

Reporting and Disclosure

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Textbook: Government and Not-for-Profit Accounting, Granof

- This presentation contains information, in addition to the material prepared and provided by the professor, from the book Government and Not-for-Profit Accounting, 7th. Ed., Granof which is the textbook assigned for the course CONT 4059 – “Contabilidad para Entidades que no son Negocios” at the University of Puerto Rico, Río Piedras Campus.



Reporting Entity

Reporting Entity

1.1 Definition

- Per GASB Statement No. 14, a financial reporting entity should consist of a:
 1. **Primary government** (the larger, creating government), and its
 2. **Component units.**

Reporting Entity

1.2 Primary Government

Reporting Entity

1.2 Primary Government

- A Primary Government is:
 1. State government.
 2. General-purpose local government (municipality or county).” [Cities, towns, and counties]
 3. Special-purpose state or local governments. [School districts, municipal utility districts, and transportation authorities]

Reporting Entity

1.2 Primary Government

Primary Governments

COMMONWEALTH OF
PUERTO RICO

EACH MUNICIPALITY OF
PUERTO RICO

Reporting Entity

1.3 Primary Government - Qualification

Reporting Entity

1.3 Primary Government - Qualification

- To qualify as a primary government, the entity must have a:
 1. separately elected governing body,
 2. be legally separate from other primary governments, and
 3. be fiscally independent.

Reporting Entity

1.3 Primary Government - Qualification

- Fiscal independent implies that the government has the authority, without approval from other governments, to:
 1. Determine its budget
 2. Levy taxes or set rates and charges
 3. Issue bonds

Reporting Entity

1.4 Component Unit

Reporting Entity

1.4 Component Unit

- A component unit is a legally separate government for which the elected officials of the primary government are financially accountable.

Reporting Entity

1.4 Component Unit

- I. A primary government is financially accountable if:
 1. It appoints a voting majority of the organization's government body, **and**
 2. Any of the following:
 - a. It is able to impose its will on that organization, or
 - b. There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Reporting Entity

1.4 Component Unit

- **Impose its Will - Criteria:**
 1. Can remove appointed members.
 2. Approve or modify unit's budget.
 3. Approve or modify unit's fee charges.
 4. Veto, overrule, or modify decisions of unit's governing board.
 5. Appoint, hire, reassign, or dismiss the unit's managers responsible for day-to-day operations.

Reporting Entity

1.4 Component Unit

- A component unit may also be an organization whose exclusion would cause a primary government's statements to be misleading or incomplete because of the nature and relationship between the two.
- Governments create authorities, public benefit corporation, and other types of organizations.

Reporting Entity

1.4 Component Unit

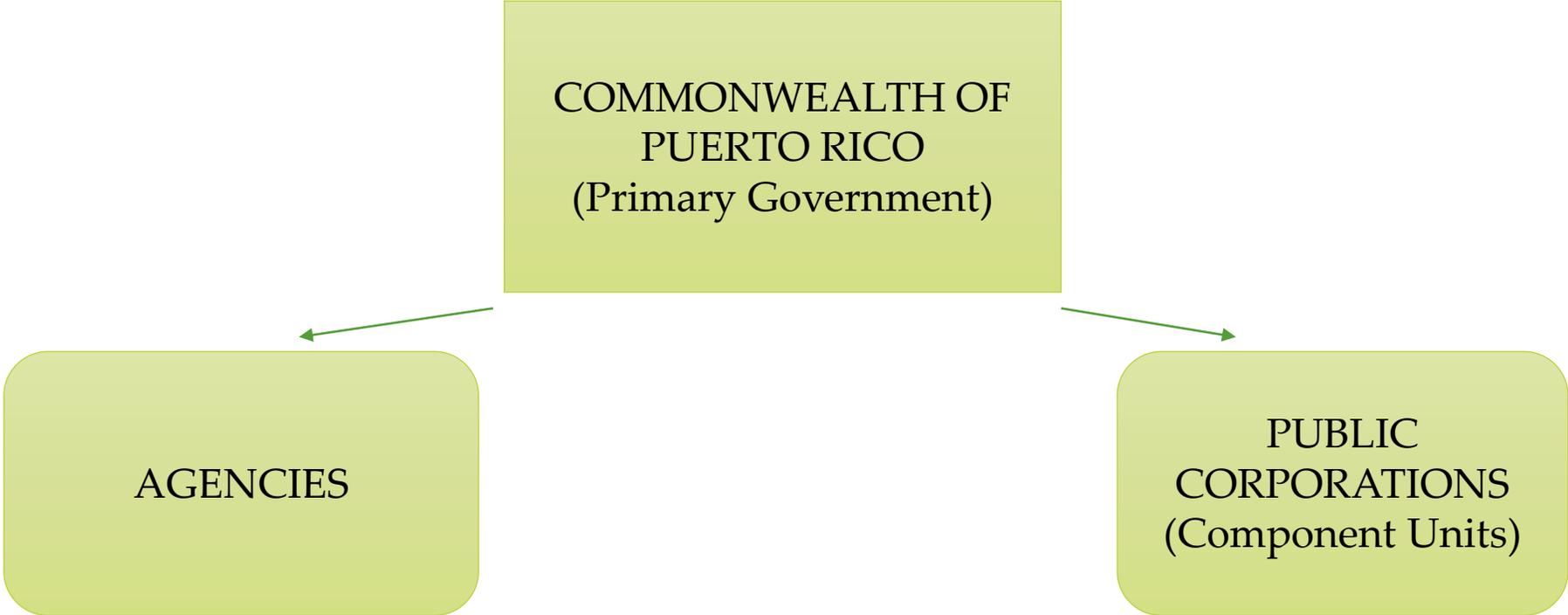
II. A potential component unit may be considered financially accountable to a primary government if the unit is fiscally dependent on the primary government.

