



CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER

COLEMAN A. YOUNG MUNICIPAL CENTER  
2 WOODWARD AVE., SUITE 1100  
DETROIT, MICHIGAN 48226  
PHONE: 313-628-2535  
FAX: 313-224-2135  
WWW.DETROITMI.GOV

## **CFO DIRECTIVE No. 2018-105-004**

**SUBJECT:** Significant Accounting Policies  
**ISSUANCE DATE:** December 21, 2018  
**EFFECTIVE DATE:** December 21, 2018

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### 1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 4s(2), as amended by Public Act 182 of 2014, states the chief financial officer shall supervise all financial and budget activities of the city and coordinate the city's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city.
- 1.2. The City of Detroit (the "City"), incorporated in 1806, is a home rule city under State of Michigan (MI) law. The City is organized into two separate branches: (1) the executive branch, which is headed by the Mayor; and (2) the legislative branch, which is composed of the City Council and its agencies. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, health, economic development, public lighting, transportation, water and sewage, airport and parking.

### 2. OBJECTIVES

- 2.1. To establish Significant Accounting Policies that ensure financial statements, and underlying financial information, is recorded, reported and prepared in compliance with Generally Accepted Accounting Principles (GAAP), standards and procedures, which results in information that is:
  - Relevant, representationally faithful and reflective of economics.
  - Comparable with other governments.
  - Verifiable and auditable by a third party.
  - Understood by taxpayers, investors, donors and others.
  - High-quality that facilitates transparency, confidence and optimal financing decisions.
- 2.2. The City of Detroit (the "City") Significant Accounting Policies shall adhere and conform to governmental Generally Accepted Accounting Principles ("GAAP") as promulgated by GASB (see Annex A-GASB Statements) and other standards as applicable.

### 3. PURPOSE

- 3.1. To ensure the City's accounting function adheres and conforms to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental

Accounting Standards Board (GASB), the authoritative source of governmental GAAP in the United States; and where applicable, adhere and conform to accounting standards set by other boards including, but not limited to, the Financial Accounting Standard Board (FASB) and the International Accounting Standards Board (IASB).

#### 4. SCOPE

- 4.1. This Directive applies to departments, divisions, and agencies.
- 4.2. This Directive has limited application to component units.
- 4.3. This Directive does not apply to related organizations and joint ventures in which the City participates.
- 4.4. This Directive should be reviewed in conjunction with the CFO Directives governing:
  - Reporting.
  - Investments & Investment Management Policy.
  - Capital Assets.
  - Other Policies that ensure compliance with federal, state, local or other applicable laws or requirements.

#### 5. RESPONSIBILITIES

- 5.1. The Deputy Chief Financial Officer-Controller/Chief Accounting Officer shall implement and periodically update this Directive.
- 5.2. All Accountants shall review and understand this Directive, including Annex A and Exhibit A.
- 5.3. All Divisions shall ensure the City's financial-related processes for departments, divisions and agencies are designed in a manner consistent with this Directive.
- 5.4. City management in various departments, divisions and agencies shall monitor operations to ensure adherence to this Directive.
- 5.5. All Component Units of the City shall comply with all applicable FASB's, GASB's, and other accounting rules, regulations, principles and standards generally accepted in the United States, consistent with this Directive.

#### 6. POLICY

- 6.1. Reporting Entity:
  - 6.1.1. The reporting entity shall be the City (primary government) and its component units.
    - 6.1.1.1. Blended component units shall be combined with the City's reporting entity.
    - 6.1.1.2. Discretely presented component units shall be reported in a separate column to emphasize that they are legally separate entities.
- 6.2. Basis of Presentation:

6.2.1. The basic financial statements shall include both government-wide and fund financial statements.

6.2.1.1. Government-wide Financial Statements (GWFS):

6.2.1.1.1. The government-wide financial statements shall report the overall financial activity of the primary government (the City), excluding fiduciary activities, and its component units. They shall include:

6.2.1.1.1.1. Statement of Net Position.

6.2.1.1.1.2. Statement of Activities.

6.2.1.1.2. These statements shall distinguish between the governmental and business-type activities of the City.

6.2.1.1.2.1. Governmental activities are generally financed through taxes, inter-governmental revenue and other nonexchange transactions.

6.2.1.1.2.2. Business-type activities are financed in whole or in part by fees charged to external parties.

6.2.1.1.3. The Statement of Activities shall present a comparison between direct expenses and program revenue for the different business-type activities of the City and for each function of the City's governmental activities.

