



**EHLERS**  
LEADERS IN PUBLIC FINANCE

# Flexing your Mind – Crunching Some Numbers

Reading your Financial Statements and Presenting to Boards  
& Councils

Dawn Gunderson, Ehlers

9/22/2016



# Introduction

- Importance of Financial Statements
  - Financial accounting and financial reporting
  - Demonstrate stewardship to taxpayers and creditors
  - Accountability of Elected officials
    - Remain Financially solvent
    - Compliance with laws and regulations



# Financial Reporting

- GASB-Governmental Accounting Standards Board
  - Rule-making body that issues pronouncements after following a specified procedure of review and comment. Pronouncements known as Generally Accepted Accounting Principles or GAAP
- Governmental Accounting Standard Board (GASB) Concepts Statement #1 (1987): Objectives of Financial Reporting
- **Accountability** is the paramount objective of governmental financial reporting - the objective from which all other financial reporting objectives flow
- GASB requires that every governmental entity prepare and make public an Annual Financial Report.
- These reports provide a sense of the municipality's finances and how they are managed.



# Why is GAAP Important?

- Maintaining citizen confidence in our financial stewardship requires credibility and integrity in our accounting and financial reporting systems.
- Following industry standards is an essential foundation in gaining and sustaining this trust.



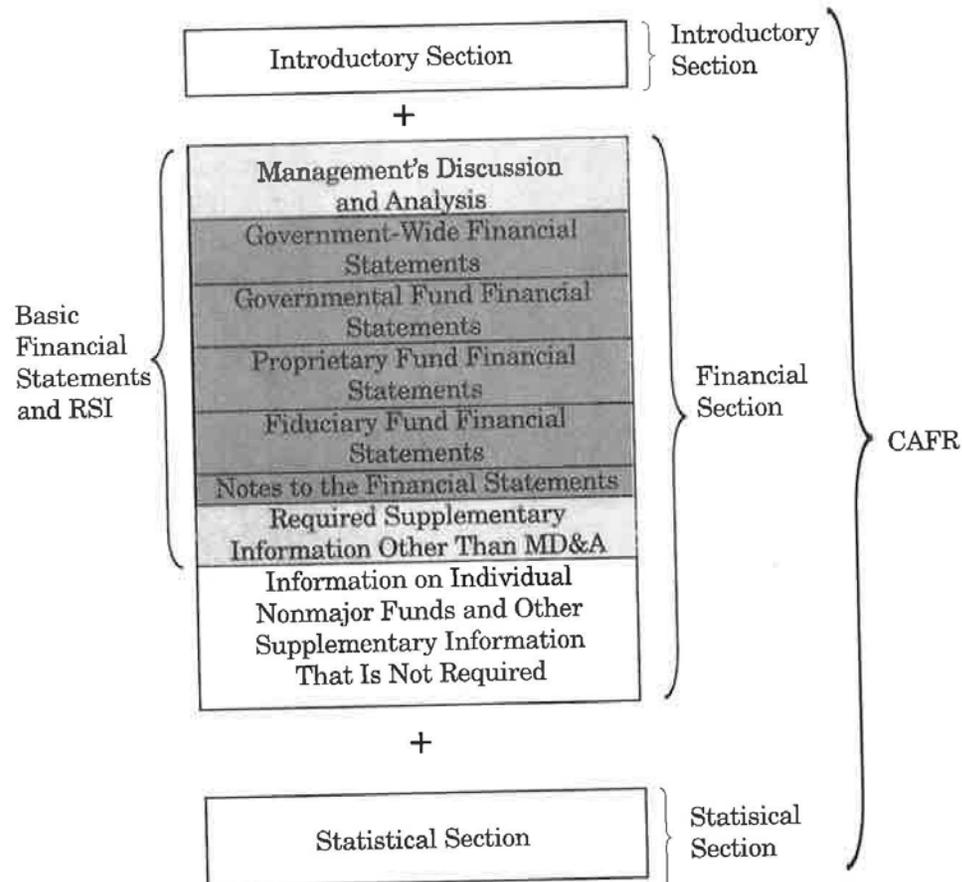
# CAFR

- Comprehensive Annual Financial Report
  - Encompasses all funds and accounts of the primary government and all discretely presented component units.
  - Official annual report should also contain introductory information and schedules as necessary to demonstrate compliance with legal provisions. Should also contain notes to the financial statements.
  - Should contain report of the independent auditor

