

## **GASB STATEMENT 34 IMPLEMENTATION ISSUES**

### **Cash Flow Statements for Discretely Presented Component Units**

GASB 34 presents a new approach for governmental financial reporting. This new approach focuses on the government as a whole. As part of the basic financial statements, two government-wide statements will have to be prepared: a Statement of Net Assets and a Statement of Activities. GASB 34 does not require a government-wide Statement of Cash Flows. GASB 34 paragraph 456 states that "Because there is no requirement for a government-wide statement of cash flows, discretely presented component units are not required to present this statement either." Paragraph 456 also states that "users interested in cash flow information about a specific component unit should refer to the component unit's separately issued financial statements."

Implementation Guide question #238 further re-iterates that as long as the component unit issues its own separate financial statements, cash flow reporting is not required for component units anywhere, whether component unit information is presented using condensed financial statements in the notes, or in the government-wide statements, or in the major component unit information. However, if the component unit does not issue separate financial statements, fund financial statements (including cash flow statements) for that component unit should be included in the reporting entity's CAFR. Since all of our component units issue their own financial statements, their cash flow statements would not have to be presented in our CAFR, and we could save valuable time by not having to check these cash flow statements.

Implementation Guide question #266 references the financial statement requirements for BTA's including MD&A and a direct method statement of cash flows, "neither of which affects the reporting entity's financial statements". In other words, the cash flow statement for BTA's that are discretely presented component units would not be a part of the state's CAFR.

The GASB 34 Implementation Guide also illustrates combining statements for major component units. The only two statements required are a combining Statement of Net Assets and a combining Statement of Activities. Combining statements for nonmajor component units are not required, but may be presented as supplementary information. No combining Statement of Cash Flows is required for component units. It is interesting to note that the Sample City Statement of Activities for Component Units shows a special purpose government engaged in both governmental and business-type activities (Sample City School District). This component unit must present a Statement of Net Assets and a Statement of Activities. Its Statement of Activities is broken down into functions on the combining statement. (This is actually a condensed version of the sample Statement of Activities that is illustrated in the GASB 34 statement itself for this component unit). On the other hand, the Sample City Landfill, a special purpose government engaged in only business-type activities, only shows its operations as one "program" or function, and is a much simpler presentation on the combining statement.

This is the method that we suggest for all of our component units, to report as Special Purpose Governments engaged in only Business-Type Activities, with a simplified Statement of Activities required to be submitted to OSRAP for CAFR presentation.

The GASB 34 Implementation Guide also illustrates some of the statements from the separately issued financial report of Sample City Landfill. This report should include the Statement of Cash Flows; however, this statement is not part of the primary government's financial statement.

We are noting that cash flow statements will not have to be presented in the CAFR for discretely presented component units, as this will save us time in preparing the CAFR. The component units will still have to prepare them, but we will not have to audit or present them in the CAFR. We will simply have to refer to the component units' separately issued financial reports if the readers are interested in cash flow information.