6.2.1.1.3.1. Program revenue shall include:

6.2.1.1.3.1.1. Charges paid by the recipients of goods or services offered by the programs.

6.2.1.1.3.1.2. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

6.2.1.1.3.2. General revenue shall include:

6.2.1.1.3.2.1. Revenue that is not classified as program revenue including all taxes.

6.2.1.2. Fund Financial Statements:

6.2.1.2.1. The fund financial statements shall provide information about the City's funds including its fiduciary fund types. The emphasis in the fund financial statements shall be on major governmental and enterprise funds, each displayed in a separate column.

6.2.1.2.2. The City shall present separate financial statements for each fund category (governmental, proprietary, and fiduciary).

6.3. Measurement Focus and Basis of Accounting:

6.3.1. Economic Resources Measurement Focus:

6.3.1.1. Government-wide, proprietary and fiduciary fund financial statements shall be reported using the economic resources, measurement focus and the accrual basis of accounting. The government-wide, proprietary and fiduciary fund financial statements shall record revenues when earned and record expenses at the time liabilities are incurred regardless of when the related cash flow takes place.

6.3.2. Current Financial Resources Measurement Focus:

6.3.2.1. Governmental funds shall be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds shall recognize revenues as soon as they are both measurable and available.

6.3.2.1.1. Revenue Recognition: revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

6.3.2.1.2. The City shall consider revenues to be available if they are collected within 60 days of the end of the current fiscal year with the following exceptions:

6.3.2.1.2.1. Grants and Trade Receivables shall be considered available if collected within 90 days of the end of the current fiscal year.

6.3.2.1.3. The City shall accrue the following significant revenue sources:

- Property Tax.
- Income Tax.
- Utility Tax.
- State-Shared Revenue.
- State Gas and Weight Tax Revenue.
- Interest.
- Grants associated with the fiscal period.

6.3.2.1.3.1. The City, in some instances, considers other revenue sources, including but not limited to, fines, license and permit revenues to be measurable and available only when cash is received.

6.3.2.1.3.2. The City shall report proceeds of general long-term debt and acquisitions under capital leases as Other Financing Sources.

6.3.2.1.3.3. Expenditure: expenses, including capital asset acquisitions, are generally recorded when the liability is incurred, as under accrual accounting. However, the following expenditures shall be recorded only when payment is due:

- Principal and interest on general long-term debt.
- Claims and judgments.

- Compensated absences.
- Other long-term obligations.

6.3.2.1.3.3.1. Inventory of governmental and enterprise funds is recorded as expenditure when consumed rather than when purchased and is stated at the lower of cost or market using the average cost method.

#### 6.4. Fund Accounting:

6.4.1. The City shall use funds to report on its financial position and the results of its operations. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific activity.

6.4.1.1. The City shall report the following major funds:

6.4.1.1.1. Governmental Funds:

6.4.1.1.1.1. The General Fund shall account for several of the City's primary services including, but not limited to police, fire, public works, community and youth services.

6.4.1.1.2. Proprietary Funds:

6.4.1.1.2.1. The Water Fund shall account for the operations of the water treatment plants, booster stations, a transmission and distribution system and reservoirs. The fund provides services to Detroit.

6.4.1.1.2.2. The Sewage Disposal Fund shall account for the operations of the wastewater treatment plant, sewers (including sanitary and combined sewers), combined sewer outfalls and interceptors. The facility provides service to Detroit.

6.4.1.1.2.3. The Transportation Fund shall account for the City's mass transit system with a fleet of approximately 462 coaches. The fund operates an administration building, which includes a heavy repair facility and plant maintenance building as well as three other satellite terminals with light repair garages and storage bays.

6.4.1.1.2.4. The Automobile Parking Fund shall account for the activity of the City's Auto Parking and Arena System, excluding parking fine revenues.

6.4.1.1.3. Fiduciary Funds:

6.4.1.1.3.1. Pension and Other Employee Benefit Trust Funds shall account for monies held in trust by the City for pension benefits and other employee benefits. The City uses pension trust funds to account for the retirement plans for civilian employees, firefighters and police officers. The Other Employee Benefit Funds account for

various health, long-term disability and death benefits for employees and retirees.

6.4.1.1.4. Agency Funds shall account for transactions for assets held by the City as agent for certain activities or various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

6.4.1.2. The City shall aggregate all remaining governmental and enterprise funds and report as other governmental or other enterprise funds.

6.4.2. Fund Balances:

6.4.2.1. Governmental funds shall report the following components of fund balance in the fund financial statements:

6.4.2.1.1. Nonspendable: amounts that are not in spendable form or are legally or contractually required to be maintained intact.

6.4.2.1.2. Restricted: amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for a specific purpose.

6.4.2.1.3. Committed: amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments are made and can be rescinded only by a formal action of the government's highest level of decision-making authority.

6.4.2.1.4. Assigned: intent to spend resources on specific purposes expressed by the governing body.

6.4.2.1.5. Unassigned: amounts that do not fall into any other category above. This shall be the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed or assigned to those purposes.

6.4.2.2. The City shall consider restricted fund balance to have been spent before unrestricted fund balance if there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available.

6.4.2.3. The City shall consider committed fund balance to be spent before assigned fund balance, and consider assigned fund balance to be spent before unassigned balance if there is an expenditure incurred for purpose for which committed, assigned or unassigned fund balance classifications could be used.

6.4.2.4. Interfund Transactions:

6.4.2.4.1. The City shall have the following types of interfund transactions:

- 6.4.2.4.1.1. Advances: amounts provided with a requirement for long-term repayment. Interfund advances are reported as advances to other funds in lender funds and advances from other funds in borrower funds.
- 6.4.2.4.1.2. 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 are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.
- 6.4.2.4.1.3. Reimbursements: repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- 6.4.2.4.1.4. Transfers: flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

6.5. Due from/to Other Governmental Agencies:

- 6.5.1. Due from/to other governmental agencies shall consist primarily of sales, grant reimbursement and charges for services to/from the County, the State and the Federal Government.

6.6. Cash and Cash Equivalents:

- 6.6.1. Cash and cash equivalents shall include amounts in demand deposits as well as certificates of deposits and money market funds with an original maturity date of three months or less.

6.7. Investments:

- 6.7.1. Investments of the City shall be reported at fair value. Securities traded on a national or international exchange shall be valued at the last reported sales price at current exchange rates. The only investments outside of the fiduciary funds that do not have an established market shall be certificated of deposit, which shall be reported at par value plus accrued interest.

6.8. Inventory:

- 6.8.1. Inventory shall be stated at the lower of cost or market using the average cost method. Inventory of governmental and enterprise funds shall be recorded as expenditures when consumed rather than when purchased.

## 6.9. Capital Assets:

6.9.1. Capital assets shall include land, buildings, improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets shall be reported in the applicable governmental or business-type activities.

6.9.1.1. Purchased capital assets shall be reported at cost where historical records are available and at an estimated historical cost where no historical records exist.

6.9.1.2. Donated assets shall be recorded at estimated fair value as of the date received.

### 6.9.1.3. Capitalization:

6.9.1.3.1. The City's capitalization levels shall be \$5000 on tangible personal property other than buildings.

6.9.1.3.2. The City's capitalization levels shall be \$50,000 on infrastructure including sewer and storm water lines.

6.9.1.3.3. The City shall capitalize all acquisitions of land and land improvements regardless of cost.

6.9.1.3.4. Where applicable, the City shall adhere to capitalization guidelines set by federal, state or local agencies (e.g., Federal Transit Authority and other grantor guidelines).

### 6.9.1.4. Construction in Progress:

6.9.1.4.1. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

### 6.9.1.5. Cost of Assets Sold or Retired:

6.9.1.5.1. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirements and the resulting gain or loss is included in the operating statement of the related fund.

#### 6.9.1.5.1.1. Sale of governmental fund capital assets:

6.9.1.5.1.1.1. The City shall include the sale of general capital assets in the statement of revenue, expenditure and changes in fund balances as proceeds from sale.

#### 6.9.1.5.2. Repairs and Maintenance:

6.9.1.5.2.1. The City shall expense costs for repairs and maintenance as these costs are incurred.

### 6.9.1.6. Depreciation:



6.9.1.6.1. Depreciation on all assets shall be provided on the straight-line. See *Capital Asset Policy* for estimated useful life schedules with the exception of artwork:

6.9.1.6.1.1. The City's collection of artwork, which is presented both in buildings and public outdoor spaces, shall be either maintained at cost or appreciate over time and thus shall not be depreciated.

6.9.1.6.1.2. The City shall record the loss of lost or destroyed artwork at cost.

#### 6.10. Deferred Outflows/Inflows of Revenue:

6.10.1. In addition to assets, the statement of net position and/or balance sheet may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

6.10.1.1. In the government-wide and proprietary funds' financial statement, a deferred outflow has been recorded related to pension and results from contribution to the defined benefit pension plans subsequent to the plans' year end through the City's fiscal year end as well as due to the variance between the plan's actual investment earnings compared to the plans' assumed investment earnings.

6.10.1.2. The component units also have deferred outflows, which are also pension related, with the exception of the deferred outflows in the DDA for hedging derivatives.