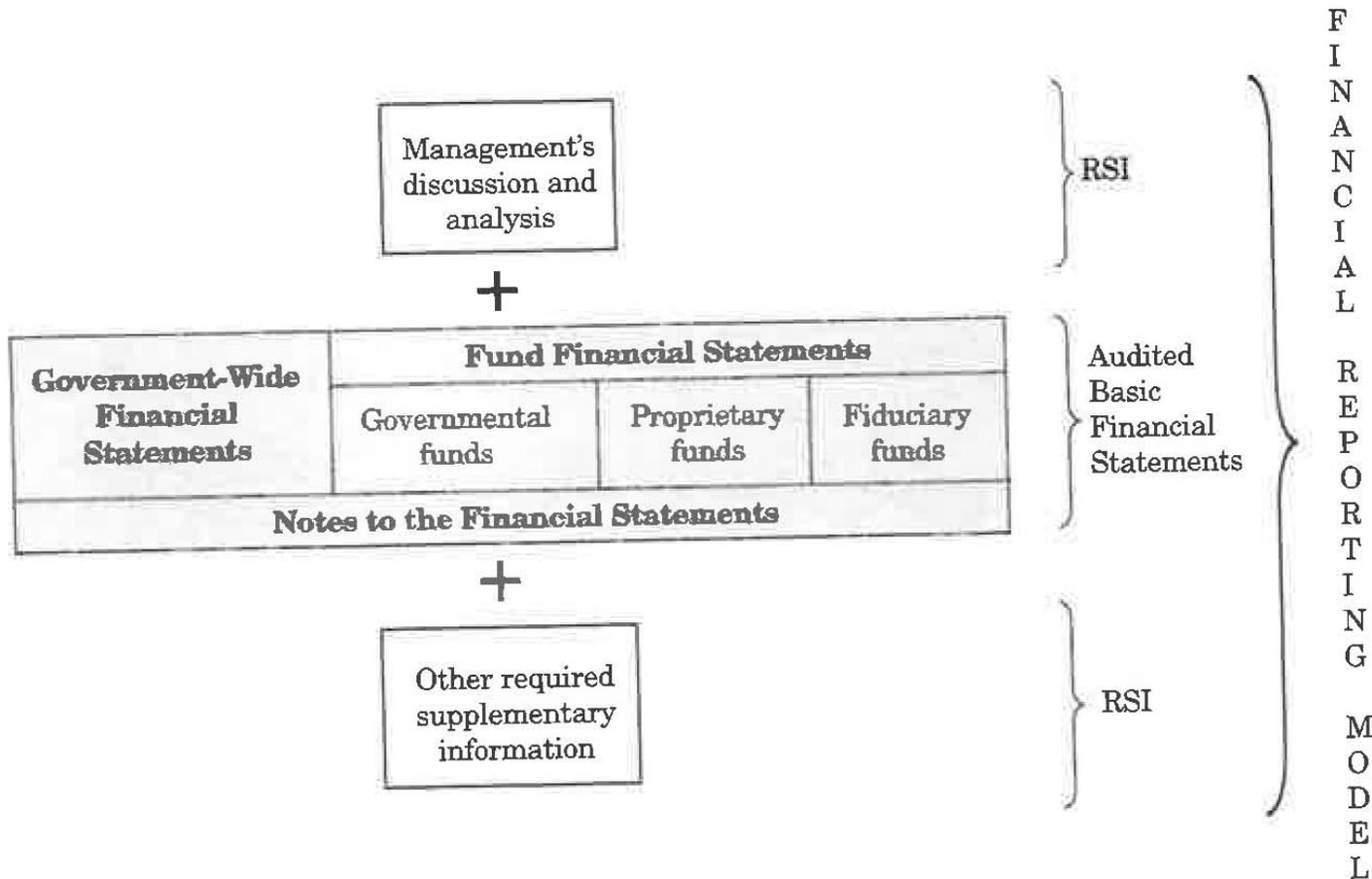


# Reporting Model

Relationship of the Financial Reporting Model to the Comprehensive Annual Financial Report



# Financial Reporting Model



# Independent Auditor's Opinion

- Report on the Financial Statements
- Management's Responsibility for the Financial Statements
- Auditors' Responsibility
- Opinions
- Other Matters



# Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Example  
Example, Wisconsin

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Example, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Example's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Example's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Example's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the City Council  
City of Example

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Example, Wisconsin, as of December 31, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1, the City of Example adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinions are not modified with respect to this matter.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Example's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.



**EHLERS**  
LEADERS IN PUBLIC FINANCE

# Auditor's Opinion

- (Found in Auditor's Report following Transmittal in CAFR, Before MD&A)
  - Qualified or Unqualified (New Term Unmodified Opinion)
    - Unqualified opinion — The unqualified opinion has no reservations concerning the financial statements. This is also known as a clean opinion meaning that the financial statements appear to be presented fairly.
    - Qualified opinion — This means that the auditor has taken exception to certain current-period accounting applications or is unable to establish the potential outcome of a material uncertainty.



# Government-wide Statements

- Consolidated financial statements for all of the government's operations
- Full accrual basis of accounting
- Not presented on fund basis; two major activities
  - Governmental
  - Business-Type
- Net Position focus:
  - $\text{Assets} - \text{Liabilities} = \text{Net Position}$
- Excludes interfund transactions (like internal service funds) and fiduciary funds
- Costs shown both “gross” and “net” of related revenues such as fees and grants



# Statement of Net Position

- Illustrates what you own and how much you owe.
- Assess your present financial status and future outlook.
- Trend over several years provides sense of financial health.

## CITY OF EXAMPLE

### STATEMENT OF NET POSITION As of December 31, 2015

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 3,092,347	\$ 2,242,830	\$ 5,335,177
Receivables (net)			
Taxes	4,791,759	-	4,791,759
Delinquent personal property taxes	3,081	-	3,081
Accounts	219,641	1,533,281	1,752,922
Special assessments	9,160	204,646	213,806
Loans	811,167	-	811,167
Due from other governmental units	43,048	613,497	656,545
Internal balances	1,266,317	(1,266,317)	-
Inventories and prepaid items	98,416	317,943	416,359
Long-term contracts receivable	-	728,284	728,284
Restricted assets			
Cash and investments	-	1,966,862	1,966,862
Net pension asset	509,215	216,368	725,583
Capital Assets			
Land and right of way	6,960,126	660,038	7,620,164
Construction in progress	-	23,206	23,206
Other capital assets, net of depreciation	27,225,162	36,727,198	63,952,360
Total Assets	45,029,439	43,967,836	88,997,275
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related amounts	531,009	224,106	755,115
Total Deferred Outflows of Resources	531,009	224,106	755,115
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	463,778	1,166,061	1,629,839
Other liabilities	-	17,413	17,413
Liabilities Payable from Restricted Assets			
Current maturities of long-term debt	-	768,635	768,635
Interest accrued on revenue bonds	-	17,609	17,609
Noncurrent Liabilities			
Due within one year	990,797	148,537	1,139,334
Due in more than one year	6,523,733	4,235,984	10,759,717
Total Liabilities	7,978,308	6,354,239	14,332,547
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenues	4,739,845	930,171	5,670,016
Total Deferred Inflows of Resources	4,739,845	930,171	5,670,016
<b>NET POSITION</b>			
Net investment in capital assets	28,340,957	32,355,076	60,696,033
Restricted for			
Bond ordinances	-	680,248	680,248
Pension	509,215	216,368	725,583
Revolving loans	1,306,417	-	1,306,417
Library	122,920	-	122,920
TID activities	424,051	-	424,051
Grants	8,720	-	8,720
Equipment replacement	-	1,269,005	1,269,005
Unrestricted	2,130,015	2,386,835	5,140,766
<b>TOTAL NET POSITION</b>	<b>\$ 32,842,295</b>	<b>\$ 36,907,532</b>	<b>\$ 69,749,827</b>



**EHLERS**  
LEADERS IN PUBLIC FINANCE

# Statement of Net Position – Capital Assets

## D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 4,714,483	\$ -	\$ 77,825	\$ 4,636,658
Right of way	2,323,468	-	-	2,323,468
Construction in progress	735,817	-	735,817	-
Total Capital Assets Not Being Depreciated	<u>7,773,768</u>	<u>-</u>	<u>813,642</u>	<u>6,960,126</u>
Capital assets being depreciated				
Buildings and improvements	10,049,552	2,670,851	-	12,720,403
Equipment	6,820,470	565,943	344,187	7,042,226
Infrastructure	21,718,377	598,406	233,476	22,083,307
Total Capital Assets Being Depreciated	<u>38,588,399</u>	<u>3,835,200</u>	<u>577,663</u>	<u>41,845,936</u>
Total Capital Assets	<u>46,362,167</u>	<u>3,835,200</u>	<u>1,391,305</u>	<u>48,806,062</u>
Less: Accumulated depreciation for				
Buildings and improvements	(4,166,670)	(262,442)	-	(4,429,112)
Equipment	(3,859,289)	(354,277)	287,365	(3,926,201)
Infrastructure	(5,953,617)	(437,950)	126,106	(6,265,461)
Total Accumulated Depreciation	<u>(13,979,576)</u>	<u>(1,054,669)</u>	<u>413,471</u>	<u>(14,620,774)</u>
Net Capital Assets Being Depreciated	<u>24,608,823</u>	<u>2,780,531</u>	<u>164,192</u>	<u>27,225,162</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 32,382,591</u>	<u>\$ 2,780,531</u>	<u>\$ 977,834</u>	<u>\$ 34,185,288</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>		
General government		\$ 67,200
Public safety		286,918
Public works, which includes the depreciation on infrastructure		530,467
Culture, recreation, and education		<u>170,084</u>
Total Governmental Activities Depreciation Expense		<u>\$ 1,054,669</u>

- Additions typically represent the purchase or addition to assets owned by the government.
- Deletions represent the sale or disposal of assets or, in the case of construction in progress, the classification to asset categories.
- Importance – Are you reinvesting in your assets?



# Statement of Net Position – Long-term Obligations

## F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 7,539,468	\$ -	\$ 882,616	\$ 6,656,852	\$ 738,970
(Discounts)/Premiums	89,390	-	8,939	80,451	-
Sub-totals	<u>7,628,858</u>	<u>-</u>	<u>891,555</u>	<u>6,737,303</u>	<u>738,970</u>
Other Liabilities					
Vested compensated absences	672,809	225,195	265,469	632,535	173,802
Compensated absences-retirees	2,712	44,692	2,712	44,692	44,692
Land contract	-	100,000	-	100,000	33,333
Total Other Liabilities	<u>675,521</u>	<u>369,887</u>	<u>268,181</u>	<u>777,227</u>	<u>251,827</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 8,304,379</u>	<u>\$ 369,887</u>	<u>\$ 1,159,736</u>	<u>\$ 7,514,530</u>	<u>\$ 990,797</u>
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 1,090,714	\$ -	\$ 129,059	\$ 961,655	\$ 132,976
Revenue bonds	4,845,578	-	751,867	4,093,711	768,635
Sub-totals	<u>5,936,292</u>	<u>-</u>	<u>880,926</u>	<u>5,055,366</u>	<u>901,611</u>
Other Liabilities					
Vested compensated absences	107,029	11,707	20,946	97,790	15,561
Total Business-type Activities Long-Term Liabilities	<u>\$ 6,043,321</u>	<u>\$ 11,707</u>	<u>\$ 901,872</u>	<u>\$ 5,153,156</u>	<u>\$ 917,172</u>

- What does changes in your long-term obligations represent?
  - Bonds and notes payable
  - Employee obligations
  - New GASB statements on OPEB



# Statement of Activities

- Functional expenses offset by program revenues
  - Charges for services
  - Operating grants and contributions
  - Capital grants and contributions



# Statement of Activities

## CITY OF EXAMPLE

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental Activities</b>							
General government	\$ 989,060	\$ 83,482	\$ -	\$ -	\$ (905,578)	\$ -	\$ (905,578)
Public safety	2,715,331	749,108	19,853	-	(1,946,370)	-	(1,946,370)
Health and human services	34,902	-	-	-	(34,902)	-	(34,902)
Public works	2,321,351	565,018	479,507	-	(1,276,826)	-	(1,276,826)
Culture, recreation and education	1,177,685	44,471	214,836	44,056	(874,322)	-	(874,322)
Conservation and development	827,081	10,001	29,000	27,375	(760,705)	-	(760,705)
Interest and fiscal charges	156,746	-	-	-	(156,746)	-	(156,746)
<b>Total Governmental Activities</b>	<b>8,222,156</b>	<b>1,452,080</b>	<b>743,196</b>	<b>71,431</b>	<b>(5,955,449)</b>	<b>-</b>	<b>(5,955,449)</b>
<b>Business-type Activities</b>							
Water	1,177,041	1,596,102	-	39,358	-	458,419	458,419
Electric	12,888,148	13,140,312	-	-	-	252,164	252,164
Sewer	1,661,993	1,939,980	22,599	46,200	-	346,786	346,786
Stormwater	349,757	358,038	-	411,663	-	419,944	419,944
<b>Total Business-type Activities</b>	<b>16,076,939</b>	<b>17,034,432</b>	<b>22,599</b>	<b>497,221</b>	<b>-</b>	<b>1,477,313</b>	<b>1,477,313</b>
<b>Totals</b>	<b>\$ 24,299,095</b>	<b>\$ 18,486,512</b>	<b>\$ 765,795</b>	<b>\$ 568,652</b>	<b>(5,955,449)</b>	<b>1,477,313</b>	<b>(4,478,136)</b>
<b>General Revenues</b>							
Taxes							
Property taxes					4,629,048	-	4,629,048
Other taxes					123,401	-	123,401
Intergovernmental							
Intergovernmental revenues not restricted to specific programs					799,302	-	799,302
Investment income					32,843	13,620	46,463
Miscellaneous					220,267	184,210	404,477
<b>Total General Revenues</b>					<b>5,804,861</b>	<b>197,830</b>	<b>6,002,691</b>
Transfers					380,996	(380,996)	-
<b>Change in net position</b>					<b>230,408</b>	<b>1,294,147</b>	<b>1,524,555</b>
<b>NET POSITION - Beginning of Year (as restated)</b>					<b>32,611,887</b>	<b>35,613,385</b>	<b>68,225,272</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 32,842,295</b>	<b>\$ 36,907,532</b>	<b>\$ 69,749,827</b>

- Identify cost to provide services to citizens.
- Difference between general and program revenues.
- What are the causes in your changes in financial position.
- Does the changes make sense? What does it potentially mean to financial statement users?



# Fund Statements

*Meet Stewardship and Accountability Concerns*

- Presented on fund basis
- Similar to Former model
  - Modified accrual for governmental funds
  - Full accrual for proprietary funds
- Focus on major (large) individual funds rather than combined fund type
- Detailed reconciliation between the two statements required



# Fund Types

- **Governmental Funds (New GASB 54 definitions)**
  - General-Account and report for all financial resources not accounted for or reported in another fund.
  - Special Revenue-Accounts and report for proceeds of specific revenue sources that are restricted or committed to expenditure for a specified purpose other than debt service or capital projects. ex: grants
  - Debt Service-to account for and report resources that are restricted, committed or assigned to expenditures for principal and interest
  - Capital Projects-to account and report financial resources that are restricted, committed or assigned to expenditures for capital outlays.



# Fund Types

- Proprietary Funds
  - Enterprise-to account for operations that are operated and financed in a manner similar to a private business enterprise. Ex: Water and Sewer Funds.
  - Internal Service-to account for the financing of goods and services provided by one department of the government to the other departments, usually on a cost-reimbursement basis. Ex: Fleet Maintenance, or Data Processing Services.



# Balance Sheet – Governmental Funds

- More detailed look at your finances, concentrating on short-term view of basic services provided.
- Major fund activities reported
- Fund balance components.