- **Fiscally Dependent:** If the unit is
 - unable to determine its own budget,
 - levy taxes or set rates,
 - or issue bonds

without approval of the primary government.

Reporting Entity

1.4 Primary Government



Component Units

2.1 Reporting Component Unit

Component Units

2.1 Reporting Component Unit

- Governments must report the component units in either of two ways:
 1. Discrete presentation
 2. Blending

Component Units

2.2 Discrete Presentation

Component Units

2.2 Discrete Presentation

- Reporting one or more units in a single column, apart from the data of the primary governments. (See last column in the Statement of Next Position of the Commonwealth of Puerto Rico on the next page.)
- Discrete presentation is the default means of reporting.

COMMONWEALTH OF PUERTO RICO

Statement of Net Position

June 30, 2014

(In thousands)

	Primary government			Component units
	Governmental activities	Business-type activities	Totals primary government	
Assets:				
Cash and cash equivalents in commercial banks	\$ 152,065	56,380	208,445	1,756,820
Cash and cash equivalents in governmental banks	420,925	115,646	536,571	278,974
Cash equivalents in Puerto Rico Government Investment Trust Fund (PRGITF)	2,072	—	2,072	7,019
Investments	26,176	—	26,176	4,259,122
Collateral from securities lending transactions	—	—	—	158,834
Receivables – net:				
Income and excise taxes	1,483,305	—	1,483,305	—
Unemployment and other insurance premiums	—	4,169	4,169	53,486
Intergovernmental	553,665	4,998	558,663	363,655
Accounts	31,632	33,599	65,231	1,191,093
Loans	39	—	39	4,641,505
Accrued interest	41,607	49	41,656	200,106
Other	144,106	339	144,445	77,209
Due from net of allowance for uncollectibles:				
Primary government	—	—	—	249,446
Component units	73,708	—	73,708	2,223,259
Other governmental entities	13,121	7,305	20,426	741,074
Internal balances	11,041	(11,041)	—	—
Inventories	10,733	—	10,733	443,527
Prepaid expenses	35,716	—	35,716	29,959
Other assets	15,797	4,542	20,339	149,385
Restricted assets:				
Cash and cash equivalents in commercial banks	486,726	7,142	493,868	1,159,470
Cash and cash equivalents in governmental banks	1,409,600	181,228	1,590,828	224,256
Cash equivalents in PRGITF	80,725	—	80,725	—
Cash and cash equivalents under the custody of U.S. Treasury	—	415,032	415,032	—
Sales and use tax receivable	113,706	—	113,706	—
Unemployment and other insurance premiums receivable	—	59,528	59,528	—
Intergovernmental receivable	56,277	10	56,287	—
Receivables	—	160	160	—

Component Units

2.3 Blending

- Combining the unit's transactions and balances as if they were part of the primary government, that is, reporting the unit's special revenue funds, capital projects funds, debt service funds, and permanent funds as if they were corresponding funds of the primary government.

Component Units

2.3 Blending

- Blending is appropriate only in the following three circumstances, each of which is intended to capture situations in which the primary government and the component units are, in economic substance, a single unit:

Component Units

2.3 Blending

1. The component unit's governing body is substantively the same as the governing body of the primary government.
2. The component unit provides services solely to the primary government.
3. Total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

The following chart illustrates the structure of the Commonwealth for financial reporting purposes:

