounts for monies transferred from the general fund to satisfy the financial responsibility requirements under the Ohio Bureau of Underground Storage Tank Regulations. **This fund may be combined with the general fund. If combined, a reservation of fund balance for underground storage tank liability should be reported.**

*Venture Capital* (032). This fund accounts for State monies provided to support reorganization of the student school day and teacher work day for school improvement.

*Athletic and Music* (300). This fund accounts for gate receipts and other revenues from athletic events and all costs (except supplemental coaching contracts) of the School District's athletic program.

*Auxiliary Services* (401). This fund accounts for the State monies provided to non-public schools for educational services and materials for pupils attending these non-public schools that are located within the School District's boundaries.

*Teacher Development* (416). This fund accounts for State revenues used to assist teachers in gaining new skills and becoming familiar with new teaching methodologies.

*Excellence in Education* (422). This fund accounts for State monies whose purposes are to support programs encouraging achievement in science and math through teacher inservice and instructional enhancements; to implement mandated competency based instruction in the areas of written expression, math and reading; and to support the implementation of energy conservation measures, or the local acquisition of textbooks, instructional supplies, and computer equipment/software.

*Disadvantaged Pupils Impact Aid* (447). This fund accounts for a percentage of State monies provided in support of academic and enrichment programs focusing on children from families qualifying for aid to dependent children.

*OECD Data Communication* (451). This fund accounts for State monies to be used for the Ohio Educational Computer Network Connections.

*Adult Basic* (501). This fund accounts for Federal monies used to provide programs in reading, writing and math competency for adults that do not have a high school diploma.

*Title II Eisenhower* (514). This fund accounts for monies used to improve the skills of teachers and the quality of instruction in mathematics, science, foreign languages, computer learning, and to increase the access of all students to that instruction.

*Area Learning Resource Center* (515). This fund is used to improve the learning opportunities of handicapped children through acquisition and distribution of education media and through implementation of related services.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

*Title VI-B (516-0000)*. This State program assists schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

*Vocational Education (524)*. This fund accounts for monies used for the development of vocational education programs in the following categories: secondary, post-secondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of area vocational school, ancillary services, research, advisory committees, and work-study projects.

*Refugee Children (528)*. This fund accounts for money used to assist in the public education of Indo-Chinese refugees.

*Title I (572)*. This fund accounts for Federal monies used to assist the School District in meeting the special needs of educationally deprived children.

*Title VI (573)*. This fund accounts for Federal revenues which support the implementation of computer education programs, gifted and talented programs, inservice training and staff development.

*Drug Free Schools (584)*. This fund accounts for Federal revenues which support the implementation of programs for drug abuse education and prevention.

***Non-Major Debt Service Fund***

*Bond Retirement (002)*. This fund accounts for the accumulation of resources for and the payment of general obligation bond principal and interest.

***Non-Major Capital Projects Funds***

*Permanent Improvement (003)*. This fund accounts for the acquisition, construction or improvement of capital facilities other than those financed by proprietary and trust funds.

*Classroom Facilities (010)*. This fund accounts for State monies used by the School District for the building and equipping of classroom facilities.

*SchoolNet (450)*. This fund accounts for State monies used to obtain computers and related educational technology equipment and/or the necessary infrastructure for educational technology.

*Technology Equity (454)*. This fund accounts for State grants available to low-wealth school districts to complement the SchoolNet program.

*School Security Equipment (499)*. This fund accounts for State monies to be used to purchase security equipment.

***Permanent Funds***

The Generic School District currently has no funds that are classified as permanent.



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

The following are the School District's proprietary funds:

***Enterprise Fund***

*Food Service* (006). This fund accounts for the financial transactions related to the food service operations of the School District. **If this fund is not required to be presented as an enterprise fund, based on the above criteria, it can be presented as a special revenue fund. Classification will be at the School District's discretion.**

***Internal Service Fund***

*Self-Insurance* (024). This fund accounts for the premiums received and the claims and administrative costs paid by the School District for employee health and dental insurance.

The following are the School District's fiduciary funds:

***Pension (and other employee benefit) trust funds***

The Generic School District currently does not have any funds that are classified as pension trust funds.

***Investment trust funds***

The Generic School District currently does not have any funds that are classified as investment trust funds.

***Private Purpose Trust Fund***

*Scholarship* (007-0000). This fund accounts for a scholarship program which receives donations to support a scholarship program for graduating students of the School District. There is a formal trust agreement on file which stipulates the scholarship specifications.

***Agency Funds***

*Student Activities* (200). This fund reflects resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

*Vocational Compact* (007-0002). This fund accounts for the financial activity of a cooperative agreement to provide for the vocational and special education needs of the students of the six participating school districts.

*Special Education Regional Resource Center (SERRC)* (014-9090). This fund accounts for resources used to provide local school districts with resources designed to improve the quality of instruction for handicapped children through the delivery of instructional materials and methodologies.

***Comments***

The School District's private purpose trust fund reflects the activity of a scholarship program which receives donations to support a scholarship program for graduating students of the School District. There is a formal trust agreement on file which stipulates the scholarship specifications.

***Fund Classification Conversion Program:***

Obtain a list of current School District cash basis funds.

For each fund, identify the source of the funding and any restrictions imposed on the use of the money.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Each fund should then be evaluated to determine proper classification. Documentation should be assembled which identifies the applicable expenditure restrictions for any fund that is unusual or specific to your school district. Only restrictions on the use of the money imposed by statute or by contract are relevant to the fund classification process. Funds created solely as a result of restrictions imposed by the board of education must have been authorized by the Auditor of State. If written authorization has not been received, the fund should be considered unrestricted and consolidation with the general fund may be appropriate.

If any funds have insignificant activity during the year and minimal balances at fiscal year end, it may be acceptable to consolidate these funds with the general fund or a fund used to achieve a similar purpose.

Determine which funds will be major funds, per the criteria listed above.

***Note: A spreadsheet to help determine major funds may be obtained from LGS.***

Determine if any revenue received by the School District has a portion or is totally designated for another government, a non-profit organization or some other entity. The specifics should be reviewed on a case by case basis, and may require either a) a budgetary adjustment to reclassify the expenditures as "Intergovernmental" (A liability may be required for any portion of revenue held to be expended on behalf of another government), or b) a split of the fund to report the other entity's portion in an agency fund.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS**

***Management's Discussion and Analysis***

The management's discussion and analysis is an easily readable analysis of the government's financial activities. It discusses current year results in comparison with the prior year. This discussion includes both the positive and negative effects and is written by the fiscal officer. This is the perfect opportunity to explain to the nonfinancial users of the report what is happening financially within the entity, why it is happening, and its potential impacts. A more detailed discussion of the MD&A can be found later in the plan.

***Basic Financial Statements***

**School District - Wide Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government and its component units, except for the fiduciary funds of the primary government and component units that are fiduciary in nature, since their resources are not available to finance the government's programs. Those funds and component units should be reported only in the statements of fiduciary net assets and changes in net assets. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are business-type activities and between the primary government and its discretely presented component units.

The school district-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the School District.

The focus of the government-wide financial statements should be on the primary government, as defined in Statement 14. Separate rows and columns should be used to distinguish between the primary government and its discretely presented component units. A total column should be presented for the primary government. A total column for the entity as a whole may be presented but is not required. Prior year data may be presented in the government-wide statements but also are not required.

Separate rows and columns also should be used to distinguish between the governmental and business-type activities of the primary government. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are ***usually*** reported in enterprise funds.

The terms activity and fund are not synonymous; that is, "activity" generally refers to programs or services, whereas a fund is an accounting and reporting device. A single fund could account for several activities and a single activity could be accounted for in multiple funds. As previously indicated, the statement of activities usually follows the categorizations used in the fund financial statements - governmental activities are those that are usually accounted for in governmental funds and business-type activities are those that usually are accounted for in enterprise funds. Nevertheless, governments can realign their activities if they believe that it more faithfully represents their operating objectives and philosophies. The reconciliations from the governmental and enterprise fund financial statements to the government-wide statements would explain the reclassification.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Statement of Net Assets***

The statement of net assets reports all financial and capital resources of the School District's governmental and business-type activities. Fiduciary funds are excluded. Internal service funds are combined with the activity that is the predominant participant in the fund. Governments are encouraged to present the statement in a format that displays assets less liabilities equal net assets, although the traditional balance sheet format (assets equal liabilities plus net assets) may be used. Regardless of the format used, however, the statement of net assets should report the difference between assets and liabilities as net assets, not fund balance or equity.

Governments are encouraged to present assets and liabilities in order of their relative liquidity. An asset's liquidity would be determined by how readily it is expected to be converted to cash and whether restrictions limit the government's ability to use the resources. A liability's liquidity is based on when cash is expected to be used to liquidate it. The liquidity of an asset or liability may be determined by assessing the average liquidity of the class of assets or liabilities to which it belongs, even though individual balances may be significantly more or less liquid than others in the same class and some items may have both current and noncurrent elements. Liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year.

Use of a classified statement of net assets, which distinguishes between all current and long-term assets and liabilities, is also acceptable.

The difference between a government's assets and its liabilities is its net assets. Net assets should be displayed in three components - invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted.

***Invested in capital assets, net of related debt***

This account consists of capital assets, including any restricted capital assets, less both accumulated depreciation and the outstanding balances of any bonds, mortgages, notes, or other borrowings that are directly attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt should be included in the same net assets component as the unspent proceeds - for example, restricted for capital projects.

Question 90 in the implementation guide for GASB 34 provides guidance for determining unspent proceeds. It states, "The precision with which the unspent proceeds can be determined depends on the government's accounting records. Most governments are required to, or choose to, account for bond issues separately - either in separate funds or in an account or memorandum fashion in a multipurpose fund - and can identify what has been spent and what remains. Those governments whose accounting systems do not lend themselves to that type of specific tracking should use their best estimates - in a manner that can be documented - to determine the unspent portion."

***Net assets, restricted***

This account includes that portion of net assets where constraints are placed on the assets use by either external parties (e.g., creditors or grantors) or through constitutional provisions or enabling legislation. For this purpose, enabling legislation authorizes a government to assess, levy, charge,

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

or otherwise mandate payment of resources from external resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The basic concept is that restrictions are not unilaterally established by the reporting government itself, and cannot be removed without the consent of those imposing the restrictions or through formal due process.

At a minimum the restricted net assets include capital projects, debt service, and other purposes (primarily special revenue funds and unclaimed monies in the general fund). Special revenue fund resources should be reviewed carefully to be sure they meet the definition of restricted since the use of special revenue funds is not limited to legally restricted resources. NCGA Statement 1, paragraph 23, states that funds may also be created by the governing board to achieve sound and expeditious financial administration and reporting or to comply with grant or contract accounting and financial reporting requirements. The purpose for which the resources are restricted needs to be narrower than that of the reporting unit in which it is reported. For instance, resources that are required to be used for governmental activities are not considered restricted in the governmental activities column in the statement of net assets, but those that are required to be used for law enforcement, for example, would be considered restricted.

***Net assets, unrestricted***

This account consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

***Statement of Activities***

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Indirect costs may be allocated among the various functions or programs. If indirect costs are allocated, direct and indirect expenses should be presented in separate columns to enhance comparability of direct expenses between governments that allocate indirect costs and those that do not. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on those restricted grants which also restrict any related interest earnings to support a particular program. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

All revenues are general revenues unless they are required to be reported as program revenues. All taxes, even those levied for a specific purpose, are general revenues. Taxes may be presented by the purpose for which they were levied within the general revenues.

Contributions to term and permanent endowments, contributions to permanent fund principal, special and extraordinary items, and transfers between governmental and business-type activities should each be reported separately from, but in the same manner as, general revenues. That is, these sources of financing the net cost of the government’s programs should be reported at the bottom of the statement of activities to arrive at the all-inclusive change in net assets for the period.

Because some entities receive term and permanent endowments, GASB concluded that, based on the unavailability of the principal portion of these revenues to finance program costs it would be

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

inappropriate to report them as reductions of program costs. Although some argue that term endowments eventually become available to finance programs, the Board decided that because of the uncertainty of the timing of release of most term restrictions (such as the death of the provider), it would be more appropriate to report these endowments in the same manner as permanent endowments.

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs - that is for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations where the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Extraordinary items should be reported separately at the bottom of the statement of activities. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. Special items should also be reported separately in the statement of activities, before extraordinary items, if any. In addition, governments should disclose in the notes to the financial statements any significant transactions or other events that are either unusual or infrequent but not within the control of management.

In the process of aggregating data for the statement of activities, some amounts reported as interfund activity should be eliminated or reclassified. After eliminations, the transfers that remain are those between governmental activities and business-type activities.

### **Fund Financial Statements**

During the year, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds.

The fund financial statements (modified accrual information) will be presented primarily as they appeared in the old model, with the following changes:

#### ***Balance Sheet - Governmental Funds***

The Balance Sheet - Governmental Funds will include separate columns for the general fund and each major fund, as defined above, all other governmental funds, total governmental funds.

Enterprise Funds are no longer reported on the Balance Sheet - Governmental Funds.

Fiduciary Funds will no longer be reported on the Balance Sheet - Governmental Funds, as they are required to be reported on a full accrual basis under the new reporting model.

This statement will exclude columns for reporting the General Fixed Assets Account Group and the General Long-Term Obligations Account Group that were previously reported under the old model.

Component Units are no longer reported on the Balance Sheet - Governmental Funds.

The Balance Sheet - Governmental Funds will include a reconciliation between total liabilities and fund balances - total governmental funds as reported on the modified accrual basis and total net assets of governmental activities as reported on the full accrual basis.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds***

The Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds will include separate columns for the general fund and each major fund, as defined above, all other governmental funds, and total governmental funds.

Component Units are no longer reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Fiduciary Funds will no longer be reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, as they are required to be reported on a full accrual basis under the new reporting model.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds will include a reconciliation between total the net change in fund balances - total governmental funds as reported on the modified accrual basis and the change in net assets of governmental activities as reported on the full accrual basis.

This statement will include special and extraordinary items. These categories are presented after the other financial sources and uses. Special items are items under management's control that are either unusual in nature or infrequent in occurrence. Extraordinary items are items not under management's control that are both unusual in nature and infrequent in occurrence.

Definitions of certain accounts are modified by the new reporting model (debt proceeds and interfund transactions). Specific guidance regarding these changes can be found in GASB 34 and the GAAFR.

***Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual***

GASB 34 requires the presentation of budgetary comparison schedules, as required supplementary information (RSI), for the general fund and each major special revenue fund that has a legally adopted budget. The School District may elect to report budgetary comparison statements for the general fund and each major special revenue fund as part of the basic financial statements, rather than RSI. This approach is recommended by the Auditor of State Department of Local Government Services. School Districts electing to prepare a CAFR, and participate in the GFOA certificate of excellence program are encouraged to present supplementary budgetary schedules for all funds that are legally required to be budgeted.

GASB 34 requires the budgetary schedules to reflect the original budget and final budget amounts along with the actual activity for the general and each major special revenue fund. A variance column is optional. Supplementary budgetary schedules are not required to include an original budget column, but inclusion is optional.

The purpose of budgetary statements or schedules is to demonstrate compliance (or non-compliance) with state or local statutes. The statements or schedules are therefore presented using the basis of accounting that is prescribed by state or local statute, and are prepared, subject to reclassification, using the amounts as they appear on the books of the School District after the year-end closing.

Each budgetary comparison statement or schedule may have four columns of figures. The first column will be labeled "original budget", the second "final budget", the third "actual", and the fourth "variance". In the original budget column the expenditure figures represent the amounts from the first appropriated budget that covered the entire year, including encumbrances amounts automatically carried over from prior years. The original budgeted revenue figures will be the amounts on the certificate of estimated

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

resources in place at the time the original budget was adopted. In the final budget column, the revenue figures represent the amounts from the final certificate of estimated resources requested during that year. The expenditure/expense figures represent the total of all appropriation measures passed prior to year end plus the carry-over encumbrances from the prior year. Figures presented in the actual column as revenues are the amounts of cash received during the year; expenditures/expenses are the disbursements made during the year plus outstanding encumbrances at fiscal year end. The variance column presents the difference between the final budgeted and actual amounts.

If a School District elects to prepare a comprehensive annual financial report, additional budgetary schedules will be presented for individual funds. The level of presentation for revenues will stay the same. The level of reporting for expenditures will match the level at which budgetary controls are maintained in the financial records of the school district (generally fund/function/object).