## CITY OF EXAMPLE

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2015

	General Fund	Debt Service	Capital Projects Equipment Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>					
Cash and investments	\$ 774,059	\$ 50,522	\$ 188,041	\$ 2,079,725	\$ 3,092,347
Receivables					
Taxes	3,089,711	-	767,800	934,248	4,791,759
Delinquent personal property taxes	3,081	-	-	-	3,081
Accounts	200,677	-	-	18,964	219,641
Special assessments	9,160	-	-	-	9,160
Loans	56,000	-	-	755,167	811,167
Due from other governments	15,473	-	-	27,575	43,048
Due from other funds	1,922,374	10,423	-	201,872	2,134,669
Inventories and prepayments	98,416	-	-	-	98,416
Advances to other funds	-	-	-	145,000	145,000
<b>TOTAL ASSETS</b>	<b>\$ 6,168,951</b>	<b>\$ 60,945</b>	<b>\$ 955,841</b>	<b>\$ 4,162,551</b>	<b>\$ 11,348,288</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 202,130	\$ -	\$ -	\$ 58,297	\$ 260,427
Accrued liabilities	156,244	-	-	-	156,244
Due to other funds	218,072	23,793	61,889	624,278	928,032
Advances from other funds	-	-	-	145,000	145,000
<b>Total Liabilities</b>	<b>576,446</b>	<b>23,793</b>	<b>61,889</b>	<b>827,575</b>	<b>1,489,703</b>
<b>Deferred Inflows of Resources</b>					
Unearned revenues	3,037,797	-	767,800	934,248	4,739,845
Unavailable revenues	51,210	-	6,047	176,348	233,605
<b>Total Deferred Inflows of Resources</b>	<b>3,089,007</b>	<b>-</b>	<b>773,847</b>	<b>1,110,596</b>	<b>4,973,450</b>
<b>Fund Balances (Deficit)</b>					
Nonspendable for inventory	18,824	-	-	-	18,824
Nonspendable for prepaid expenditures	79,592	-	-	-	79,592
Nonspendable for long-term receivables	51,081	-	-	-	51,081
Restricted	-	37,152	-	1,685,760	1,722,912
Committed	-	-	-	623,692	623,692
Assigned	493,750	-	120,105	60,000	673,855
Unassigned (deficit)	1,860,251	-	-	(145,072)	1,715,179
<b>Total Fund Balances</b>	<b>2,503,498</b>	<b>37,152</b>	<b>120,105</b>	<b>2,224,380</b>	<b>4,885,135</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 6,168,951</b>	<b>\$ 60,945</b>	<b>\$ 955,841</b>	<b>\$ 4,162,551</b>	<b>\$ 11,348,288</b>



**EHLERS**  
LEADERS IN PUBLIC FINANCE

# Fund Balance

Category	Description	Controlled by	Examples
<b>Nonspendable</b>	Not in spendable form	Nature of asset, or legal requirement	Inventories, pre-paid amounts & land
<b>Restricted</b>	May only be spent for the purpose for which restricted	Creditor or grantors, applicable laws & regulations	Debt service funds, grant funds, impact fees
<b>Committed</b>	Funds the municipality has committed for a specific purpose	Governing body must act to commit or un-commit funds	A capital project under contract
<b>Assigned</b>	Funds the municipality <i>intends</i> to use for specific purposes	Governing body or designee	Future capital projects or equipment purchases
<b>Unassigned</b>	All other funds not otherwise designated	Governing body or designee	Funds held as working capital and for emergencies



# Balance Sheet – Fund Balances

	General Fund	Debt Service Fund	Capital Projects Equipment Fund	Nonmajor Funds	Totals
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Inventories	\$ 18,824	\$ -	\$ -	\$ -	\$ 18,824
Prepaid items	79,592	-	-	-	79,592
Noncurrent receivables	51,081	-	-	-	51,081
<b>Restricted for:</b>					
Loans	-	-	-	1,306,417	1,306,417
Library	-	-	-	122,920	122,920
TID activities	-	-	-	247,703	247,703
Grants	-	-	-	8,720	8,720
Debt service	-	37,152	-	-	37,152
<b>Committed to:</b>					
GIS System	-	-	-	16,955	16,955
River improvement	-	-	-	8,804	8,804
Fish ladder	-	-	-	1,500	1,500
Cable	-	-	-	24,142	24,142
Recycling	-	-	-	6,472	6,472
Cemetery	-	-	-	690	690
Park development	-	-	-	88,589	88,589
Development	-	-	-	475,450	475,450
Trust activities	-	-	-	1,090	1,090
<b>Assigned to:</b>					
Capital projects	-	-	120,105	60,000	180,105
Subsequent year expenditures	201,910	-	-	-	201,910
Land acquisition	251,840	-	-	-	251,840
Emergency	40,000	-	-	-	40,000
<b>Unassigned (deficit):</b>	<u>1,860,251</u>	<u>-</u>	<u>-</u>	<u>(145,072)</u>	<u>1,715,179</u>
<b>Total Fund Balances</b>	<u>\$ 2,503,498</u>	<u>\$ 37,152</u>	<u>\$ 120,105</u>	<u>\$ 2,224,380</u>	<u>\$ 4,885,135</u>

- General fund focus versus governmental fund focus.
- What does fund balance (and its categories) represent?
- Impact on general fund financing cash deficits of other governmental funds (potentially reporting as nonspendable)
- Unassigned deficits, what does that mean and is this a problem?



# Statement of Revenues, Expenditures and Changes in Fund Balances

CITY OF EXAMPLE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

	General Fund	Debt Service	Capital Projects Equipment Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>					
Taxes	\$ 3,047,801	\$ -	\$ 668,000	\$ 1,036,648	\$ 4,752,449
Intergovernmental	1,160,740	-	41,771	287,796	1,490,307
Licenses and permits	245,893	-	-	-	245,893
Fines and forfeitures	206,686	-	-	-	206,686
Public charges for services	600,927	-	-	472,071	1,072,998
Intergovernmental charges for services	106,933	3,559	-	-	110,492
Investment income	3,930	66	1,214	27,633	32,843
Miscellaneous	38,177	-	33,440	71,286	142,903
Total Revenues	<u>5,411,087</u>	<u>3,625</u>	<u>744,425</u>	<u>1,895,434</u>	<u>8,054,571</u>
<b>EXPENDITURES</b>					
Current					
General government	848,080	-	-	14,063	862,143
Public safety	2,445,505	-	-	-	2,445,505
Health and human services	19,092	-	-	15,810	34,902
Public works	891,996	-	-	612,477	1,504,473
Culture, recreation and education	580,481	-	-	561,643	1,142,124
Conservation and development	60,509	-	-	238,824	299,333
Capital Outlay	107,337	-	2,555,485	1,138,605	3,801,427
Debt Service					
Principal	-	827,616	-	55,000	882,616
Interest and fiscal charges	-	128,631	-	38,606	167,237
Total Expenditures	<u>4,953,000</u>	<u>956,247</u>	<u>2,555,485</u>	<u>2,675,028</u>	<u>11,139,760</u>
Excess (deficiency) of revenues over expenditures	<u>458,087</u>	<u>(952,622)</u>	<u>(1,811,060)</u>	<u>(779,594)</u>	<u>(3,085,189)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from land contract	-	-	-	100,000	100,000
Transfers in	604,650	709,350	32,000	143,850	1,489,850
Transfers out	(870,200)	-	-	(40,014)	(910,214)
Total Other Financing Sources (Uses)	<u>(265,550)</u>	<u>709,350</u>	<u>32,000</u>	<u>203,836</u>	<u>679,636</u>
<b>Net Change in Fund Balances</b>	<b>192,537</b>	<b>(243,272)</b>	<b>(1,779,060)</b>	<b>(575,758)</b>	<b>(2,405,553)</b>
FUND BALANCES - Beginning of Year	<u>2,310,961</u>	<u>280,424</u>	<u>1,899,165</u>	<u>2,800,138</u>	<u>7,290,688</u>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,503,498</b>	<b>\$ 37,152</b>	<b>\$ 120,105</b>	<b>\$ 2,224,380</b>	<b>\$ 4,885,135</b>

- Focus of statement is cash and other financial resources received within or shortly after the year while expenditures represent services and goods received and due to employees and creditors.
- Focus on net change in fund balance, and primary reasons.



# Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

## CITY OF EXAMPLE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC SAFETY</b>				
Police	\$ 1,668,800	\$ 1,699,600	\$ 1,702,851	\$ (3,251)
Fire protection	235,175	235,175	221,533	13,642
Building inspection	70,750	70,750	70,402	348
Sealer of weights and measures	2,800	2,800	2,800	-
Ambulance	430,550	447,950	447,919	31
Total Public Safety	2,408,075	2,456,275	2,445,505	10,770
<b>HEALTH AND SOCIAL SERVICES</b>				
Animal control	19,000	19,000	19,092	(92)
<b>PUBLIC WORKS</b>				
Machinery and equipment	189,350	189,350	94,908	94,442
Engineering	140,550	140,550	104,512	36,038
Street and highway	699,950	699,950	648,276	51,674
Snow and ice control	48,000	48,000	44,300	3,700
Total Public Works	1,077,850	1,077,850	891,996	185,854
<b>CULTURE, RECREATION AND EDUCATION</b>				
Museum	-	-	3,785	(3,785)
Senior center	89,025	92,563	92,507	56
Swimming areas	68,575	68,575	64,395	4,180
Parks	225,520	231,920	231,919	1
Civic promotion	177,700	177,700	163,930	13,770
Other culture	23,500	23,950	23,945	5
Total Culture, Recreation and Education	584,320	594,708	580,481	14,227
<b>CONSERVATION AND DEVELOPMENT</b>				
Forestry	62,575	62,575	60,509	2,066
<b>CAPITAL OUTLAY</b>				
General administration	14,880	14,880	45,543	(30,663)
Other culture and recreation	-	65,600	61,794	3,806
Total Capital Outlay	14,880	80,480	107,337	(26,857)
<b>OTHER FINANCING USES</b>				
Transfers out	576,350	678,350	870,200	(191,850)
Total Expenditures and Other Financing Uses	6,042,835	6,272,923	5,823,200	449,723
<b>Net Change in Fund Balance</b>	(265,410)	(493,660)	192,537	686,197
<b>FUND BALANCE - Beginning of Year</b>	2,310,961	2,310,961	2,310,961	-
<b>FUND BALANCE - END OF YEAR</b>	\$ 2,045,551	\$ 1,817,301	\$ 2,503,498	\$ 686,197

- How did your budget change during the year?
- How does your actual results compare to the approved budget?
- Understanding your levels of budgetary control.



# Proprietary Funds – Statement of Net Position

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 As of December 31, 2015

	Business-type Activities - Enterprise Funds			
	Water and Electric Utility	Sewer Utility	Nonmajor Fund	Totals
			Stormwater Utility	
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 826,005	\$ 1,200,638	\$ 216,187	\$ 2,242,830
Accounts receivable	1,293,002	209,913	30,366	1,533,281
Due from other governments	-	-	613,497	613,497
Due from other funds	111,729	16,200	-	127,929
Inventories	317,943	-	-	317,943
Current portion of long-term contract receivable	-	102,310	-	102,310
Restricted Assets				
Redemption account	271,364	279,173	-	550,537
Total Current Assets	2,820,043	1,808,234	860,050	5,488,327
Noncurrent Assets				
Restricted Assets				
Reserve account	147,320	-	-	147,320
Depreciation account	105,933	-	-	105,933
Replacement account	-	1,163,072	-	1,163,072
Net pension asset	155,454	48,367	12,547	216,368
Capital Assets				
Land	509,263	150,775	-	660,038
Property and equipment	31,650,771	21,019,779	6,518,900	59,189,450
Construction work in progress	23,206	-	-	23,206
Less: Accumulated depreciation	(12,218,907)	(8,178,640)	(2,064,705)	(22,462,252)
Other Assets				
Special assessments receivable	-	204,646	-	204,646
Long-term contracts receivable	-	625,974	-	625,974
Due from other funds	30,865	-	-	30,865
Total Noncurrent Assets	20,403,905	15,033,973	4,466,742	39,904,620
Total Assets	23,223,948	16,842,207	5,326,792	45,392,947
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related amounts	160,684	49,768	13,654	224,106
Total Deferred Outflows of Resources	160,684	49,768	13,654	224,106

	Business-type Activities - Enterprise Funds			
	Water and Electric Utility	Sewer Utility	Nonmajor Fund	Totals
			Stormwater Utility	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 1,149,643	\$ -	\$ -	\$ 1,149,643
Due to other funds	580,209	441,381	403,521	1,425,111
Accrued interest	-	40,947	-	40,947
Compensated absences	-	15,561	-	15,561
Current portion of general obligation debt	-	132,976	-	132,976
Commitment to community	(24,529)	-	-	(24,529)
Customer deposits	2,610	-	-	2,610
Liabilities Payable from Restricted Assets				
Current maturities of long-term debt	371,158	397,477	-	768,635
Interest accrued on revenue bonds	4,823	12,786	-	17,609
Total Current Liabilities	2,083,914	1,041,128	403,521	3,528,563
Noncurrent Liabilities				
Long-Term Debt				
Revenue bonds	966,256	2,358,820	-	3,325,076
Compensated absences	60,254	21,975	-	82,229
General obligation debt	-	828,679	-	828,679
Customer advances for construction	14,803	-	-	14,803
Total Noncurrent Liabilities	1,041,313	3,209,474	-	4,250,787
Total Liabilities	3,125,227	4,250,602	403,521	7,779,350
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Long term contracts	-	728,284	201,887	930,171
Total Deferred Inflows of Resources	-	728,284	201,887	930,171
<b>NET POSITION</b>				
Net investment in capital assets	18,626,919	9,273,962	4,454,195	32,355,076
Restricted for				
Bond ordinances	413,861	266,387	-	680,248
Equipment replacement	105,933	1,163,072	-	1,269,005
Pension	155,454	48,367	12,547	216,368
Unrestricted	957,238	1,161,301	268,296	2,386,835
<b>TOTAL NET POSITION</b>	\$ 20,259,405	\$ 11,913,089	\$ 4,735,038	\$ 36,907,532

- Measurement basis consistent with government-wide financial statements.
- Enterprise and internal service funds.



# Proprietary Funds Statement of Changes in Net Position

## CITY OF EXAMPLE

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			
	Water and Electric Utility	Sewer Utility	Nonmajor Fund	Totals
			Stormwater Utility	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 14,736,414	\$ 1,939,980	\$ 358,038	\$ 17,034,432
Other operating revenue	153,678	27,469	-	181,147
<b>Total Operating Revenues</b>	<u>14,890,092</u>	<u>1,967,449</u>	<u>358,038</u>	<u>17,215,579</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	13,143,337	1,097,471	196,672	14,437,480
Depreciation	893,770	431,113	153,085	1,477,968
<b>Total Operating Expenses</b>	<u>14,037,107</u>	<u>1,528,584</u>	<u>349,757</u>	<u>15,915,448</u>
Operating Income	852,985	438,865	8,281	1,300,131
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	3,796	9,550	274	13,620
Merchandise, jobbing and contract work income	3,063	-	-	3,063
Interest subsidy	-	22,599	-	22,599
Interest expense	(23,935)	(133,409)	-	(157,344)
Miscellaneous expense	(4,147)	-	-	(4,147)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(21,223)</u>	<u>(101,260)</u>	<u>274</u>	<u>(122,209)</u>
Income Before Contributions and Transfers	831,762	337,605	8,555	1,177,922
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions	39,358	46,200	411,663	497,221
Capital contributions - Municipality	198,640	-	-	198,640
Transfers out	(574,636)	(2,500)	(2,500)	(579,636)
<b>Total Contributions and Transfers</b>	<u>(336,638)</u>	<u>43,700</u>	<u>409,163</u>	<u>116,225</u>
<b>Change in Net Position</b>	495,124	381,305	417,718	1,294,147
NET POSITION - Beginning of Year (as restated)	19,764,281	11,531,784	4,317,320	35,613,385
<b>NET POSITION - END OF YEAR</b>	<u>\$ 20,259,405</u>	<u>\$ 11,913,089</u>	<u>\$ 4,735,038</u>	<u>\$ 36,907,532</u>