GASB 34 requires the School District to include between the beginning and end of year fund balance figures a reconciling account "Prior Year Encumbrances Appropriated". A specific example will be included in the budgetary conversion program.

***Statement of Net Assets - Proprietary Funds***

This statement presents assets and liabilities categorized as current and noncurrent and net assets categorized as invested in capital assets, net of related debt, restricted, or unrestricted. Each major enterprise fund is presented along with the total nonmajor enterprise funds, total enterprise funds, and total internal service funds. Retained Earnings and Contributed Capital are no longer reported for proprietary funds.

***Statement of Revenues, Expenses, and Changes in Fund Net Assets***

This statement presents operating revenues, operating expenses, nonoperating revenues and expenses, contributions and transfers for each major enterprise fund, total nonmajor enterprise funds, total enterprise funds, and total internal service funds.

***Statement of Cash Flows***

The statement of cash flows is required for all proprietary funds. This statement presents cash receipts and payments classified according to whether they were generated from operating, non-capital financing, capital and related financing, or investing activities.

There is very little change in the cash flow statement between the old and new reporting models with the exception that the statement must be presented using the direct method along with the required reconciliation of operating income to net cash provided or used by operating activities. In addition any noncash investing, capital, and financing activities must be presented.

***Statement of Fiduciary Net Assets***

This statement includes information about the assets, liabilities, and net assets for all of the four fiduciary fund types of the primary government, as well as any component units that are fiduciary in nature. The statement should provide a separate column for each fund type - pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency fund assets should equal liabilities.

This statement was not previously reported under the old reporting model.



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Statement of Changes in Fiduciary Net Assets***

This statement should include information about the additions to, deductions from, and net increase (or decrease) for the year in net assets for each fiduciary fund type. It should provide information about significant year-to-year changes in net assets. Agency funds should not be presented in this statement.

This statement was not previously reported under the old reporting model.

***Notes to the Financial Statements***

The notes to the financial statements should communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements. The notes should focus on the primary government - specifically, its governmental activities, business-type activities, major funds, and nonmajor funds in the aggregate. The notes to the financial statements should be reported in conformity with GASB Statement 38, "Certain Financial Statement Note Disclosures."

Notes to the financial statements are information appended to financial statements that is essential to a user's understanding of the financial position and changes in financial position of the reporting unit, but that either does not meet the criteria for recognition in a financial statement or provides more detail about recognized amounts than can appropriately be included in the body of a financial statement. Notes are usually in narrative form but may be quantitative, with appropriate explanations, including measures other than dollars. Note may include up to two prior years of similar information, for comparative purposes.

Notes should have a clear and demonstrable relationship to information in financial statements to which they are appended and should be essential to a user's understanding of those financial statements. In this context, "essential to a user's understanding" means so important as to be indispensable to a user with reasonable knowledge of (a) the financial activities of governments, (b) basic accounting principles, and (c) the basic terminology of governmental finance and accounting, and who is willing to study the information with reasonable diligence.

Notes to financial statements should achieve a high level of objectivity and verifiability. Unlike financial statements, notes may include management's objective explanation of recognized amounts and related known facts, contingencies, subsequent events, measurement methods, accounting policies, and other information essential to understanding the financial statements. However, notes should not include either (a) subjective assessments of the effects of reported information on the reporting unit's future financial position or (b) predictions about the effects of future events on future financial position.

Information that meets the definition of and reporting criteria for notes to the financial statements should be reported in that manner. Disclosure as supplementary information (including required supplementary information, management's discussion and analysis, and other supplementary information) is not an adequate substitute.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The information that must be recorded in the financial records and reported in the financial statements is determined based on what the School District is trying to measure. When applying generally accepted accounting principles, this measurement focus differs between governmental and proprietary funds and between governmental funds and governmental activities.

The criteria which establish when revenues and expenditures/expenses are recognized and reported in a fund is called the basis of accounting. During the year, the School District uses the cash basis of accounting in which revenues are recorded when received in cash and expenditures are recorded when paid. When preparing basic financial statements in accordance with GAAP, the basis of accounting will change and, like the measurement focus, will differ between governmental and proprietary funds.

***Fund Financial Statements***

***Governmental Funds*** As opposed to a corporation, the continued existence of governmental entities is not determined by their ability to generate a profit through the marketing of goods and services. Rather, the government is faced with a seemingly inexhaustible demand for increased goods and services that must be addressed with limited resources; and, in governmental funds, revenues generally are not increased through the provision of additional services. Instead, revenues are provided from general sources such as property taxes, income taxes, grants, etc., and then allocated at the discretion of the legislative body to provide the services they feel deserve priority. This disparity between the demand for services and the ability to provide them coupled with the fact that providing services depletes resources rather than increases them places a priority on identifying the available sources of general revenues and the purposes to which the resources were allocated. The measurement focus is therefore on the sources and amounts of dollars available during the period and the identification of the flow of the dollars that were used.

In accounting terms, the measurement focus for governmental funds is on the sources and uses of current available financial resources. Current available financial resources include cash and those other assets which will become cash soon enough after fiscal year end to be available to pay for current year operations. Such a process attempts to match the assets to be received and the revenues they represent to the year that they will finance. The number of days after fiscal year end in which these assets can be received in cash and still be used to pay for prior year operations is called the available period. To the extent these assets are measurable at fiscal year end and reasonably assured of being received in the available period, they may be recognized as revenue of the current year. A major part of the conversion process is the identification of these assets at fiscal year end.

Expenditures are defined as uses of current available financial resources. A use of financial resources includes not only the payment of cash but also the incurring of a legal obligation (a liability) whose future payment will require the use of current available financial resources. Another part of the conversion process is the identification of these liabilities at fiscal year end and the recording of the corresponding expenditures.

The assets and liabilities identified at fiscal year end will be recorded on the balance sheet. In addition to the assets to be received in the available period, the balance sheet will include assets, such as cash and supplies, that remain at fiscal year end and can be used for the upcoming year's operation. Some additional assets that may be sold to finance next year's operation may also be included. Fund balance will be the difference between the assets and the liabilities and will represent the amount of resources that are available to finance the upcoming year.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Implementing GASB Statement 33, Statement 36 and Interpretation 6, may cause some beginning balances to be restated. Some additional receivables and deferred revenues may need to be reported. The split between fund liabilities and general long-term liabilities may also need to change.

***Proprietary Funds*** Proprietary funds represent those funds of the School District which are operated similarly to profit-oriented corporations. Unlike governmental funds, the major source of revenue in proprietary funds is a direct charge to the individuals receiving the service. The intent is to know to what extent the charge pays for the cost of providing the service. The measurement focus is therefore on profit.

Revenues are recognized when they are earned, i.e., when the service is provided. Expenditures are not measured; rather expenses, the cost of providing the services, are measured and are recorded when incurred. To understand the difference between expenditures and expenses, consider the purchase of a \$10,000 oven with an anticipated useful life of five years. The purchase of the oven for \$10,000 is a use of financial resources and would be recorded in a governmental fund as an expenditure. The purchase of the oven in a proprietary fund represents the exchange of one asset (cash) for another. No expense is recorded until the oven is used to provide services. The expense (depreciation) of using the oven for a year, assuming the oven has no value at the end of its five year useful life, is \$2,000.

Since the focus is on determining profit or loss, all assets associated with providing goods or services are reported on the statement of net assets of a proprietary fund, as are all liabilities. The difference between assets and liabilities is net assets and is reported as invested in capital assets, restricted net assets, or unrestricted net assets.

***Government-Wide Financial Statements***

Capital assets and long-term obligations not associated with the proprietary funds are not included in the fund financial statements. These assets and liabilities are reported on the government-wide statement of net assets in the governmental activities column. Net assets are also reported as invested in capital assets, net of related debt, restricted, or unrestricted. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

***Conversion Process***

The conversion of cash basis financial statements to statements that conform to generally accepted accounting principles is a process of creating a balance sheet or statement of net assets. If presenting GAAP financial statements for the first time or if implementing a new GASB statement such as 34 (the new reporting model), the prior year balance sheet or statement of net assets may need to be restated to show what they would have been had GAAP or the new statement been used then.

The creation of the balance sheet amounts and the adjustment of the revenue and expenditure or expense accounts to the appropriate basis of accounting are accomplished through journal entries. There are three types of journal entries that may be necessary. A restatement entry may be appropriate. Annually a reversing entry and an adjusting entry are typical for many accruals. Governmental activities may involve separate entries for the modified accrual basis of accounting and the accrual basis of accounting.

Sample entries will be provided in the various sections of this plan that deal with balance sheet items. Sample trial balances which are used to record the journal entries are also discussed.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**PROGRAM REVENUES**

Program revenue is a term used in connection with the government-wide statement of activities. They are revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole. They reduce the net cost of the function to be financed from the government's general revenues.

Generally accepted accounting principles require that the government-wide statement of activities be presented using a net-cost format. That is, in the statement of activities, outside revenues directly related to individual functions (user fees and charges, restricted grants, and contributions) are to be presented as a reduction of the net cost for providing program services. This format enables a government to arrive at the net amount of program cost to be financed from the government's own resources.

Government's frequently dedicate a portion of their own resources to support specific functions. Such amounts do not constitute program revenues, despite their close relationship with specific functions. Therefore, to avoid any potential confusion, generally accepted accounting principles (GAAP) require that a government describe in the summary of significant accounting policies the types of transactions that are reported as program revenues.

Some functional activities are financed, in whole or in part, with resources obtained from parties outside the government. GAAP require that such program revenues be presented separately as a reduction of the total expense of the benefitting functional activities to arrive at the net expense of each. Program revenues include the following:

Amounts received from those who purchase, use, or directly benefit from a program.

Amounts received from parties outside the reporting entity's citizenry (such as grants and contributions) that are restricted to one or more specific programs. For multipurpose grants, the amount attributable to each program must be identified in either the grant award or the grant application to qualify as program revenues. Reimbursement-type multipurpose grants automatically meet this test. Multipurpose grants that do not provide for specific identification of the programs and amounts should be reported as general revenues.

Earnings on investments that are legally restricted for a specific program (such as certain endowments and permanent funds or invested grant proceeds).

The statement of activities should separately report three categories of program revenues: charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. These three categories may be split further by specific sources of program revenues under the three broad categories.

Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or students who purchase, use, or directly benefit from the goods, services, or privileges provided. Revenues in this category include fees charged for specific services, such as food service; student fees; charges to other funds for insurance premiums; and any other amounts charged to service recipients. These may include tuition, fees, excess costs, etc.

Program-specific operating and capital grants and contributions include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted (defined in the next paragraph) for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes - to purchase, construct, or

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

renovate capital assets associated with a specific program. These should be reported separately from grants or contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the School District. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the School District. For example, the State may provide an operating grant to provide staff development or a capital grant to finance the purchase of new school buses. Multipurpose grants (those that provide financing for more than one program) should be reported as program revenue if the amounts restricted to each program are identified in either the grant award or the grant application, if the grant award was based on that application. Multipurpose grants that do not provide for specific identification of the programs and amounts should be reported as general revenues.

It is important to note that all taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax - for example property tax or income tax. The taxes can be classified by the purposes for which the taxes were levied (i.e. permanent improvement).

All revenues that do not qualify as program revenues should be reported as general revenues. General revenues should be presented immediately following the total net expense of the government's functions.

Gains on the sale of capital assets, if material, should be reported as general revenue. Immaterial gains may be handled as an adjustment to the current period's depreciation expense. Losses are not allocated to functions since they are not considered direct expenses.

Contributions to term endowments, permanent endowments, and permanent fund principal should be presented as a separate line item, immediately following general revenues. For this purpose, no distinction is necessary between term endowments and permanent endowments, even though the two are distinguished on the government-wide statement of net assets, where amounts associated with permanent endowments are classified separately as restricted assets - nonexpendable.

Earnings on endowments or permanent fund investments should be reported as program revenues if restricted to a program or programs specifically identified in the endowment or permanent fund agreement or contract. Earnings from endowments or permanent funds that finance general fund programs or general operating expenses should not be reported as program revenue. Similarly, earnings on investments not held by endowments or permanent funds may be legally restricted to specific functions or programs. For example, interest earnings on state grants may be required to be used to support a specific program. When earnings on the invested accumulated resources of a program are legally restricted to be used for that program, the net cost to be financed by the School District's general revenues is reduced, and those investment earnings should be reported as program revenues.

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

Special and extraordinary items should be reported on a separate line after endowment and permanent fund contributions. If special items and extraordinary items occur in the same period, the two should be reported separately within a single category, with special items reported before extraordinary items. In addition, governments should disclose in the notes to the financial statements any significant transactions or other events that are either unusual or infrequent but not within the control of management.

Transfers are flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. Transfers between governmental activities and business-type activities is the last item reported on the government-wide statement of activities before the total change

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

in net assets.

## **IDENTIFYING PROGRAM REVENUES**

### Background

- State of Ohio and Ohio local governments maintain daily records on a cash basis
- State and local governments convert to GAAP at year end through journal entries
- For the new model, conversion is documented through trial balances on spreadsheets
- Trial balances are created for each governmental fund
- The accounting systems we encounter do not specifically code program revenues nor identify the associated function

### What we try to provide

- Conversion programs that are generally applicable to Ohio local governments
- Detailed programs, with an understanding that program may shrink as understanding and experience grows

### Necessary information

- Identify specific transactions that generate program revenues
- Calculate revenue amounts on full accrual basis
- Associate each transaction with appropriate function
- Classify program revenues by type
- Accumulate program revenues by type and function

### Two methods are available

- One generates information at the governmental activities level (entity wide)
- The second approach begins at the fund level using trial balance information

## ***FIRST METHOD***

### Identification

- Familiarize reviewer with definition and examples
  - Exchange transactions - special assessments, interest
  - Exchange-like transactions - licenses, permits
  - Nonexchange transactions - grants and contributions
- Review revenue report and extract known and potential transactions that generate program revenues
- Research potential transactions for program revenue determination
- Finalize list of program revenue transactions

### Calculation

- Identify annual cash receipts for each type of transaction
- Adjust cash amounts to full accrual

### Association

- For each transaction, identify associated function
  - Derive from the program
    - Identify department where receipts originate (which generate the revenue)
  - Program specific operating and capital grants
    - Purpose restrictions should be obtained from grant documentation

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Classify transactions by program revenue types

- Charges for goods and services
- Operating grants and contributions
  - Nonspecific grants
- Capital grants and contributions

Accumulation

- Create worksheet to accumulate results for posting to statement of activities

Potential efficiencies:

- Coordinate with GASB 33 restatement process
- Document program revenue type and associate revenue to a particular function while gathering receivable documentation
- Having been done once, research will only need to be updated for changes in future years

***SECOND METHOD***

Identify program revenues by reviewing components of receipt classifications (charges for services, intergovernmental) that may contain program revenues at the fund level

- Calculate revenue amounts on full accrual basis
- Associate program revenues with related function
- Classify program revenues by type
- Accumulate results for posting on statement

Potential efficiencies:

- For many funds, components of receipt classifications will already be known from receivable work or familiarity with the type of government
- Revenue adjustments will also be known from receivable work
- Most funds will only have one function
- Type of fund and receivable work will identify program revenue type
- Results can be appended to the trial and accumulated by fund

**Program Revenues Conversion Program**

Determine detailed program revenue classifications to be reported under the three broad categories of program revenues.

Prepare a list of program revenues by reviewing the detailed receipts ledger, and receivables workpaper section of the school district for all funds with more than one transaction type. Be sure to maintain a breakdown of state foundation items between restricted and unrestricted.

Post to the program revenue worksheet.

Determine the cash activity, by detailed program revenue classification, to be posted to the program revenue worksheet (may be performed while working on the budgetary schedules).

Determine modified and full accrual journal entries, by detailed program revenue classification, to be posted to the program revenue worksheet.

For funds with a single transaction type, the program revenue information may be reported in the right-hand columns of the restricted net assets trial without being tracked separately on a worksheet.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Documentation for the assignment of the transaction type to a program revenue category should be maintained.



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**ACCOUNTS**

***School District-Wide Statement of Net Assets Accounts***

**Asset Accounts**

***Equity in Pooled Cash and Investments*** An asset account reflecting all cash and investments held by the reporting entity except for cash and investments that are legally restricted. This includes all cash and investments which must be accounted for as part of the fund to which it belongs.

***Cash and Cash Equivalents/Investments With Fiscal Agents*** An asset account reflecting all cash and investments held on behalf of the School District by third parties. This includes the cash held by the administrator of the self-insurance program.

***Accounts*** An account representing amounts owed on open account from private persons or organizations for goods and services furnished by the School District.

***Accrued Interest*** An asset account reflecting the amount of interest earned on investments but not received as of the balance sheet date.

***Intergovernmental*** An asset account reflecting amounts due to the School District from another government. The amount can consist of state foundation receipts, homestead and rollback, excess costs, grants, shared taxes, taxes collected by another governmental unit, and charges for services rendered by the School District to another government.

***Taxes*** The portion of property taxes, income taxes and other local taxes (current, and delinquent) which satisfy the asset recognition requirements of GASB 33 and 36 at June 30.

***Materials and Supplies Inventory*** An asset account which reflects the cost of materials and supplies on hand for use in School District programs and operations.

***Inventory held for resale*** An account which reflects food service inventory that is to be sold.

***Prepaid Items*** An asset account reflecting charges paid for benefits not yet received. Prepaid items differ from deferred charges in that they are spread over a shorter period of time and are regularly recurring costs of operations such as maintenance agreements and insurance premiums.

***Restricted Assets***

***Restricted Assets: Equity in Pooled Cash and Investments*** An asset account reflecting cash and investments that are legally restricted for HB 412 set-aside requirements, budget reserve requirements, or for any other lawful purpose.

***Miscellaneous Special Revenue and Capital Projects Assets*** An asset account reflecting all assets of non-major funds.

***Non-Depreciating Capital Assets*** Land or any other asset that is not depreciable that is used or held to be used by the School District

***Depreciable Capital Assets, Net*** Tangible items having an extended useful life which are intended to continue to be held or used, such as buildings and improvements, improvements other than buildings, furniture fixtures and equipment, and vehicles net of accumulated depreciation.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Accumulated Depreciation*** A valuation account (contra asset) used to record the accumulation of periodic allocations of cost representing expiration of the estimated service life of fixed assets.

**Liability Accounts**

***Accounts Payable*** A liability account reflecting amounts on open accounts owed to private persons or organizations for goods or services received by a government exclusive of amounts due to other funds of the same government or to other governments.

***Contracts Payable*** A liability account reflecting amounts due for contractual services such as construction or architectural services rendered to the School District.

***Retainage Payable*** A liability account reflecting amounts required to be held for the completion of contractual services such as construction or architectural services rendered to the School District.

***Accrued Wages and Benefits Payable*** A liability account reflecting amounts owed for salaries and employment benefits of employees of the School District.

***Interfund Payable*** An account used to indicate amounts owed to a particular fund by another fund in the same government for goods or services rendered, transfers approved but not yet made, and short term loans between governmental activities and business-type activities.

***Intergovernmental Payable*** A liability account reflecting amounts owed by the reporting government to another government.

***Accrued Interest Payable*** A liability account reflecting the amount of interest owed on outstanding long-term debt but not paid as of the balance sheet date.

***Deferred Revenue*** Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not. Under the modified accrual basis of accounting, such amounts are measurable but not available. Under the accrual basis, assets have been recorded prior to the revenue recognition criteria being satisfied.

***Deposits Held and Due to Others/Students*** Amounts held in agency accounts, to be used for student activities or to be returned to individuals.

***Undistributed Monies*** An account to reflect agency accounts that have yet to be distributed for their intended purpose.

***Claims Payable*** A liability account reflecting claims made but not payable until a later date (GASB Statement 10).

**Long-Term Liabilities**

***Due within One Year*** A liability account for the current portion of general obligation bonds or notes, judgments payable, compensated absences, and capital lease obligations.

***Due in More Than One Year*** A liability account for the long-term portion of general obligation bonds or notes, judgments payable, compensated absences, and capital lease obligations.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**Net Assets Accounts**

***Invested in Capital Assets, Net of Related Debt*** This account consists of capital assets, including any restricted capital assets, less both accumulated depreciation and the outstanding balances of any bonds, mortgages, notes, or other borrowings that are directly attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt should be included in the same net assets component as the unspent proceeds - for example, restricted for capital projects.

***Net Assets Restricted for:***

***Capital Projects*** The net assets of capital project activities on the government-wide financial statements.

***Debt Service*** The net assets of debt service activities on the government-wide financial statements.

***Set Asides*** The net assets restricted for HB 412 set asides and budget reserve requirements.

***Other Purposes*** The net assets of special revenue activities on the government-wide financial statements.

***Unrestricted*** An account used to identify the portion of net assets that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It may be helpful to think in terms of posting the assets and liabilities in various columns to separate the components of net assets. For example, assume we want to show net assets categorized as (a) invested in capital assets, net of related debt, (b) restricted for capital projects, (c) restricted for debt service, (d) restricted for other purposes, and (e) unrestricted. By sorting the assets and liabilities in either column a, b, c, d, or e we can determine net assets by classification.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***School District-Wide Statement of Activities Accounts***

The operating statements present all revenues, expenses, and changes in net assets for the School District as a whole. The operating statement format should contain data categorized by expenses, program revenues, and general revenues. The selected accounts for the School District's financial statements are:

**Program Classifications**

***Governmental Activities***

Instruction:

Regular

Special

Vocational

Other

Support Services:

Pupil

Instructional Staff

Board of Education

Administration

Fiscal

Business

Operation and Maintenance of Plant

Pupil Transportation

Central

Operation of Non-Instructional Services

Extracurricular Activities

Interest and Fiscal Charges

***Business-Type Activities***

Food Service - **Note that if this fund is classified as a special revenue fund, it may be reported as a separate program classification within governmental activities.**

**Program Revenues**

***Charges for Services*** All fees charged for specific services such as student fees and fees for extracurricular activities that can be identified to a specific program.

***Operating Grants, Contributions, and Interest*** Operating grants, contributions, and interest whose use is limited to a specific program.

***Capital Grants, Contributions, and Interest*** Capital grants, contributions, and interest whose use is limited to a specific program.

**General Revenues**

***Property Taxes Levied for General Purposes*** This account includes real estate taxes, personal property tax, manufactured home tax, and other local taxes. This category may be further split by purpose.

***School District Income Tax*** This account includes the School District income tax

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Grants and Entitlements not Restricted to Specific Programs*** These revenues generally include state foundation revenues, open enrollment revenues, and homestead and rollback revenues.

***Interest*** Includes interest on cash management and investment accounts whose use is not restricted to a specific program.

***Gain on Sale of Capital Assets*** To account for revenues received in excess of the carrying value of the capital asset.

***Miscellaneous*** All other revenue received not designated above.

***Other Resources*** Contributions to term and permanent endowments, contributions to permanent fund principal, special and extraordinary items, and transfers between governmental and business-type activities should each be reported separately from, but in the same manner as, general revenues. That is, these sources of financing the net cost of the government's programs should be reported at the bottom of the statement of activities to arrive at the all-inclusive change in net assets for the period.

***Contributions to term and permanent endowments*** Because some entities receive term and permanent endowments, GASB concluded that, based on the unavailability of the principal portion of these revenues to finance program costs it would be inappropriate to report them as reductions of program costs. Although some argue that term endowments eventually become available to finance programs, the Board decided that because of the uncertainty of the timing of release of most term restrictions (such as the death of the provider), it would be more appropriate to report these endowments in the same manner as permanent endowments.

***Contributions to permanent fund principal*** Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs - that is for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations where the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

***Special and Extraordinary Items*** Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Extraordinary items should be reported separately at the bottom of the statement of activities. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. Special items should also be reported separately in the statement of activities, before extraordinary items, if any. In addition, governments should disclose in the notes to the financial statements any significant transactions or other events that are either unusual or infrequent but not within the control of management.

***Transfers*** In the process of aggregating data for the statement of activities, some amounts reported as interfund activity should be eliminated or reclassified. After eliminations, the transfers that remain are those between governmental activities and business-type activities.

This listing of accounts is not intended to be all inclusive, but is a sample of accounts that most school districts may present. The School District may choose different accounts, based on the draft financial statements. The draft financial statements are critical in the selection of relevant accounts. Using the proper accounts throughout the entire conversion process (i.e., on all the trial balances) will allow the accounts to be consistent and to be in the same order for the various trial balances. The more similar the trial balance accounts are to the financial statement accounts, the easier it will be for the information to flow through the process.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**ILLUSTRATION OF THE CONVERSION PROCESS**

To illustrate the process for recognizing additional revenues, assume the School District is receiving Title I grant assistance from the federal government that is passed through the State. This is an example of a voluntary nonexchange transaction. At June 30, the eligibility requirements are met. The eligibility requirements are described in GASB 33 paragraph 20, as further detailed in the receivables section of this plan. They are required characteristics of recipients, time requirements, reimbursements, and contingencies. Further assume the amount to be received from the State is \$50,000 at 6/30/FY1 and \$60,000 at 6/30/FY2 with the amounts received during the available period of \$25,000 and \$30,000, respectively.

The following journal entries assume the School District is utilizing separate journal entry files for modified and full accrual statements.

*Journal Entries to record the beginning balance:*

<b><i>Fund Financial Statements</i></b> (Modified Accrual Basis):		
Intergovernmental Receivable	\$50,000	
Deferred Revenues		\$25,000
Fund Balance		25,000
<b><i>Government-wide Statements</i></b> (Accrual Basis):		
Deferred Revenues	\$25,000	
Net Assets		\$25,000

*Journal Entries to reverse the beginning balance:*

<b><i>Fund Financial Statements</i></b> (Modified Accrual Basis):		
Deferred Revenues	\$25,000	
Intergovernmental Revenues	25,000	
Intergovernmental Receivable		\$50,000
<b><i>Government-wide Financial Statements</i></b> (Accrual Basis):		
Intergovernmental Revenues	\$25,000	
Deferred Revenues		\$25,000

*Journal Entries to record the ending balance:*

<b><i>Fund Financial Statements</i></b> (Modified Accrual Basis):		
Intergovernmental Receivable	\$60,000	
Deferred Revenues		\$30,000
Intergovernmental Revenues		30,000
<b><i>Government-wide Financial Statements</i></b> (Accrual Basis):		
Deferred Revenues	\$30,000	
Intergovernmental Revenues		\$30,000

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**TRIAL BALANCES AND WORKSHEETS**

It is important to note that the trial balances will be created based on the draft financial statements that should be completed at the very beginning of the conversion process.

There are several trial balances involved in implementing GASB 34. The following is a description of each type of trial balance used for the governmental funds and governmental activities:

***Restatement Trial Balance***

This trial balance presents the restatements of prior year balances necessary for the implementation. This trial balance first presents the restatements necessary to implement GASB Statements 33 and 36 on a modified accrual basis in one column and the restatement related to the implementation of Interpretation 6 in another. The trial balance then shows how the modified accrual balances were converted to a full accrual basis at the fund level. Any prior period restatements (or corrections) may be done on this trial balance as well. The total of the debit and credit entries for each set of columns must equal. A consolidation trial balance would then be used to complete the calculation of the beginning of the year net assets amount for governmental activities.

***Modified Accrual Trial Balance***

This trial balance is used to generate the modified accrual basis fund financial statements. It serves to combine the prior year restated modified accrual balances, any prior period restatements not included in the restatement trial balance, the modified accrual reversing entries, the cash transactions, the modified accrual adjusting entries, and any modified accrual audit adjustments to generate fund financial statement amounts. The rows of the trial balance are the assets, liabilities, fund equity, revenue accounts and expenditure accounts that will appear on the fund financial statements. The total of the debit and credit entries for each set of columns must equal. All asset and expenditure accounts normally carry a debit balance while liabilities, fund equity, and revenue accounts normally carry credit balances.

***Restricted Net Assets (Full Accrual) Trial Balance***

The restricted net assets trial balance is used to calculate restricted and unrestricted net assets, classify the restrictions on net assets, and distinguish between program revenues (charges for services, operating grants and contributions, and capital grants and contributions) and general revenues. It provides for the accrual reversing and adjusting entries at the fund level, and has a column for posting any audit adjustments. The rows of the trial balance are the assets, liabilities, net assets, revenue accounts and expense accounts that will appear on the government-wide financial statements. The total of the debit and credit entries for each set of columns must equal. All asset and expense accounts normally carry a debit balance while liabilities, fund equity, and revenue accounts normally carry credit balances.

***Consolidation Trial Balance***

This last trial balance is used to complete the transition from fund information on the modified accrual basis to the information needed for the School District-wide financial statements. It begins with the information from each restricted net asset trial balance and has columns to add in the internal service funds that are considered governmental activities, to eliminate interfund activities and balances, to enter capital asset activity, debt activity and any other adjustments, and to post any accrual audit adjustments. The rows of the trial balance are the assets, liabilities, net assets, revenue, and expense accounts that will appear on the government-wide financial statements. All asset and expense accounts normally carry a debit balance while liabilities, net assets, and revenue accounts normally carry credit balances.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Capital Assets Worksheet***

The capital assets worksheet is created to accumulate all information pertaining to capital assets to be carried forward to the consolidated trial balance. There are specific columns included for tracking this information. They include beginning balances, additions, deductions, depreciation, transfers and reclassifications. The purpose of the worksheet is to facilitate the audit process by splitting the activity related to capital assets into its components.

***Capital-Related Debt Worksheet***

The capital-related debt worksheet is created to accumulate all information pertaining to capital-related debt to be carried forward to the consolidated trial balance. There are specific columns included for tracking this information, including beginning balances, additions, payments, advance refunding, amortization of premium/discount, amortization of gain/loss, amortization of deferred charges, accrued interest, reclassifications, and error corrections or audit adjustments. The purpose of the worksheet is to facilitate the audit process by splitting the activity related to capital related debt into its components.

**Trial Balance Conversion Program**

***Purpose:*** The purpose of the trial balance is to account for the cash activity and the necessary adjusting journal entries to convert the cash financial data to accrual or modified accrual financial data, as appropriate. From the trial balances all GAAP financial statements can be generated.

***Restatement Trial*** Since the School District has not previously adopted Interpretation 6 and GASB Statements No. 33 and No. 36, they will be implemented at the same time the School District implements GASB Statement No. 34. This trial identifies all restatements necessary for the implementation including any fund reclassification based on the new fund structure. Any correction of prior year may be done on this trial as well. This trial will first compute all the restatements necessary on a modified accrual basis and then will convert the modified balances over to a full accrual basis. The total of the debit and credit entries for each set of columns must equal.

***Restatement Trial Conversion Program:***

A trial balance must be established for each fund. All trial balances should be identical so that combining and basic statements can easily be generated. Revenue and expenditures/ expenses, will differ between governmental and proprietary funds.

Once a trial balance has been established, the prior year balance sheet needs to be posted into the first two columns of the trial.

Any corrections to the prior year needs to be posted in the next two columns titled “Adjustments” This column then generates a new adjusted balance sheet as of the prior year.

The next adjustment that needs to be done is implementing GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” This interpretation address which liabilities are considered fund liabilities on a modified accrual basis.

The next adjustment columns are for any GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” adjustments. This statement identifies how to record various exchange and nonexchange transactions.



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Once the prior two restatements are made, this generates the column titled “Modified Accrual Roll-up”. This column is then the beginning basis for the modified accrual trial. (See modified accrual trial conversion program)

The next adjustment column is for identifying restricted net assets at the beginning of the year. This is for the full accrual restatement entries (receivables and revenue and liabilities and expenses for non-capital related debt).

The next column titled “Accrual Reclassifications” are for various reclassifications that are necessary to convert from a modified accrual basis to a full accrual basis. Some examples include: fund balance to net assets, compensated absences to due within one year or due in more than one year, etc.

The next column title “Accrual Roll-up Info.” is generated by taking the modified accrual roll-up column and adding the accrual adjustments and reclassifications. This column is then the beginning basis for the full accrual trial. (See the accrual trial conversion program.)

***Modified Accrual Trial*** This trial balance is used to generate the modified accrual basis fund statements. It serves to combine the prior year restated modified accrual balances, any corrections of prior period errors not included in the restatement trial balance, the modified accrual reversing entries, the cash transactions, the modified accrual adjusting entries, and any modified accrual audit adjustments to generate fund financial statement amounts. The rows of the trial balance are the assets, liabilities, fund equity, revenue accounts and expenditure accounts that will appear on the fund financial statements. The total of the debit and credit entries for each set of columns must equal. All asset and expenditure accounts normally carry a debit balance while liabilities, fund equity, and revenue accounts normally carry credit balances.

***Modified Accrual Trial Conversion Program***

A trial balance must be established for each governmental fund. All trial balances should be identical so that combining and basic statements can easily be generated.

The beginning balances come from the restatement trial “Modified Accrual Roll-up” column.

Post modified accrual reversing entries to reverse the adjusted beginning balances.

Post cash transactions for the current year.

Post modified accrual adjusting entries at end of year.

Foot and cross-foot all columns and rows to ensure balances are correct.

***Restricted Net Assets Trial*** This trial balance is used to reclassify fund balance to net assets, note any appropriate restrictions of net assets, and distinguish between program revenues (charges for services, operating grants and contributions, and capital grants and contributions) and general revenues. It also provides for the accrual reversing entries, accrual adjusting entries, and any accrual audit adjustments. The rows of the trial balance are the assets, liabilities, fund equity, revenue accounts and expense accounts that will appear on the government-wide financial statements. The total of the debit and credit entries for each set of columns must equal. All asset and expense accounts normally carry a debit balance while liabilities, fund equity, and revenue accounts normally carry credit balances.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

*Restricted net assets Trial Conversion Program*

A trial balance must be established for each governmental fund reported in the annual report. The net assets portion (assets, liabilities, and equity) of all trial balances should be set up similar to the example provided. All trial balances should be identical so that combining and basic statements can easily be generated.

The beginning balances come from the restatement trial “Accrual Roll-up Info.” column.

Post modified accrual reversing entries to reverse the adjusted beginning balances.

Post accrual reversing entries to reverse the adjusted beginning balances.

Post cash transactions for the current year.

Post modified accrual adjusting entries at end of year.

Post accrual adjusting entries at end of year.

Make any accrual reclassifications necessary to convert from modified accrual to full accrual (i.e. fund balance to net assets, revenues to program and general revenues).

Foot and cross-foot all columns and rows to ensure balances are correct.

***Consolidation Trial*** This trial balance is used to add in the internal service funds that are considered governmental activities, to eliminate interfund activities and balances, to enter capital asset and debt activity, other adjustments, and any accrual audit adjustments. The rows of the trial balance are the assets, liabilities, fund equity, revenue accounts and expense accounts that will appear on the government-wide financial statements. All asset and expense accounts normally carry a debit balance while liabilities, fund equity, and revenue accounts normally carry credit balances.

*Consolidation Trial Conversion Program*

***Governmental Activities*** The first column on the trial represents the sum of the amounts for all governmental funds from the restricted net assets trial balances. A worksheet is usually prepared where each fund is posted and added together. The final column on the worksheet then becomes the first column on the consolidation trial balance.

***Internal Service*** Since the internal service funds have governmental type activities, these are added to the governmental activities. A column for each internal service fund of the School District for ease in following the numbers through.

***Interfund Eliminations*** Includes internal service fund eliminations and eliminations for any allocation of indirect expenses made during the year.

***Internal service funds*** Since the internal service funds are being included with the governmental activities, any activity between the governmental funds and the internal service funds need to be eliminated. This is to help report the School District as one entity with the true expenses and revenues of the one entity.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

The Generic School District has one internal service fund. This fund is for self insurance. The revenue for this fund comes from premiums paid from the various funds for their portion of the claims that will be paid. On a budgetary basis, this revenue is reported as charges for services in the internal service fund and to various expenditure functions in the other funds. The internal service fund has different expense functions than the program expenses for the other governmental funds. The profit/loss of the internal service fund needs to be reclassified to the various program expenses appearing on the statement of activities. This reclassification is based upon the method of allocation used by the School District to charge the various funds for internal service fund services during the year.

*Transfer eliminations* Transfers that went from one governmental fund to another were eliminated.

*Capital Assets Adjustment* This activity is posted from the capital assets worksheet. On the Capital asset worksheet, capital outlay is reclassified - On an accrual basis, capital outlay in the capital projects funds needs to equal fixed asset additions that were bought out of that fund. The capital assets additions were examined by fund. Once the additions for the capital projects funds were determined, the remaining capital outlay needs to be reclassified to other program expenses. This reclassification is shown on the capital asset worksheet. These columns are also used to record depreciation expense and capital assets deletions including any gain or loss on disposal.

*Debt Adjustments* These number are carried forward from the debt worksheet.

*Other Adjustments* Any other adjustments that are not accounted for in the previous columns that may be needed to keep the statements from being misleading or misstated should be recorded in these columns.

*Audit Adjustments* These columns are for any adjustment the auditors may that do not carry through from the trials or will affect the other columns on this trial.

*Governmental Activities Financial Statements* These columns are formulas which either adds or subtracts the columns prior to it depending upon the type (assets, liabilities, net assets, revenues, expenses).

*Roll-up Information* This column summarizes the governmental activities financial statements columns. This column is where the following figures should be balanced:

$$\text{Assets} - \text{Liabilities} = \text{Net Assets}$$

Net Assets (from the balance sheet portion of the trial) = Net Assets (from the revenue and expense portion of the trial)

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**BUDGETARY REPORTING**

The primary work in compiling the budgetary section will remain essentially the same, with the following changes or additional steps:

*Receipts - Original and Final Budget* Obtain copies of the certificates of estimated resources that were in place when original appropriations were passed and the final amended official certificate of estimated resources requested by the School District before fiscal year end. The final total estimated available resources (less the cash balance at the beginning of the year) listed on the certificate should be the sum of the budgeted "total revenues" and the budgeted "other financing sources" found on the School District's budgetary worksheets. The budgetary worksheets should reflect revenue by source; however, the certificate lists these amounts by fund only. To obtain the amounts at the detail needed for budgetary presentation, the estimated receipts from the receipts report which compares actual receipts to estimated receipts at the source level can be used provided the estimated receipts in this report tie to the final amended official certificate of estimated resources (less the balance at the beginning of the year) requested by the School District before fiscal year end. If these two reports do not agree, adjust the estimated receipts on the receipt report to tie to the certificate.

*Actual* Obtain a copy of a revenue report that identifies actual year-to-date revenues by fund and source.

*Expenditures - Original and Final Budget* Obtain a copy of the original annual and final annual appropriation ordinance by fund together with any amendments and modifications approved by Board of Education before fiscal year end. The original budget will equal the first appropriation that covered the entire year. The Final Budget will equal the sum of the original annual ordinance and any supplemental appropriation ordinances passed during the fiscal year.

*Actual* Obtain a report that shows actual expenditures at the fund-function-object level within each fund.

The School District will need to include between the beginning and end of year fund balance figures a reconciling account "Prior Year Encumbrances Appropriated". A specific example follows.

Assume the following facts:

Beginning of the year cash balance	\$500
Carry-over encumbrances	150
Current year revenues	1,000
Current year expenditures	750
Current year expenditures that were paid against prior year encumbrances	100
Encumbrances outstanding at fiscal year end	400

Budgetary fund balance will be cash minus outstanding encumbrances.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Revenues	\$1,000	
Expenditures	1,150	(750 + 400)
Excess of Revenues Over (Under) Expenditures	(150)	
Fund Balance Beginning of Year	350	
Prior Year Encumbrances Appropriated	150	
Fund Balance End of Year	\$350	

The reconciling account “Prior Year Encumbrances Appropriated” represents the amount of encumbrances carried forward from the prior year that were not included as part of the current year appropriation measure but would be presented on the financial statements as part of budgeted expenditures.

Adjust original and final budget and actual figures for any necessary cash reclassification entries. (See "Cash Reclassifications" section.)

Calculate totals and variances. Variances are the difference between the final budget and actual revenues.

The majority of the budgetary information may still be prepared utilizing the GAAP Subsystem with adjustments for the governmental fund/function/object breakdown of internal service fund information being made at the final report level (see cash reclassifications section).

*Budget to GAAP Reconciliation* A note to the basic financial statements showing the adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis is required for the general fund and each major special revenue fund.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**CASH, CASH EQUIVALENTS AND INVESTMENTS CONVERSION PROGRAM**

The primary work in compiling the cash section will remain essentially the same, with the following change:

Accrued interest receivable is classified as an exchange transaction, and accordingly, the amount of interest earned by the report date must be recognized as a receivable, with revenue recognition on a modified accrual basis being the amount of interest actually received in the available period, and the full amount of the receivable being recognized on a full accrual basis.

The amount of accrued interest receivable must still be calculated for all interest bearing deposit accounts and investment instruments at 6/30/FY2. Accrued interest represents the amount of interest earned during the prior fiscal year but received in the following fiscal year. Accrued interest on interest bearing deposit accounts equals the interest earned in June but not posted to the account by the bank until July. *June interest posted by the bank in June but not yet posted to the School District's records should be included in the financial statements as cash and cash equivalents rather than interest receivable.* The calculation of the receivable remains the same, with corresponding credit being posted to Interest Income (if it was actually received within the available period) or Deferred Revenue (if it was actually received outside of the available period).

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**RECEIVABLES**

The purpose of this section of the plan is to identify those revenues which will generate a receivable on the statement of net assets (government-wide statements) and balance sheet (fund financial statements) and to determine appropriate revenue recognition or deferral at fiscal year end. The recommended approach is to calculate the amount of the receivable and related revenue on a full accrual basis, and then to defer the portion not received in the available period for the modified accrual basis.

If receivables are aggregated in the financial statements, the detail must be presented in the notes. For example if net receivables are presented as one amount in the statements accounts receivable, taxes receivable, special assessments receivable, and due from other governments would be broken out in the notes.

GASB 33/36 must be implemented for School Districts for the fiscal year ended June 30, 2001.

The School District will need to review all of the items previously reviewed to receivables, while complying with the standards of GASB33/36.

**Transaction Types**

Governments engage in two kinds of transactions as follows:

Exchange (and exchange-like transactions) - these transactions occur when each party receives or gives up essentially equal values.

Non-exchange transactions - these transaction occur when the School District receives value without directly giving equal value in exchange.

The following classifies recurring School District transactions as exchange or non-exchange and explains the appropriate accounting treatment for each.

**Exchange and Exchange-Like Transactions**

In exchange transactions, each party receives or gives up essentially equal value. The GASB has also identified what are called exchange-like transactions in which the values exchanged may not be quite equal or in which the benefits to the transaction may not be exclusively for the parties to the transaction. Under the full accrual basis of accounting, a receivable and revenue are recognized when the portion of the transaction that is the School District's responsibility is completed resulting in the revenue being earned, to the extent the amounts are collectible and measurable. Under modified accrual, only amounts received in the available period are recognized as revenue. Amounts received outside the available period are deferred. The treatment of these items should be consistent from year to year.

Exchange and exchange-like transactions include:

**Accounts Receivable**

***Tuition and Fees:***

Generic School District collects fees from its students throughout the school year. At year end some fees may not have been collected. The amount of fees to be recorded as a receivable at June 30 would represent workbook fees, library fines, book fines, etc. uncollected at June 30.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

The School District receives tuition and fees from students who participate in the adult education program. Any unpaid amounts for classes held prior to June 30 should be accrued.

***Sales:***

The School District's student activities generate revenue from sales. This activity is not in operation after the last day of school. All monies are collected and deposited to the treasurer prior to June 30. Therefore, no accrual journal entry will be required.

The School District lunch room generates revenue from sales. This activity is not in operation after the last day of school. All monies are collected and deposited to the treasurer prior to June 30. Therefore, no accrual journal entry will be required.

***Extracurricular Activities:***

The School District's extracurricular activities generate revenue from gate receipts. No extracurricular activities are generating revenues at June 30; therefore, no accrual journal entry will be required.

***Rentals:***

The business manager receives applications for building rentals. After the building has been used, approved applications are given to the treasurer's office so that an invoice can be prepared and mailed. A review of outstanding bills should be made to determine whether the amount is large enough to require an accrual entry.

***Miscellaneous:***

The School District carries an excess coverage insurance policy. The School District pays all claims and is then reimbursed by the insurance company for any claims in excess of either the individual limit or the aggregate limit. Any amounts due the School District by the excess coverage insurance company should be booked as an account receivable with a corresponding reduction to the expense.

***Collectibility of Accounts Receivable***

The School District writes off the delinquent accounts of students who are on State disability or are ADC recipients. These write offs are required under Federal law. The School District handles all collection of delinquent accounts. If a student is delinquent on tuition or fees, the grade card is withheld until payment is made for undergraduates or the diploma is withheld upon graduation. Therefore, the only uncollectible portion is for those students who have moved and do not request their transcripts or whose parents file the necessary paperwork to be exempt from paying the fees.

**Interfund Receivables**

***Internal Service Fund Charges:***

The School District operates an internal service fund for self-insurance. This fund pays health insurance claims using money received from charges for services (actuarially determined premiums) paid by the School District's operating funds. The internal service fund receives payments from the General, Title I, Title VIB, and Food Service funds.

The School District appropriates and records payments to the fund as expenditures from the functions



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

from which the employee's salary is coded.

As part of the new reporting model, the School District will have to allocate claims payments from the internal service fund to the associated functions.

**Intergovernmental Receivables**

***Excess Cost, Tuition and Transportation Charges:***

The School District collects revenues from other School Districts and Governments for transportation and educational services provided to students who reside outside of the School District boundaries.

The amount of tuition to be recorded as a receivable at June 30 each year would represent the revenue for services rendered prior to the balance sheet date and not received. Tuition due to members of the vocational compact would be recorded as a receivable and a liability in the agency fund.

***Charges for Services:***

Educational Service Centers should record a receivable for the amount of excess costs due from the local school districts for revenues earned but not received as of June 30.

*Data Processing Services* The School District provides data processing services to various surrounding School Districts. The amount to be recorded as a receivable at June 30 would represent the revenue for services rendered prior to the balance sheet date and not received.

***Rent:***

The business manager receives applications for building rentals. After the building has been used, approved applications are given to the treasurer's office so that an invoice can be prepared and mailed. A review should be made of outstanding bills to determine whether the amount is large enough to require an accrual entry.

**Non-exchange Transactions**

In non-exchange transactions, the School District receives value from another party without directly giving equal value in exchange. Non-exchange transactions are grouped into the following four classes:

Derived tax revenues result from assessments imposed by governments on exchange transactions.

Imposed non-exchange revenues result from assessments by governments on non-governmental entities, including individuals, other than assessments on exchange transactions.

Government-mandated non-exchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose or purposes established in the provider's enabling legislation.

Voluntary non-exchange transactions result from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties.

A detailed discussion of these four classes of non-exchange transactions follows, including receivable and revenue recognition criteria.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**Derived Tax Revenues**

An asset is recognized when the underlying exchange on which the tax is imposed occurs or when resources are received, whichever occurs first. Revenue is recognized in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. When modified accrual accounting is used, resources should also be available to be recognized as revenue. If not available, it is reported as deferred.

**Taxes Receivable**

***School District Income Tax:***

School districts have the authority to put an income tax levy on the ballot. If the levy is passed, an income tax is levied on all income earned by residents of the school district and on estates of decedents who, at the time of death, were domiciled in the school district.

Employees furnish their employer with the name of the school district in which they live. Employers are required to withhold the school district income tax from their employees and to pay the withheld amount to the State at least quarterly.

The State distributes the income tax to the School District on a quarterly basis. Within thirty days of the end of each calendar quarter ending on the last day of March, June, September, and December, the State makes a payment to the School District for the amount of school district income tax revenue that was received during that quarter. This amount is equal to the balance in the school district's account at the end of the quarter, less an amount withheld for estimated refunds.

The underlying exchange has occurred for income tax withheld by employers and distributed to the school district in July and should be accrued. The State will not have collected all of these exchanges as of June 30 because of withholding payment guidelines. Due to the timing of posting, the income tax by the Ohio Department of Taxation, the receipts posted for the month of July are for June and need to be included in the receivable. Since the Treasurer of State withholds from collections an amount to pay refunds, the full amount of the distribution may be accrued. Along with the income tax payment, accrued interest is also received and should be recorded as a receivable and related revenue.

**Income Tax Conversion Program:**

Determine the amount of the July income tax distribution from the State, including the amounts withheld by the State Department of Taxation for administrative fees.