- Analysis of operating revenues and expenses.
- Non-operating activities
  - What does non-operating mean?
- How should you evaluate?
  - Regulated utilities
  - Other operations



# Proprietary Funds – Statement of Cash Flows

## CITY OF EXAMPLE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			
	Water and Electric Utility	Sewer Utility	Nonmajor Fund	
			Stormwater Utility	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from customers	\$ 14,907,964	\$ 1,917,289	\$ 353,222	\$ 17,178,475
Received from city for services	128,450	-	-	128,450
Customer deposits received	5	-	-	5
Paid to suppliers for goods and services	(12,425,505)	(780,350)	(114,500)	(13,320,355)
Paid to employees for services	(923,823)	(317,542)	(82,427)	(1,323,792)
Net Cash Flows From Operating Activities	<u>1,687,091</u>	<u>819,397</u>	<u>156,295</u>	<u>2,662,783</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	3,796	9,550	274	13,620
Net Cash Flows From Investing Activities	<u>3,796</u>	<u>9,550</u>	<u>274</u>	<u>13,620</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Paid to municipality for tax equivalent	(583,957)	-	-	(583,957)
Change in payable to municipality	-	283,946	341,036	624,982
Transfers out	-	(2,500)	(2,500)	(5,000)
Net Cash Flows From Noncapital Financing Activities	<u>(583,957)</u>	<u>281,446</u>	<u>338,536</u>	<u>36,025</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Debt retired	(365,192)	(515,734)	-	(880,926)
Interest paid	(23,922)	(140,404)	-	(164,326)
Interest subsidy received	-	22,599	-	22,599
Special assessments and interest received	-	21,442	-	21,442
Connection fees received	-	46,200	-	46,200
Acquisition and construction of capital assets	(1,105,950)	(426,787)	(311,557)	(1,844,294)
Capital contributions received	12,282	-	-	12,282
Net Cash Flows From Capital and Related Financing Activities	<u>(1,482,782)</u>	<u>(992,684)</u>	<u>(311,557)</u>	<u>(2,787,023)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>(375,852)</u>	<u>117,709</u>	<u>183,548</u>	<u>(74,595)</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>1,726,474</u>	<u>2,525,174</u>	<u>32,639</u>	<u>4,284,287</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,350,622</u>	<u>\$ 2,642,883</u>	<u>\$ 216,187</u>	<u>\$ 4,209,692</u>

- Key financial statement to identify sources and uses of cash compared to operations.
- Identify future cash needs and ability of operations to meet obligations.



# Notes to Financial Statements

- Notes complement your financial statements.
- Provide additional detail, including key accounting policies
- Details of invested funds
- Details on Interfund Transfers
- Details on Receivables and Payables between funds
- WRS footnote expands from one page to five pages.
- Details of Fund Balances



# Required Supplemental Information

- Management's Discussion and Analysis (MD&A)
  - Classified as required supplementary information, but it is usually found toward before the Financial statements.
  - Introduction and overview of your financial statements
  - Summarizes the major events of the year
  - Compares current financial year to previous year
  - Increased comprehension by readers of your financial statements
  - Looks to the future and explains how current circumstances are expected to affect the government as times passes.
- Budgetary comparisons
- Other Post-employment Benefits (OPEB)
- Pension Information (Disclosures – new for 2015)



# Other Information

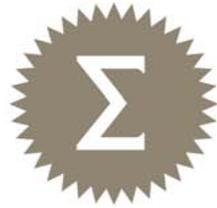
- Supplemental Information
  - Combining statements of non-major funds
  - Individual fund financial statements
- Statistical Section (CAFR)
  - Historical trend data
  - Demographics and other data



# Presentation to Councils or Boards

- Details and Distribution of Fund Balances
- Historical Trend on the Spendable Fund Balances
- General Obligation Debt Outstanding
  - % of Debt Limit
  - Debt per capita
  - Debt as a % of Operating Expenses
- Trends in Revenues
- Breakout of Revenues
- Trends in General Fund Expenditures
- Distribution of Expenses
- Trends in Net Position of Governmental Activities





# EHLERS

LEADERS IN PUBLIC FINANCE

**Dawn Gunderson, CPFO,  
CIPMA**

**Senior Municipal Advisor**

262-796-6166

[dgunderson@ehlers-inc.com](mailto:dgunderson@ehlers-inc.com)