Determine the amount of the June payments made to the State Department of Taxation in July. (Approximately 1 month of the October income tax distribution from the State to the School District), including the amounts withheld by the State Department of Taxation for administrative fees.

The School District may calculate estimates for the items listed above. Information to calculate estimates of the previous items may be obtained from the auditor of state's office.

Record and post journal entries:

*Journal Entries to record the receivable at end of year:*

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Fund Financial Statements - Modified Accrual Trial Balance***

Debit: Taxes receivable  
Debit: Accrued interest receivable  
Debit: Expenditure Function (SS - Fiscal for Administration Fees)  
Credit: Taxes revenue (July distribution)  
Credit: Deferred Revenue (1 month of October distribution)  
Credit: Interest revenue  
Credit: Intergovernmental Payable (for administrative fee)

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual) Trial Balance***

Debit: Deferred revenue (1 month of October distribution)  
Credit: Taxes revenue (1 month of October distribution)

**Imposed Non-Exchange Revenues**

An asset is recognized for imposed nonexchange transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Other than property taxes, revenues should be recognized when the asset is recognized unless there are time requirements specified in the enabling legislation. If time requirements are specified, revenue should be recognized in the period when the resources are required to be used or when use is first permitted. Governments should recognize revenues from property taxes, net of refunds and uncollectible amounts, in the period for which the taxes are levied.

**Taxes Receivable**

***Property Taxes:***

For receivable recognition, the date the taxes are levied will be used to determine when the enforceable legal claim exists, a twelve month receivable exists for property taxes and a six month receivable exists for tangible. The period for which the tax is levied is the period in which the settlement is scheduled to occur, except that the School District can appropriate dollars available as an advance at June 30 against the August real settlement as part of the current fiscal year. Therefore, the amount available from the County at June 30, is considered to be levied for the current period. For revenue recognition, for modified accrual accounting, any settlements scheduled for the current year made in the next year will be recognized as revenue and any amount available, at June 30, as an advance against the August real settlement will also be recognized as revenue in the period for which they are levied and available. For revenue recognition for full accrual accounting, any settlements scheduled for the current year made in the next year will be recognized as revenue and any amount available, at June 30, as an advance against the August real settlement will be recognized as revenue and any delinquents receivable against prior years' taxes will also be recognized as a revenue.

**NOTE:** An advance may be available to the School District on the second half personal property tax settlement at fiscal year end. The amount of the personal property tax advance should not be recognized as revenue because State statute does not allow the School District to appropriate the advance.

**Property Tax Conversion Program:**

Obtain a copy of the FY3 Official Certificate of Estimated Resources and determine if amounts listed under taxes include homestead exemption and rollback and/or \$10,000 exemption. If these items are included in taxes, an estimate of the amount of homestead exemption and rollback and/or \$10,000

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

exemption will need to be made in order to subtract the intergovernmental portion from the total to arrive at taxes receivable.

**Or**

Obtain confirmation of the following from the county auditor:

The FY3 real property tax amounts to be assessed and collected, net of rollback and homestead. (This amount should not include the amount available as an advance against the August real settlement.)

The FY2 personal property tax amounts to be assessed and collected, net of \$10,000 exemption.

Obtain confirmation of the following from the county auditor:

Total outstanding real and personal property delinquencies, divided between funds.

Property tax rates for FY2.

Delinquent tax collections for FY2. If material, record separate receivable for current versus delinquent taxes, divided between funds.

The FY2 amounts available to the School District as an advance against the August real settlement.

If the School District will be allocating taxes for the repayment of notes, record the taxes receivable in the fund in which the note proceeds are reported as a liability, not in the debt service fund.

Review the county auditor's tax settlement dates to determine if the School District received any late settlements which should be recognized as revenue. The first-half personal property tax settlement should be made in June. Verify that the School District received this settlement in June. If not, recognize as revenue with an offset to taxes receivable. NOTE: Make sure this entry is reversed each year.

Record and post the following journal entries. The notes shown in parenthesis following the account names refer to information determined above. "Delinquent" refers to total outstanding real and personal property delinquencies determined in step 2a above. "Uncollected assessments" refers to amounts that are determined in step 1 above to be assessed and collected. "June tangible" refers to late June tangible settlements determined in step 4 above. "August real" refers to amounts available to the School District as an advance against the August real settlement determined in step 2d above.

*Journal Entries to reverse the prior year taxes amounts:*

***Fund Financial Statements - Modified Accrual Trial Balance***

Funds which receive tax monies

Debit: Deferred revenue (delinquent and uncollected taxes)

Debit: Taxes revenue (June tangible and amount available for advance)

Credit: Taxes receivable

Debit: Reserved for Property Tax

Credit: Fund Balance

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual) Trial Balance***

Funds which receive tax monies

Debit: Taxes revenue (delinquent)

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Credit: Deferred Revenue (delinquent)

*Journal Entries to record the current year receivable:*

***Fund Financial Statements - Modified Accrual Trial Balance***

Funds which receive tax monies

Debit: Taxes receivable

Credit: Deferred revenue (delinquent and uncollected taxes)

Credit: Taxes Revenue (June tangible and amount available for advance)

Debit: Fund Balance

Credit: FB - Reserved for Property Taxes

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual) Trial Balance***

Funds which receive tax monies

Debit: Deferred revenue (delinquent)

Credit: Taxes Revenue (delinquent)

Note: There would be no journal entry for reserved fund balance on a full accrual basis.

**Government-mandated and voluntary non-exchange transactions**

For government-mandated and voluntary non-exchange transactions receivables and revenues are recognized when all eligibility requirements are met. When modified accrual accounting is used, resources should be available. Eligibility requirements included one or more of the following:

Required characteristics of receipts. The receipt has the characteristics specified by the provider.

Time requirements. Time requirements specified by enabling legislation or the provider have been met. (The period when the resources are required to be used or when use is first permitted has begun, or the resources are being maintained intact, as specified by the provider). Sometimes a provider in a government-mandated or voluntary non-exchange transaction does not specify time requirements. When that is the case, the entire award should be recognized as a liability and an expense by the provider, and as a receivable and a revenue by the recipients, in the period when all applicable period for both the provider and the recipient is the provider's fiscal year and begins on the first day of that year (when, for example, the relevant appropriation becomes effective). The entire award should be recognized at that time.

Reimbursements. The provider offers resources on a reimbursement basis and the recipient has incurred allowable costs under the applicable program.

Contingencies. (Applies only to voluntary non-exchange transactions). The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

***If the grant or entitlement has been received but the revenue recognition criteria have not been met, record the receipt as deferred revenue, for ALL government mandated and voluntary non-exchange transactions.***

Note disclosure regarding intergovernmental receivables is required if the amount is significant.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

The following is a list of major intergovernmental resources provided to the School District. These resources or programs have been classified based on the primary method of funding.

**Voluntary Non-exchange Transactions**

**Intergovernmental Receivables**

The account “Intergovernmental Receivables” is an asset account that represents amounts due to the School District from another government.

In General. Generic School District must maintain adequate records that allow it both to meet the special reporting requirements mandated by the grantor and to prepare an annual financial report that complies with GAAP.

Note disclosure regarding intergovernmental receivables is required if the amount is significant.

The following is a discussion of intergovernmental receivables applicable to the Generic School District. These resources or programs have been classified based on the primary method of funding.

***Entitlements:***

*School Foundation Basic Allowance* The School District receives entitlement monies through the State's foundation program, as calculated in Section 3317.022, Revised Code. This particular section is administered by the State Board of Education. As a result of appropriations made by the general assembly, these monies are calculated and paid on a fiscal year basis, July through June. The monies appropriated for each fiscal year are distributed twice per month. Each payment constitutes, as nearly as possible, one-twenty fourth of the total amount payable for the entire year.

The year for which foundation payments are provided is the fiscal year in which the payments are received. Therefore no accrual is necessary.

*State Property Tax Relief*

*Homestead and Rollback* State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one half percent rollback is granted on residential property taxes with additional relief granted to qualified elderly and disabled home owners based on their income. The loss of real property tax revenues is normally reimbursed by the State within the same fiscal year. Occasionally, reimbursement of the amount related to the first half settlement is delayed until after June 30. In this case, if the amount is to be received within the available period, it may be recorded as a receivable and revenue. If it will be received outside of the available period, it may be disclosed in the notes to the financial statements. Homestead and rollback revenues relating to property taxes receivable as of the balance sheet date may also be disclosed in the notes to the financial statements.

*Ten Percent Tangible Personal Property Tax Exemption* Personal property tax legislation allows everyone to receive an exemption from payment of tax on the first \$10,000 of valuation. Those with valuations less than \$10,000 must still file a return so that entities will know the extent of the loss of tax revenue. The State reimburses the School District based on certification of lost revenue from the county auditor. The county auditor then allocates the reimbursements to the political subdivisions within the county.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Next year's anticipated receipts may be reported in the notes to the financial statements if the amount is measurable and material.

*School Bus Purchase Allocation* The School District receives monies through the Department of Education. These monies are calculated and usually paid in August or September. The year for which payments are provided is the fiscal year in which payments are received. Therefore no accrual is necessary.

*Disadvantaged Pupil Impact Aid* The School District receives this money from the Department of Education through State Foundation payments. At the time of receipt, a percentage of this money is segregated into a special revenue fund. The year for which payments are provided is the fiscal year in which payments are received. Therefore no accrual is necessary.

***Reimbursable Grants:***

*Vocational Education Grant* Generic School District participates in a State vocational education program which reimburses seventy-five percent of travel upon submission of an affidavit at the end of the year.

*Vocational Education Equipment Grant* The School District participates in a State government program which entitles it to receive matching funds at fifty-five percent of qualified expenditures for equipment and materials used in the vocational education areas. All items submitted for actual reimbursement must have already been purchased by the School District and must have cost more than two hundred dollars, excluding postage and shipping costs.

The State notifies the School District of the estimated amount available for reimbursement per vocational unit. The director of the grant then submits a listing of anticipated reimbursement figures for each area of operation. The State must receive this request no later than March 1 in order for it to reserve the School District's allocated funds. The State will send the School District notice of the maximum eligible reimbursement. All invoices for items to be reimbursed must be dated on or before June 30. These invoices must then be sent in aggregate to the State prior to July 31. If other eligible school districts are unable to utilize their matching funds, the School District receives notification that additional matching funds are available for its use. The School District may then submit additional invoices of items eligible for reimbursement.

*National School Lunch Program Grant* The School District receives both Federal and State funding for operation of a food service program. Type "A" lunches (well-balanced nutritional lunches which meet State guidelines) are reimbursed. As a prerequisite to receive funding, the School District must submit monthly expenditure reports and numbers of lunches served. The grantor then applies a predetermined factor to the number of lunches served during the prior month to determine the amount of reimbursement to which the School District is entitled.

***Nonreimbursable Grants:***

*Auxiliary Services Grant* The School District receives funds from the State which the School District maintains for non-public schools within the School District's boundaries. The School District acts as fiscal agent for the non-public schools and makes payments for those items the non-public schools purchase.

*Vocational Education Grant* This grant assists in expanding, improving, modernizing and developing quality vocational education programs. Each state must allocate the basic grant for sex

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

equity leadership, vocational education program improvement, innovation and expansion, vocational education for the disadvantaged, vocational education for the handicapped, adults in need of training and retraining, single parents and homemakers, programs to eliminate sex bias and stereotyping, and criminal offenders in correctional institutions. Payments are received monthly until eighty-three percent of the funding is received. The remaining balance is received after the final expenditure report is filed.

*Teachers Development Grant* The School District participates in a teacher development program whereby the School District receives funds from the department of education, division of inservice education to be used for inservice comprehensive staff development. The funds sent to the School District are calculated by multiplying the number of classroom teachers by a fixed amount (determined by the general assembly). In order to receive the funding, the School District must complete a program application, including a proposed budget and Statement of Assurances.

These documents are returned to the Division of Inservice Education for approval. Once approved, the School District receives a Notification of Award of Subsidy Payment(s) to be used for speakers, conference registration, professional books and journals, and film rentals. Any unused funds may be carried over indefinitely as long as funding continues.

*Adult Basic Education Grant* The School District participates in an adult basic education program. The primary function of the program is to provide a basic educational program for adults who have less than a twelfth grade education or the functional equivalency and are beyond the age of compulsory school attendance. The program is both State and federally funded. The School District must submit a grant application to the State for approval at the beginning of the fiscal year. An initial payment, sufficient to operate for three months, is requested at the time of application. All subsequent payments are requested by the treasurer as needed. Expenditure of grant monies is limited to those items approved in the application.

*Title II Grant* The School District participates in the federally funded Title II (Eisenhower) program. This grant is made available to improve teaching skills and instruction in mathematics and science. The treasurer receives a copy of the grant award. If the amount of the award is less than \$5,000, the entire amount of the grant will be received at the beginning of the grant period.

*Title VI-B Grant* The School District receives Title VI-B State grant money through the State of Ohio. A proposal identifying how the money will be expended is submitted in July. In August, the State notifies the School District of approval and indicates the maximum that may be expended under the program. The School District receives a percentage of the maximum amount to be expended as an advance. Upon completion of the program, the School District must file a final expenditure report with the State of Ohio Department of Education. After an initial payment, funds may be requested, as needed, on a quarterly basis.

*Preschool Grant* The School District serves as fiscal agent for the preschool grant received by the SERRC to assist it in providing free appropriate public education to preschool age handicapped children. Grants are issued each fiscal year. The obligation period is from July 1 through September 30. An initial payment of eighty percent is made if the allocation is \$25,000 or less. The SERRC receives the funding during July.

*Technology Grant* The School District is the grantee and controls the expenditures for the technology grant which funds a learning resource center used in connection with the SERRC. Money is requested from the State government before expenditures are made.



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

*Title I, Title VI, and Drug Free Schools Grants* The School District receives Title I, Title VI and Drug Free Schools grant monies through the State of Ohio. A proposal identifying how the money will be expended is due in September of each year. The State issues the School District a notice of approval which states the maximum that may be expended under the program. The School District receives the first payment of Title I monies automatically, subsequent payments can be requested quarterly. Title VI and drug free schools grants are funded similarly. Upon completion of the program, the School District must file a final expenditure report with the State of Ohio, a carryover balance (up to 15% of the total grant) is generally allowable for salary and benefits accounts, but must be requested at the time the final expenditure report is filed.

**Accounts Receivable and Intergovernmental Receivable Conversion Program:**

Determine appropriate revenue recognition criteria for each receivable based on GASB 33 and 36. Generally, a receivable should be booked for the remaining balance of any non-reimbursable grant at June 30, any amount expended but not yet received of a reimbursable grant, as long as contingencies have been satisfied.

Prepare a complete listing of grants and entitlements. Review this listing to determine receivables at June 30. A review of the funds of the School District may be helpful in determining potential grant and entitlement receivables, as well as a review of revenue accounts in the general fund. Create a spreadsheet listing all of these items. The spreadsheet should include the following information:

The fund in which the revenue is recorded.

The governmental agency, or passthrough agency from which the revenue is received.

Type of revenue or grant, i.e. exchange, government mandated non-exchange, or voluntary non-exchange.

Purpose of the grant, either operating or capital, and whether restricted for a specific activity or purpose.

To enable the posting of the program revenue spreadsheet.

Significant legal or contractual restrictions on the use of the funds.

Local matching requirements and method of providing the funds, if applicable.

Grant period in which the money may be first spent.

The total amount of the grant or award.

The total amount of any reimbursable grant that has been spent prior to June 30.

The total amount received prior to June 30.

The amount of the receivable at June 30.

The amount of revenue received within the available period.

The amount of revenue received outside of the available period.

Obtain sufficient documentation, i.e. grant awards, receipts, and expenditure reports, from School District records to substantiate the above spreadsheet and classification of receivables.

For State property tax relief, confirm that the reimbursement related to first half real property taxes was received prior to the end of the fiscal year.

Review the School District's most recent SF-3 to determine any receivables that may need to be booked for items such as open enrollment, tuition adjustments, etc.

Determine the amounts of the restricted portion of the foundation amounts that need to be reported as program revenues (i.e. special education, vocational education).

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Review School District records to determine accounts receivable. A search of receipts after the balance sheet date may be helpful in determining receivables as of June 30.

Identify receivable type. (Accounts or Intergovernmental)

Determine if any portion of the receivables should be considered uncollectible.

Record and post journal entries.

*Journal Entries to reverse the prior year receivables:*

***Fund Financial Statements - Modified Accrual Trial Balance***

Debit: Revenue Account (for amounts received inside available period)  
Debit: Deferred Revenue (for amounts received outside available period)  
Credit: Accounts Receivable (net of uncollectible)  
Credit: Intergovernmental Receivable

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual) Trial Balance***

Debit: Revenue Account (for amounts received inside available period)  
Credit: Deferred Revenue (for amounts received inside available period)

*Journal Entries to record current year receivables:*

***Fund Financial Statements - Modified Accrual Trial Balance***

Debit: Accounts Receivable (net of uncollectible)  
Debit: Intergovernmental Receivable  
Credit: Revenue Account (for amounts received inside available period)  
Credit: Deferred Revenue (for amounts received outside available period)

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual) Trial Balance***

Debit: Deferred Revenue (for amounts received inside available period)  
Credit: Revenue Account (for amounts received inside available period)

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**PREPAID ASSETS**

The School District enters into certain types of contracts for which services extend over more than one accounting period. This prepayment creates an asset. The following is a list of the type of contracts that need to be reviewed: insurance, computer maintenance, telephone, copier, and other equipment. The School District has the option of not recording a prepaid on a modified accrual basis (fund financial statements). The full accrual basis of accounting (government-wide financial statements) requires that all prepaids be recorded. It is recommended that prepaids be recorded on both the modified and full accrual statements.

***Note: If the School District chooses not to report prepaids on a modified accrual basis, only the journal entries for the Government-Wide Financial Statements should be recorded.***

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**INVENTORY**

***Defined***

There are various types of assets in any entity. One type is a capital asset. Capital assets are items that are not consumed. They retain their original shape and appearance with use such as buildings, land, furniture, equipment, and vehicles. They have a useful life of at least a year and a significant initial cost.

Another type of asset is consumable supplies or inventory. Consumable supplies lose their original shape or appearance with use. Examples include office supplies, classroom and student supplies, nursing supplies, athletic supplies, purchased and donated food, maintenance supplies, vehicle repair parts, and gasoline.

***Reporting Methods***

***Consumption Method*** The consumption method records inventory in the inventory accounts at acquisition and as expenses when used. Fund equity reserve need not be established unless a minimum amount of inventory must be maintained and is therefore not available for expenditure.

***Purchase Method*** The purchase method charges supplies at the time of acquisition as an expenditure. Inventories on hand at fiscal year end are recorded as an asset with a corresponding reserve for inventory in fund equity indicating that the asset does not represent spendable financial resources.

GASB 34 requires the accrual basis financial statements (government-wide financials) to utilize the consumption method. ***Therefore, the preferred method for modified accrual financial statements (fund financials) would be the consumption method, to eliminate the need for a reconciling item between the governmental funds statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.***

***Inventory Conversion Program:***

The steps in completing the inventory sections are the same as under the old reporting model with the following differences in journal entries if choosing the purchase method for fund financial statements:

*Journal Entries to record net change in inventory at the end of year:*

***Fund Financial Statements - Modified Accrual Trial Balance***

*Governmental Funds:*

Debit: Materials and Supplies Inventory  
Credit: FB - Reserved for Inventory (Assuming the purchase method)  
Credit: Expenditure Function (Assuming the consumption method)

*Proprietary Funds:*

Debit: Materials and Supplies Inventory/Inventory Held for Resale  
Credit: Materials and Supplies Expense/Cost of Sales

***Note: If there was a decrease in inventory, the journal entries would be reversed.***

Additional journal entries required in utilizing the purchase method for the fund financial statements:

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual) Trial Balance***

*Governmental Funds:*

Debit: FB - Reserved for Inventory  
Credit: Expense Account

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**CAPITAL ASSETS**

***Defined***

Capital assets are those assets, such as land, buildings, improvements other than buildings, infrastructure, vehicles, machinery and equipment, of a long-term character (initial useful lives extending beyond a single reporting period) which are used in operations. The distinctive nature of governmental financial operations requires capital assets to be accounted for either within the proprietary (or trust) funds or within the governmental activities.

***Accounting for Capital Assets***

A clear distinction should be made between fund capital assets and general capital assets. Capital assets related to specific proprietary funds or, if applicable, trust funds should be accounted for through those funds. All other capital assets of a governmental unit should be accounted for as general capital assets for governmental activities.

***General Capital Assets***

General capital assets do not represent financial resources available for expenditure, but are items for which financial resources have been used and for which accountability should be maintained. They are not reported as assets of any fund but are reported as assets of governmental activities. Capital assets are not reported on the fund financial statements (balance sheet) for governmental funds. General capital assets are accounted for on the government-wide financial statements (statement of net assets).

***Fund Capital Assets***

There are no significant changes between the old and new reporting models for the reporting of fund capital assets, with the exception of contributed capital no longer being reported. Capital contributions (a nonoperating revenue) will be credited for donations from customers or contractors and entitlements or grants designated solely for capital acquisition, while transfers in are credited for additions received from general governmental resources.

***Capitalization of Interest*** GASB 37 prohibits capitalizing interest for governmental capital assets, so this is only relevant for proprietary fund assets.

***Infrastructure*** Infrastructure assets are long-lived capital assets that are normally stationary and that can be preserved for a significantly greater number of years than most capital assets. General infrastructure assets are infrastructure assets that are associated with and generally arise from governmental activities and are considered only to have value to the School District. Most school districts have no fixed assets which would be considered infrastructure.

***Depreciation of Capital Assets*** Depreciation of governmental capital assets should not be recorded in the individual governmental funds. Depreciation of governmental capital assets should be recorded on the governmental capital asset worksheet and then carried forward to the net asset trial.

Depreciation is an element of expense. It is a method of allocating the cost of a tangible capital asset, less salvage value, over the estimated useful life of the asset. Depreciation is an important element of the income determination process.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Information Required to Track Capital Assets***

Specific information will have to be included in the School District's records to provide the necessary capital asset reporting information. This information includes:

- Specific asset identification (tag number).
- Actual or estimated historical cost.
- Year of acquisition of asset.
- Useful life of asset.
- Salvage value of asset, if applicable.
- Location of asset.
- Classification by function that is currently utilizing the asset.
- Classification by major asset class and between depreciable and non-depreciable assets (i.e. land, building, vehicles, etc.)
- Capital asset additions during the reporting year by fund and account.
- Capital assets disposed of during the reporting year and the amount of cash received, if any.
- Changes in construction in progress during the reporting year .
- Identification and information regarding leased assets.
- Accumulated depreciation at beginning of reporting year by account and asset type.
- Depreciation expense by function and asset type for reporting year.
- Identification of gain or loss on disposal of any capital assets.

**General Capital Assets Conversion Program:**

The School District should review the existing fixed asset accounting policies. These policies should be updated to reflect the specific changes in reporting for capital assets as detailed above. The following is a summary of information that could be included:

- The criteria to be met before an asset will be accounted for as a capital asset in terms of useful life and threshold dollar amount.
- The method to be used to determine the costs (actual and estimated) of capital assets.
- How assets are to be identified - assigning asset numbers, location, asset type, description, tagging, etc.
- When a newly acquired or constructed capital asset is to be recorded in the capital asset records.
- The costs to be included in the cost of acquiring or constructing the capital asset.
- The School District's policy for computing depreciation.
- Whether the cost of replacing a capital asset should be maintained by the system, how it should be determined, how often it should be revised and by whom.
- Policies regarding the sale, trade or other disposal of capital assets.
- Under what circumstances transfers of assets between departments or buildings are permitted.
- If the existence of a maintenance agreement is to be included in the capital asset information.
- If capital asset values are to be maintained for insurance purposes.
- Under what conditions the School District will report a leased asset as a capital asset of the School District with a corresponding liability for the lease payments.
- Whether textbooks and library books will be reported.

Other asset policy issues are identified and discussed in the Auditor of State's fixed assets handbook.

The School District must establish a beginning capital asset balance, utilizing the GASB 34 criteria. The balances that were previously reported in the GFAAG, must be presented as governmental capital assets

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

on the statement of net assets (government-wide financials) and must be tracked at the function level in order to facilitate the reporting of depreciation expense by function.

This may be accomplished by reviewing the detailed assets reports that were generated at the beginning of the year. A summary worksheet should be prepared that reconciles the previously reported balances to the new breakdown of assets by function. If the School District is utilizing the State software for asset tracking, sufficient sort options are available to generate this new breakdown.

This balance is will be recorded on the beginning of year consolidated trial balance.

*Journal Entries to record the restated capital asset balance at the beginning of year:*

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual)***

*Consolidated Trial Balance - Beginning of Year*

Debit:	Depreciating Capital Assets, Net (Majority of Capital Assets)
Debit:	Non-Depreciation Capital Assets (Land)
Credit:	Invested in Capital Assets, Net of Related Debt

***Note: The GFAAG has been eliminated under the new reporting model.***

The School District must establish a beginning balance of accumulated depreciation by asset type and function at June 30, FY1 for governmental capital assets.

Since depreciation has not been required for governmental assets in prior years, the School District may need to review fixed assets records and recalculate depreciation for these assets as of June 30, FY1. If the School District is utilizing the State software, and the appropriate options and flags have been chosen, the system has the capability of generating the required information.

This balance will be reported on the beginning of year consolidated trial balance, and in the notes to the financial statements.

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual)***

*Consolidated Trial Balance - Beginning of Year*

Debit:	Invested in Capital Assets, Net of Related Debt
Credit:	Depreciating Capital Assets, Net

A summary of the changes in governmental and business-type capital assets during the year by asset type and function is required. The summary should be supported by sufficient documentation to provide substantiation of the additions and deletions (including any proceeds from the sale of assets).

Additions to general capital assets can be determined through analysis of expense accounts and capital expense objects. If the School District is utilizing the State software, and the appropriate options have been chosen, the “pending” file may be reviewed to determine the additions to general capital assets during FY2.

The additions for governmental capital assets will be reported on the capital asset worksheet.

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual)***

*Capital Asset Worksheet*

Debit:	Depreciating Capital Assets, Net (majority of assets)
Debit:	Non-Depreciating Capital Assets (land, construction in progress)
Credit:	Expense Accounts/Capital Outlay

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Deletions to general capital assets can be determined through analysis of the revenue account “sale of fixed assets” on the cash basis records of the School District as well as through the review of Board minutes, and discussions with School District personnel regarding disposal of capital assets.

The deletions for governmental capital assets will be reported on the capital asset worksheet.

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual)***

*Capital Asset Worksheet*

Debit:	Proceeds from Sale of Capital Assets
Debit:	Loss on Sale of Capital Assets (reported as an expense)
Credit:	Depreciating Capital Assets (net of accumulated depreciation)
Credit:	Non-Depreciating Capital Assets (net of accumulated depreciation)

***Note:*** *If the proceeds were greater than the book value of the asset, a credit would be posted to the “Gain on Sale of Capital Assets” account (reported as a general revenue.*

Depreciation expense for end of year governmental and business-type activities is required to be reported by asset type and function. If the School District is utilizing the State software, it will have the ability to generate a report of depreciation expense by function, but does not have the ability to allow an asset to be reported in multiple functions.

The School District may determine a logical and systematic way to break down the depreciation expense by asset type to the function levels for capital assets that are shared by multiple functions as long as sufficient documentation is maintained to support the rationale.

An example would be to break down the depreciation on buildings by the number of classrooms being utilized for a certain function divided by the total number of classrooms in the building. Another example may be to break down the depreciation by square foot per ADM in the various functions. Any logical rationale may be used provided that a sufficient audit trail is maintained. Discuss the approach with audit before expending significant time to verify that the approach is acceptable.

The depreciation expense for governmental capital assets will be reported on the capital asset trial worksheet. The amounts from the worksheet will then be posted to the appropriate columns on the end of year consolidated trial balance.

***Government-Wide Financial Statements - Statement of Net Assets (Full Accrual)***

*Capital Asset Worksheet*

Debit:	Expense Account (Function)
Credit:	Depreciating Capital Assets, Net

Prepare the notes to the financial statements. The capital asset activity is presented in the notes to the financial statements. Sample note presentation follows:



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

	<u>Balance</u> <u>6/30/FY1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/FY2</u>
<b>Governmental Activities</b>				
Non-Depreciable:				
Land				
Construction in Progress				
Total Non-Depreciable				
Depreciable:				
Buildings and Improvements				
Furniture, Fixtures and Equipment				
Vehicles				
Total Depreciable				
Accumulated Depreciation:				
Buildings and Improvements				
Furniture, Fixtures and Equipment				
Vehicles				
Total Accumulated Depreciation *				
Net Depreciable Capital Assets				
Governmental Activities Capital Assets, Net				
<b>Business-Type Activities</b>				
Furniture, Fixtures and Equipment				
Total at Historical Cost				
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment				
Total Accumulated Depreciation				
Business-Type Activities Capital Assets, Net				

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

\* Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular

Special

Support Services:

Pupils

Instructional Staff

Administration

Fiscal

Maintenance

Transportation

Central

Operation of Non-Instructional Services

Extracurricular

Total Depreciation Expense

\_\_\_\_\_

=====

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**INTERFUND ACTIVITY**

Interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) should be classified and reported as follows:

***Reciprocal interfund activity*** is the internal counterpart to exchange and exchange-like transactions, and include:

*Interfund Loans* - amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. This activity should not be reported as other financing sources or uses in the fund financial statements. If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

*Interfund Services provided and used* - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used should be reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts should be reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

***Nonreciprocal interfund activity*** is the internal counterpart to nonexchange transactions. It includes:

*Interfund transfers* - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. This category includes payments in lieu of taxes that are not payments for, and are not reasonable equivalent in value to, services provided. In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers should be reported after nonoperating revenues and expenses.

*Interfund reimbursements* - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements should not be displayed in the financial statements.

***Eliminations and Reclassifications***

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds should be eliminated or reclassified as explained below. Transfers between governmental activities should be eliminated.

***Internal Balances - Statement of Net Assets***

Eliminations should be made in the statement of net assets to minimize the “grossing-up” effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, amounts reported in the funds as interfund receivables and payables should be eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which should be presented as internal balances. Amounts reported in the funds as receivable from or payable to fiduciary funds should be included in the statement of net assets as receivable from and payable to external parties (consistent with the nature of fiduciary funds), rather than as internal balances. All internal balances should be eliminated in the total primary government column.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Internal Activities - Statement of Activities***

Eliminations should be made in the statement of activities to remove the “doubling-up” effect of internal service fund activity. The effect of similar internal events (such as allocations of accounting staff salaries) that are, in effect, allocations of overhead expenses from one function to another or within the same function also should be eliminated, so that the allocated expenses are reported only by the function to which they were allocated.

The effect of interfund services provided and used between functions (for example, billing of transportation costs to extracurricular activities) should not be eliminated in the statement of activities. To do so would misstate both the expenses of the purchasing function and the program revenues of the selling function.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

***Internal service fund*** Due to the combining of the internal service fund with activity of the predominant participant (for the Generic School District, the governmental activities on the government-wide statements - statement of net assets), any activity between the governmental funds and the internal service fund need to be eliminated. This is to present the activity of the School District as one entity with the true expenses and revenues of the one entity. The elimination is required to avoid the duplication of revenues and expenses between two governmental funds within the same entity.

The Generic School District maintains one internal service fund for self insurance. The revenue for the self insurance fund is from premium payments from the various funds for employee benefits. On a budgetary basis, this revenue is reported as Charges for Services in the internal service funds and to various expenditure functions in the other funds. The internal service fund must report the actual payments for claims and administrative costs in the appropriate function accounts. The School District will allocate the gain or loss in the fund in the same manner or ratio as payments during the year to the internal service fund.

***Interfund Conversion Program:***

Journal entries for interfund activity should be made at the fund level in the same manner as in the old reporting model.

Eliminate interfund activity between governmental funds on the district-wide statements.

***Government-Wide Financial Statements - Consolidated Trial Balance (Full Accrual)***

*For the total amount of interfund receivables/payables between governmental funds*

Debit:   Interfund Payable  
Credit:   Interfund Receivable

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**NON-CAPITAL RELATED LIABILITIES**

**References:**

Interpretation 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”, and Interpretation of NCGA Statements 1,4, and5; NCGA Interpretation 8; and GASB Statements No. 10, 16, and 18.

This Interpretation addresses the recognition of liabilities and expenditures in governmental funds. Its sole purpose is to establish rules for identifying liabilities that should be reported as governmental fund obligations, either in whole or in part. This is an area in which current guidelines have been inconsistently applied. The Interpretation is applicable to all state and local governments that use the current resources measurement focus and the modified accrual basis of accounting. The Interpretation must be implemented with the adoption of Statement No. 34. Early implementation is encouraged, but only if the implementation occurs concurrently with the implementation of the new reporting model.

In the absence of an explicit requirement to do otherwise, a government should accrue a governmental fund liability and expenditure when the government incurs the liability. Liabilities that should be accrued include liabilities that a government normally pays in full and in a timely manner from current financial resources, e.g. salaries. This rule is applied regardless of whether resources are or are not currently available to pay the liability.

The general rule also addresses the unmatured and matured portions of general long-term obligations, including bonds, capital leases, compensated absences, claims and judgments, landfill closure and postclosure costs, special termination benefits and pensions. The unmatured portion of these obligations should be reported as general long-term liabilities. The matured portion, which is defined as the portion that has come due for payment, should be reported as a fund obligation. There are three explicit requirements that modify this general rule.

Additional accrual of governmental fund liabilities and expenditures for debt service on general long-term debt (including capital leases) is appropriate if a government has provided financial resources to a debt service fund for payment of liabilities that will mature early in the following year. These resources must be in the debt service fund and dedicated to the payment of the debt. “Early in following year” may not exceed one month.

The second exception addresses obligations already addressed in the general rule and reaches the same conclusion. It states that governmental fund obligations and expenditures should be recognized for compensated absences, claims and judgments, landfill closure and postclosure costs, and special termination benefits to the extent they are expected to be liquidated with expendable, available financial resources. This is defined in the Interpretation as the extent to which these obligations come due (mature) during the period, regardless of the extent to which resources have been accumulated and earmarked for their payment.

The third exception states that matured liabilities should also be reported as fund obligations. Matured liabilities include liabilities that are normally due and payable in full when incurred.

GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers” states in paragraph 19: “Employers that participate in cost-sharing multiple-employer plans should recognize annual pension expenditures/expense equal to their contractually required contributions to the plan. Recognition should be on the modified accrual or accrual basis, whichever applies for the type of employer or for the fund type(s) used to report the employers contributions. Pension liabilities and assets

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

result from the difference between contributions required and contributions made.”

Paragraph 16 says that pension expenditures from governmental funds should be recognized on the modified accrual basis; that is, the amount recognized should be equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources.

Liability accounts can include but are not limited to the following:

- Accounts Payable
- Accrued Wages and Benefits
- Intergovernmental Payable
- Due To Other Funds
- Interfund Payable
- Contracts Payable
- Compensated Absences Payable
- Claims and Judgments Payable
- Deferred Revenue

***Items Subject to Accrual***

Wages and salaries, including overtime, at fiscal year end. ***No significant change from old model to new model.***

STRS and SERS on accrued wages and salaries at fiscal year end. ***No significant change from old model to new model.***

Two months of STRS liability paid in July and August. ***No significant change from old model to new model.***

SERS liability paid July to December (***2 months of fund liability for modified accrual and 6 months for full accrual.***)

Accrued vacation and sick leave and compensatory time for eligible employees, ***based on compensated absences guidelines, Interpretation 6 (to the extent the liabilities are due and payable and “normally to be expected to be liquidated with expendable available financial resources”.)***

Workers' Compensation Insurance on accrued wages and unfunded liability for the fiscal year. ***No significant change from old model to new model.***

Medicare on accrued wages at fiscal year end. ***No significant change from old model to new model.***

Accrued unemployment at fiscal year end. ***No significant change from old model to new model.***

Accounts payable at fiscal year end. ***No significant change from old model to new model.***

Contracts payable at fiscal year end. ***No significant change from old model to new model.***

Claims and judgments. ***No significant change from old model to new model.***

Amounts due to other governments at fiscal year end (***open enrollment, excess costs, tuition, etc.***) ***No significant change from old model to new model.***

Funds with deficit cash balances ***No significant change from old model to new model.***

***Retirement Contributions***

It is significant to note that retirement contributions are **not** subject to Interpretation 6. Therefore all amounts paid within the available period will be posted as a liability to the modified accrual trial balances, and all amounts paid outside of the available period will be posted as a liability on the restricted net assets (full accrual trial balances).

School Districts will need to make the following change in reporting for SERS:

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

The liability, as of the balance sheet date, on a modified accrual basis will be the amount of the School District's contribution deducted from the school foundation settlement in July and August, and on a full accrual basis will be the School District's contribution deducted from the school foundation settlement July through December, adjusted for any material variance in estimated versus actual payroll.

***Other Adjustments on School Foundation Settlement (Open Enrollment and Special Education Tuition)***

These items **are** subject to Interpretation 6.

The School District may have a liability at June 30 for any outstanding open enrollment or special education weighted amounts (tuition) due for Generic School District students that have chosen to attend classes, or have been placed in other school districts. The amount of these payments to other school districts is withheld from the school district on the school foundation settlements. The school foundation settlements should be reviewed at June 30, to determine any outstanding balances. Any payments withheld on the July and August school foundation settlements should be recorded as a liability on both a modified and full accrual basis. The total amount outstanding at June 30, regardless of when withheld, should be recorded as a liability on a full accrual basis.

***Excess Costs***

These items **are** subject to Interpretation 6.

In addition to the special education weighted amounts, the School District may have a liability to another school district for costs over and above the weighted tuition amount. This "excess cost" may be billed by the other school district after submission and approval by ODE of an SF-6 report. The Treasurer should inquire with the Special Education Coordinator regarding any significant liability that may be outstanding at June 30. The SF-6 reports are not due until after the available period, therefore any liability for excess costs should be recorded on a full accrual basis only.

**Compensated Absences**

Compensated absences **are** subject to Interpretation 6.

A liability would be accrued on a modified accrual basis only to the extent that the liability was **"due and payable" at June 30, meaning that an employee has resigned/retired prior to June 30 and not yet been paid.**

The full amount of the compensated absence liability will now be reported on the restricted net assets trials (full accrual) in the funds that will be scheduled to make the payments, with the corresponding expenses being reported in the activities (functions) scheduled to make the payments. The liability accounts will be split between "Long-Term Liabilities - Due within one Year" and "Long-Term Liabilities - Due in more than one Year".

The presentation in the notes to the financial statements must include the actual increases and decreases in the liability rather than the net effect on the balance of the liability.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**CAPITAL-RELATED LIABILITIES**

***Governmental Activities Long-term Liabilities***

The principal amount of all unmatured capital related long-term debt for governmental activities of the School District is reported as governmental activities general long-term debt. The general long term debt account group is no longer reported in the new model. However, this debt is posted to the debt worksheet which is posted to the consolidation trial balance. This debt is typically offset against capital assets and is reported as part of net assets invested in capital assets, net of related debt. See the net assets section for further discussion of this issue.

Since the entity-wide statements are presented on the accrual basis of accounting, it is appropriate to record and amortize or accrete any significant premium and/or discount (including deep discount debt) on debt issued for governmental activities and any significant bond issuance costs. It is also appropriate to recognize any gain or loss on any advance refunding of governmental activities debt. Interest expense for governmental activities should be recognized as incurred rather than when due in the governmental fund statements.

The interest rate on the bond is known as the stated rate. This rate is set by the School District issuing the bonds and is expressed as a percentage of the par value, or face value, of the bond. If the bonds are sold for more than par value (at a premium) or less than par value (at a discount), the actual interest yield to the bondholder is less than or greater than the stated rate. This rate of interest actually earned by the bondholder is called the effective yield, or market rate, and is set by the investment market.

APB Opinion No. 21 requires that bond premium be reported in the statement of net assets as a direct addition to the face amount of the bond. The premium would be amortized over the life of the bonds and would be charged to interest expense in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period. However, other methods of amortization (such as straight-line) may be used if the results obtained are not materially different from those which would result from the effective interest method.

Using the effective interest method of amortizing premiums allows the interest cost for each period to be the effective interest rate multiplied by the book value of the bonds at the start of that period. The book value changes each period by the amount of bonds paid and the amount of premium amortized.

The issuance of bonds involves printing costs, legal fees, commissions, and other similar charges. According to APB Opinion No. 21, these items should be debited to a deferred charge account for unamortized expenses of bond issue and amortized over the life of the issue.

The requirements of APB Opinions No. 12, Omnibus Opinion - 1967, and No. 21, Interest on Receivables and Payables, as amended, require deferral and amortization of debt issue premium or discount. These opinions may be applied prospectively to governmental activities in the statement of net assets and the statement of activities, except for governmental activity debt that is deep-discount or zero-coupon debt. Similarly, Statement 23, which requires deferral and amortization of the difference between the reacquisition price and the net carrying amount of old debt in debt-refunding transactions, may be applied prospectively by governmental activities. The retroactive effect of applying those standards is not required to be considered in determining beginning net assets for governmental activities.



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**Capital Related Long-Term Liabilities Conversion Program**

**Adjusting Entries**

Governmental Activities - Consolidation Trial (Accrual Basis)

Old Issues - Amount Retired

Debit    General Obligation Bonds Payable

Credit:   Principal Retirement

Debit:    Amortization of Bond Issuance Costs

Credit:   Deferred Charge for Bond Issuance Costs

New Issues

Debit:    General Obligation Bonds Issued

Debit:    Unamortized Discount on Bonds

Credit:    General Obligation Bonds Payable

Outstanding Bonds

Debit:    Interest Expense

Credit:    Interest Payable

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**FUND BALANCE AND NET ASSETS**

***Fund Balance*** is the fund equity of governmental funds on the balance sheet (fund financial statements). The only significant change in the new reporting model is that the amounts reported as “unreserved and undesignated” now must be further classified (split) among fund types.

***Net Assets*** For the entity-wide statements, the proprietary funds statements, and the fiduciary (trust) funds statements, the difference between assets and liabilities is reported as net assets. Net assets are displayed in three components as appropriate.

***Invested in capital assets, net of related debt***

This account consists of capital assets, including any restricted capital assets, less both accumulated depreciation and the outstanding balances of any bonds, mortgages, notes, or other borrowings that are directly attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt should be included in the same net assets component as the unspent proceeds - for example, restricted for capital projects.

Question 90 in the implementation guide for GASB 34 provides guidance for determining unspent proceeds. It states, “The precision with which the unspent proceeds can be determined depends on the government’s accounting records. Most governments are required to, or choose to, account for bond issues separately - either in separate funds or in an account or memorandum fashion in a multipurpose fund - and can identify what has been spent and what remains. Those governments whose accounting systems do not lend themselves to that type of specific tracking should use their best estimates - in a manner that can be documented - to determine the unspent portion.”

***Net assets, restricted***

This account includes that portion of net assets where constraints are placed on the assets use by either external parties (e.g., creditors or grantors) or through constitutional provisions or enabling legislation. For this purpose, enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources from external resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The basic concept is that restrictions are not unilaterally established by the reporting government itself, and cannot be removed without the consent of those imposing the restrictions or through formal due process.

At a minimum the restricted net assets include capital projects, debt service, and other purposes (primarily special revenue funds and unclaimed monies in the general fund). Special revenue fund resources should be reviewed carefully to be sure they meet the definition of restricted since the use of special revenue funds is not limited to legally restricted resources. NCGA Statement 1, paragraph 23, states that funds may also be created by the governing board to achieve sound and expeditious financial administration and reporting or to comply with grant or contract accounting and financial reporting requirements. The purpose for which the resources are restricted needs to be narrower than that of the reporting unit in which it is reported. For instance, resources that are required to be used for governmental activities are not considered restricted in the governmental activities column in the statement of net assets, but those that are required to be used for law enforcement, for example, would be considered restricted.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***Net assets, unrestricted***

This account consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The restricted net assets trial balance is used to account for the allocation of fund balances to net assets. This will be handled through reclassification journal entries on the face of the restricted net assets trial balance based on a fund by fund review.

In the capital projects funds, any debt issued for capital asset acquisition or construction should be offset against (debited to) the invested in capital assets, net of related debt unless significant unspent proceeds remain, in which case they would be offset against the remaining unspent proceeds by debiting net assets restricted for capital projects, assuming the unspent proceeds are in a capital projects fund.

Retained earnings and contributed capital are no longer reported for proprietary funds.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management discussion and analysis is an easily readable analysis of the government’s financial activities. It discusses current year results in comparison with the prior year. This discussion includes both the positive and negative effects and is written by the fiscal officer.

Management’s discussion and analysis (MD&A) should introduce the basic financial statements and provide an analytic overview of the School District’s financial activities. Although it is required supplementary information (RSI), governments are required to present MD&A before the financial statements.

MD&A should provide an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions. For purposes of MD&A, currently known facts are information that management is aware of as of the date of the auditor’s report and are based on what has happened and not on what might happen. MD&A should include comparisons of the current year to the prior year based on government-wide information. It should provide an analysis of the government’s overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year’s activities. In addition, it should provide an analysis of significant changes that occur in funds and significant budget variances. It should also describe capital asset and long-term debt activity during the year. MD&A should conclude with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

MD&A should discuss the current year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information. Charts and graphs may be used to supplement, or elaborate on, information in the condensed statements, but should not be used in place of them

GAAP identify a list of specific topics that the School District should address in its MD&A to the extent that those topics are relevant to the School District’s particular circumstances. These requirements are described in paragraphs 8 - 11 in GASB Statement No. 34. Because MD&A constitute required supplementary information, the School District may not address additional topics not found on this list as part of MD&A, although they are free to provide whatever level of detail they deem appropriate in addressing the specific topics identified by GAAP. This requirement is explained in question 10 of the implementation guide for statement 34. GASB Statement No. 37 also confined the information present in the MD&A to the topics identified in a through h in paragraph 11 of statement 34. The letter of transmittal provides an appropriate place for addressing topics not identified by GAAP for inclusion within MD&A. Because MD&A is subject to a limited degree of auditor involvement, highly subjective information should be reported in the letter of transmittal.

MD&A requirements established by this Statement are discussed below in general rather than specific terms to encourage financial managers to effectively report only the most relevant information and to avoid boiler-plate discussion. The information presented should be confined to the topics discussed in 1 through 8, below.

1. A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide. This discussion should include analyses that assist readers in understanding why measurements and results reported in fund financial statements either reinforce information in government-wide statements or provide additional information.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

2. Condensed financial information derived from government-wide financial statements comparing the current year to the prior year. At a minimum, governments should present the information needed to support their analysis of financial position and results of operation required in 3, below, including these elements:
  - A. Total assets, distinguishing between capital and other assets
  - B. Total liabilities, distinguishing between long-term liabilities and other liabilities
  - C. Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts
  - D. Program revenues, by major source
  - E. General revenues, by major source
  - F. Total revenues
  - G. Program expenses, at a minimum by function
  - H. Total expenses
  - I. Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers
  - J. Contributions
  - K. Special and extraordinary items
  - L. Transfers
  - M. Change in net assets
  - N. Ending net assets
3. An analysis of the government's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. The analysis should address both governmental and business-type activities as reported in the government-wide financial statements and should include reasons for significant changes from the prior year, not simply the amounts or percentages of change. In addition, important economic factors, such as changes in the tax or employment bases, that significantly affected operating results for the year should be discussed.
4. An analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.
5. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (or its equivalent). The analysis should include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity.
6. A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services. Paragraphs 116 through 120 require certain disclosures about capital assets and long-term debt. It is sufficient for purposes of this discussion in MD&A to summarize that information and refer to it for additional details.
7. A discussion by governments that use the modified approach (paragraphs 23 - 25) to report some or all of their infrastructure assets including:

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

- A. Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments.
  - B. How the current assessed condition compares with the condition level the government has established.
  - C. Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period.
8. A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).

Question 11 in the statement 34 implementation guide discusses meeting the requirement to provide information to assist readers in understanding why measurements and results reported in fund financial statements either reinforce information in government-wide statements or provide additional information. That discussion states, “The primary objective of the requirement in paragraph 11a is to help readers of MD&A understand the relationship of the results reported in the governmental funds financial statements to the results reported for governmental activities in the government-wide statements. For example, if the statement of activities reports a significant decrease in net assets of governmental activities and the fund financial statements show an increase in the fund balances of the governmental funds, MD&A should explain why that occurred. The explanation could be that significant bond proceeds were received and capital expenditures were unusually low in capital projects funds, or that some long-term liabilities were reported in the government-wide statements that did not affect the governmental funds. The causes of the differences should be evident in the reconciliations accompanying the fund financial statements (see paragraph 77), but MD&A should provide an overview of that information, in narrative fashion, to meet the requirements of paragraph 11a. On the other hand, if the reasons for the change in net assets of governmental activities and the change in fund balances of governmental funds are similar, MD&A should note that similarity.”

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**NOTES TO THE FINANCIAL STATEMENTS**

Notes to the financial statements are an integral part of the basic financial statements and should immediately follow them. The notes include explanations and interpretations of factors not present in the statement's captions and amounts, thus providing a better understanding of the basic financial statements for external users.

The notes to the financial statements are not to be cluttered with unnecessary and immaterial disclosures. They are not used to correct or change amounts, present alternative information or be so detailed that they obscure the facts and circumstances being described.

NCGA Statement 1 identifies the minimum note disclosure essential for fair presentation of the GPFS. In addition, Statement 1 identifies several additional areas for disclosure, if applicable. The topical index for the Codification of Governmental Accounting and Financial Reporting Standards lists various note disclosure requirements by subject matter (under the listing "Notes to the Financial Statements") and the original pronouncement that initiated those requirements, along with any related codification reference. GASB Statement No. 34 and Statement No. 38 also provide some note disclosure requirements. The outline below indicates both the required and additional disclosures that may appear in the School District's notes to the financial statements.

Criteria used to determine the scope of the reporting entity and component units combined to form the reporting entity, including key criteria considered

Disclosure on potential component units meeting any of the criteria but are not included in the reporting entity. Specific reasons are required to be disclosed for excluding the component unit.

Summary of significant accounting policies including:

Basis of presentation

Government-wide Financial Statements

Fund Financial Statements

Fund Accounting

Governmental Funds

Proprietary Funds

Fiduciary Funds

Measurement Focus

Government-wide Financial Statements

Fund Financial Statements

Basis of Accounting

Revenues - Exchange and Non-exchange Transactions

Deferred Revenue

Expenses/Expenditures

Budgetary process (**GASB 38 rescinded this requirement**)

Description of the budgetary process

Which funds appropriated budgets have been adopted

Tax Budget

Estimated Resources

Appropriations

Budgeted Level of Expenditures

Lapsing of Appropriations

Encumbrances

Cash, Cash Equivalents, and Investments

Inventory

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

- Prepaid Items
- Capital Assets
- Interfund Balances
- Compensated Absences
- Accrued Liabilities and Long-term Obligations
- Fund Balance Reserves
- Net Assets
- Operating Revenues and Expenses
- Contributions of Capital
- Interfund Activity
- Extraordinary and Special Items
- Estimates

- Changes in Accounting Principles and Restatement of Prior Year's Fund Equity
  - Changes in Accounting Principles
  - Restatement of Fund Equity

- Budgetary Basis of Accounting

- Accountability

- Material violations or finance-related legal and contractual provisions
  - Deficit fund balance or net assets of individual funds including how the deficit will be relieved
  - Excess of expenditures/expenses over appropriations in individual funds at the level of budgetary control, if any, and explanations including remedial action planned by or required of the School District

- Deposits and Investments

- Statutory requirements and definitions
  - Cash on Hand
  - Investments
  - Reconciliation between GASB 3 and GASB 9's definition of deposits and investments

- Property Taxes

- Permissive Sales and Use Tax

- Receivables

- Federal Food Stamp Program

- Capital Assets (GASB 34 requirements)

- Risk Management - The process of managing an organization's activities to minimize the adverse effects of certain types of losses. The main elements of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to restore the economic damages of those losses.) (GASB 10)

- Names of the companies the School District is insured with
  - The types of insurance coverage the School District has
  - The amounts of deductible for all coverages
  - Any limitations on coverages
  - Worker's Compensation coverage



**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Employee Health Insurance Fund

Defined Benefit Retirement Plans  
School Employees Retirement System  
State Teachers Retirement System.

Postemployment Benefits  
School Employees Retirement System  
State Teachers Retirement System

Compensated Absences (GASB Interpretation 6)

Capital Leases - Lessee Disclosure (GASB Statement 38)

Long-Term Debt (GASB Statement 38)

Notes Payable (GASB Statement 38)

Due to/from Other Funds

Public Entity Risk Pools

Joint Organizations

Related Organizations

Contingent Liabilities

Conduit Debt Obligations

Related Party Transactions

Component Unit

Significant effects of subsequent events  
Significant new bond issue  
Bonds issued to retire notes  
Change in entity  
Newly negotiated union contract  
Fire, flood or other natural disaster

The areas for note disclosure which are listed above, may not be all inclusive nor are they intended to replace professional judgment in determining disclosure for the fair presentation in the existing circumstances.

NCGA Statement 1 also describes narrative explanations that relate to individual fund financial statements and schedules. These narratives provide information not included in the financial statements, the notes to the financial statements nor the schedules that are necessary: (a) to assure an understanding of the combining and individual fund and account group statements and schedules, and (b) to demonstrate compliance with finance-related legal and contractual provisions. The narrative explanations can appear on the divider pages, directly on statements and schedules or in a separate section.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

***GASB 34 Note Requirements***

Governments should provide these additional disclosures (if applicable) in their summary of significant of significant accounting policies based on the requirements of this Statement:

A description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.

The measurement focus and basis of basis of accounting used in the government-wide statements.

The policy for eliminating internal activity internal activity in the statement of activities.

The policy for applying FASB pronouncements issued after November 30, 1989, to business-type activities and to enterprise funds of the primary government.

The policy for applying capitalizing assets and for estimating the useful lives of those assets (used to calculate depreciation expense). Governments that choose to use the modified approach for reporting eligible infrastructure assets should describe that approach.

A description of the types of transactions included in program revenues and the policy for allocating indirect expenses to functions in the statement of activities.

The government's policy for defining operating and nonoperating revenues of proprietary funds.

The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Governments should provide detail in the notes to the financial statements about capital assets and long-term liabilities of the primary government reported in the statement of net assets. The information disclosed should be divided into major classes of capital assets and long-term liabilities. As well as between those associated with governmental activities and those associated with business type activities. Capital assets that are not being depreciated should be disclosed separately from those being depreciated.

Information presented about major classes of capital assets should include:

Beginning and end of year balances (regardless of whether beginning of year balances are presented on the face of the government-wide financial statements), with accumulated depreciation presented separately from historical cost.

Capital acquisitions

Sales or other dispositions

Current period depreciation expense, with disclosure of the amounts charged to each of the functions in the statement of activities.

For collections (works of art and historical collections) not capitalized, disclosures should provide a description of the collection and the reasons these assets are not capitalized. For collections that are capitalized, governments should make the same disclosures just noted for capital assets.

Information about long-term liabilities should include both log-term det (such as bonds, notes, loans, and

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

leases payable) and other long-term liabilities (such as compensated absences and claims and judgments). Information presented about long-term liabilities should include:

Beginning and end of year balances (regardless of whether beginning of year balances are presented on the face of the government-wide financial statements).

Increases and decreases (separately presented).

The portions of each item that are due within one year of the statement date.

Which governmental funds typically have been used to liquidate other long-term liabilities (such as compensated absences and pension liabilities) in prior years.

Determining whether to provide similar disclosures about capital assets and long-term liabilities of discretely presented component units is a matter of professional judgment. The decision to disclose should be based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government.

Note disclosures should include the following information about donor restricted endowments:

The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the governing board, and how those amounts are reported in net assets.

The state law regarding the ability to spend net appreciation.

The policy for authorizing and spending investment income, such as a spending-rate or total-return policy.

#### Segment Information

Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. For purposes of this disclosure, a segment is an identifiable activity reported as or within an enterprise fund or an other stand-alone entity for which one or more revenue bonds or other stand-alone entity for which one or more revenue bonds or other revenue-backed debt instruments (such as certificates of participation) are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified. Segment disclosure requirements should be met by providing condensed financial statements in the notes:

Type of goods or services provided by the segment.

Condensed statement of net assets:

Total assets - distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or component units should be disclosed separately.

Total liabilities - distinguishing between current and long-term amounts. Amounts payable to other funds or component units should be disclosed separately.

Total net assets - distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Condensed statement of revenues, expenses, and changes in net assets:

Operating revenues (by major source).

Operating expenses. Depreciation (including any amortization) should be identified separately.

Operating income (loss).

Nonoperating revenues (expenses) - with separate reporting of major revenues and expenses.

Capital contributions and additions to permanent and term endowments.

Special and extraordinary items.

Transfers

Change in net assets.

Beginning net assets.

Ending net assets.

Condensed statement of cash flows:

Net cash provided (used) by:

Operating activities.

Noncapital financing activities.

Capital and related financing activities.

Investing activities.

Beginning cash and cash equivalent balances.

Ending cash and cash equivalent balances.

Determining whether to provide segment disclosures about component units that use enterprise fund accounting and reporting standards is a matter of professional judgement. The decision to disclose should be based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship to the primary government.

Governments that want to present disaggregated information for their multiple-function enterprise funds beyond what is required for segment reporting (for example, net program cost information) are encouraged to present (as supplementary information) a statement of activities. Special-purpose governments engaged only in business-type activities also are encouraged to present this information.

***GASB 38 Note Requirements***

Areas affected by new requirements in GASB 38 include:

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

Disclose the activities accounted for in the major funds, internal service funds and fiduciary fund types presented in the basic financial statements.

Disclose the length of time used to define available for purposes of revenue recognition in the governmental fund financial statements.

Rescind the requirement in NCGA Statement 1, paragraph 92, to disclose the accounting policy for encumbrances.

Disclose actions taken to address any significant violations of finance-related legal or contractual provisions.

Disclose principal and interest requirements to maturity. These should be presented separately. Variable rate interest requirements are also addressed.

Disclose the future minimum payments for each of the five subsequent fiscal years and in five-year increments thereafter for obligations under capital and noncancellable leases.

Disclose details about short-term debt activity during the year, even if no short-term debt is outstanding at year end. These include a schedule of changes in short-term debt and the purpose for which the short-term debt was issued.

Disclose components of aggregated receivable and payable balances reported on the statements of net assets and balance sheet. For example, components may include balances due to or from taxpayers, other governments, vendors, customers, beneficiaries, and employees. Disclose any significant receivable balances not expected to be collected within one year of the date of the financial statements.

Disclose certain details about interfund balances and transfers reported in the fund financial statements. Balance disclosures include amounts, purposes, and any balances not expected to be repaid within one year of the date of the financial statements. Transfer disclosure include amounts, purposes and any significant transfers that do not occur on a routine basis or that are inconsistent with the activities of the fund making the transfer.

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

To be truly comprehensive, the CAFR must provide information on each individual fund and component unit. As a rule, the basic financial statements provide detailed information only on major individual governmental funds, major individual enterprise funds, and major individual component units. Accordingly, it is the role of the combining and individual fund presentations to provide the level of detail for nonmajor governmental funds, nonmajor enterprise funds, individual internal service funds and fiduciary funds and nonmajor individual discretely presented component units.

The CAFR should include a combining statement to support each column in the basic financial statements that aggregates data from more than one fund or discretely presented component unit. Thus, a government with the full complement of fund types and component units could have up to eight sets of combining financial statements, as follows:

- combining statements - nonmajor governmental funds
- combining statements - nonmajor enterprise funds
- combining statements - internal service funds
- combining statements - private-purpose trust funds
- combining statements - pension (and other employee benefit) trust funds
- combining statements - investment trust funds
- combining statements - agency funds
- combining statements - nonmajor discretely presented component units

Combining statements are not necessary if there is only one individual fund in any of these categories.

Combining statements for nonmajor governmental funds combine individual fund from different fund types in a single financial statement. Because the fund type of an individual fund is important to financial statement users, columnar headings are useful to clearly identify the fund type of each fund presented in that statement.

GAAP emphasize that only the minimum number of funds consistent with legal and operating requirements should be established since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration. If a government is hesitant to report information on each individual fund in its CAFR, this hesitation may itself be an indication that such funds are not, in fact, funds at all for external financial reporting purposes, even though they may be treated as funds for internal accounting purposes. Accordingly, a government should carefully consider the proper application of the number of funds principle to its particular situation before proceeding to present a large number of individual funds in its CAFR. See the Fund Classification section of this plan to see how individual funds for internal accounting were combined for budgetary comparison purposes and for GAAP reporting purposes.

By definition, information on each individual fund and component unit must be provided in the basic financial statements or the combining financial statements. Accordingly, there is no reason to provide individual fund financial statement presentations unless these additional presentations furnish information not otherwise already available in the basic financial statements or combining statements. Examples of situations where individual fund financial presentations would be needed include the following:

*Budgetary comparisons not required in connection with the basic financial statements.*

Budgetary comparisons must be presented in connection with the basic financial statements for the general fund and any major individual special revenue funds. For governments preparing CAFRs, budgetary comparisons are also required for any other individual governmental funds for which annual appropriated budgets have been adopted (nonmajor special revenue funds, capital projects funds, debt service funds, and permanent funds). Individual fund financial statements or schedules are

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

often presented for this purpose in the financial section of the CAFR.

*Detailed budgetary comparisons for the general fund and major special revenue funds.* As noted, budgetary comparisons must be presented in connection with the basic financial statements for the general fund and major individual special revenue funds. These budgetary comparisons need be presented only at the functional level of detail, which sometimes is not adequate to demonstrate legal compliance. Governments that prepare CAFRs are required to present budgetary comparisons at a level of detail sufficient to demonstrate legal compliance. Accordingly, additional individual fund financial presentations are included in the financial section of the CAFR to demonstrate legal compliance for the general fund and the major individual special revenue funds whenever the budgetary comparisons associated with the basic financial statements are not adequate for this purpose.

*Comparative data.* Governments often wish to provide comparative data from the prior year for individual funds. Typically, it is not feasible to format the basic and combining financial statements to present comparative data for individual funds. Accordingly, individual fund presentations in the financial section of the CAFR frequently are used for this purpose.

*Greater detail.* The accounts used for combining presentations are necessarily somewhat generic because of the practical need to encompass a broad range of activities. Governments frequently desire more descriptive accounts, however, especially in the case of enterprise funds. Individual fund presentations within the financial section of the CAFR are a practical means of providing this additional detail.

A cover sheet should precede each of the separate combining statements. It should present a brief description of the nature and operations of each individual fund presented in the combining statements, except for those funds whose nature and operations are clearly evident from their name.

Budgetary comparisons are properly described as schedules rather than as statements, except when they are included as part of the basic governmental fund financial statements.

***Combining Balance Sheet - Nonmajor Governmental Funds***

As noted earlier, the combining balance sheet - nonmajor governmental funds has a column for the nonmajor debt service fund along with combined columns for the nonmajor special revenue funds and the nonmajor capital projects funds which are supported by the combining balance sheet - nonmajor special revenue funds and the combining balance sheet - nonmajor capital projects funds.

***Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds***

As noted earlier the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds has a column for the nonmajor debt service fund along with combined columns for the nonmajor special revenue funds and the nonmajor capital projects funds which are supported by the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds and the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds.

***Combining Statement of Fiduciary Net Assets***

This statement contains columns for each private purpose trust fund and a combined column for the

**Generic School District**  
*GAAP Conversion Plan - Implementation of GASB 34*  
*June 30, FY2*

agency funds, which is supported by the combining statement of changes in assets and liabilities - agency funds.

***Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds***

This Statement contains columns for each private purpose trust fund.

***Combining Statement of Changes in Assets and Liabilities - Agency Funds***

This statement contains beginning balance, additions, reductions, and ending balances for each account of each agency fund.

***Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balance/Equity - Budget (Non-GAAP Basis) and Actual***

These schedules include budgetary comparisons for each fund with a legally adopted budget. They are presented in the following order:

- major funds
- nonmajor special revenue funds
- nonmajor debt service fund
- nonmajor capital projects funds
- private purpose trust fund
- enterprise fund
- internal service fund

The schedules for each of the above should be sequenced in the same order as the columns are sequenced in the basic financial statements or the combining financial statements. If multiple funds for budgetary comparison purposes are presented as one fund for GAAP purposes they should be presented in the same sequence as they are presented in the cover sheets that provide the fund descriptions and details about which funds are presented as one fund for GAAP purposes.