6.10.2. In addition to liabilities, the statement of net position and/or balance sheet may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has two categories of items that qualify for reporting in this category:

6.10.2.1. Deferred inflows of resources related to unavailable revenue shall be reported in the governmental funds balance sheet. The governmental funds shall report unavailable revenue from many sources: grants, special assessments and various other sources. These amounts shall be recognized as an inflow of resources in the period that the amounts come available.

6.10.2.2. In the government-wide and proprietary funds' financial statements, a deferred inflow has been recorded related to pension. These deferred inflows of resources result from three transactions:

6.10.2.2.1. The variance between the plans' actual investment earnings compared to the plans assumed investment earnings.

6.10.2.2.2. The variance between the plans' actual experience compared to the plans' assumed experience.

#### 6.10.2.2.3. Changes in assumptions.

#### 6.11. Bond Premiums and Discounts:

6.11.1. In the government-wide and proprietary statements, bond premiums and discounts shall be recorded as liabilities and amortized using the effective interest method.

6.11.2. In the government fund financial statements, bond premiums, discounts and gains are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

#### 6.12. Compensated Absences:

6.12.1. The liability for compensated absences reported in the government-wide and proprietary fund statements shall consist of unpaid, accumulated vacation and sick leave balances. The liability shall be calculated using the vesting method, in which leave amounts for both employees who are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

6.12.1.1. Vacation leave is accrued as benefits are earned by employees and it is probable the City will compensate the employees for benefits through paid time off or other means, such as cash payments at termination or retirement. The liability shall be calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare tax). Current year accruals are based on estimates and payments are based on actuals. A liability for these amounts is reported in governmental funds only if they have matured (for example, as a result of employee resignations or retirements).

6.12.1.2. Unused vacation pay and banked overtime for employees other than those of the Transportation Fund, shall accumulate up to a maximum level until termination of employment.

6.12.1.3. There shall be no vesting of sick pay until an employee reaches age 60 or completes 25 years of service.

6.12.1.4. Furlough time shall be awarded to uniformed police and fire employees at the beginning of two semiannual periods. Any unused furlough time remaining at the end of each semiannual period is forfeited.

6.12.1.5. For the Transportation Fund, unused vacation pay shall accumulate for each employee up to a maximum level. Once this level is attained, unused vacation must be used or the employee shall lose a portion of the vacation pay.

#### 6.13. Property Tax:

6.13.1. The City's property taxes shall be levied each July 1 of the fiscal year and are payable without penalty either on or before August 31 in full, or one-half on or

before August 15, with the balance then being payable on or before the following January 15. Property taxes shall attach as a lien on the property as of July 1 of the year of the levy.

#### 6.13.1.1. Delinquent Taxes:

6.13.1.1.1. The Wayne County Treasurer (Treasurer) is required by the General Property Tax Law, as amended, to collect delinquent real property taxes levied by the City. Under the Act, the Treasurer pays the City in full for delinquent real property taxes owed according to the delinquent tax roll transferred to the County Treasurer. Taxes eligible for payment include all delinquent taxes except taxes on personal property owed to the City. The Treasurer is then responsible for the collection of the outstanding delinquent taxes. The County retains all interest and penalties generated by the delinquent taxes to offset its tax collection costs. Real property tax not collected within two years after the sale to the County are charged back to the City.

6.13.1.1.2. For accounting purposes, the transfer of delinquent property taxes receivable shall be recognized as a sale with a corresponding liability recorded for the estimated amount that will be charged back to the City.

#### 6.14. Municipal Income Taxes:

6.14.1. The City levies an annual income tax. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City.

6.14.1.1. In the government-wide financial statements, income tax revenue is recorded in the period in which the underlying compensation is earned by the taxpayer.

6.14.1.2. In the governmental fund financial statements the City records municipal income tax revenue when it becomes available. Available is defined as due and receivable with the current fiscal year or expected to be collected within 60 days thereafter.

6.14.1.3. Estimated refunds for income tax returns received and in progress, in which payment has not been made, are recorded as a reduction of revenue.

6.14.1.4. Income tax receivable represent estimated additional taxes assessed as a result of tax return audits or failure to file a return.

#### 6.15. Net Position:

6.15.1. In the government-wide and proprietary fund financial statements, equity shall be displayed in three components as follows:

6.15.1.1. Net Investment in Capital Assets: this shall consist of capital assets, net of accumulated depreciation, less the outstanding balances of bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

6.15.1.2. Restricted: this shall consist of net position that is restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, generally the City's policy is to use restricted resources first and then unrestricted resources when they are needed.

6.15.1.3. Unrestricted: this shall consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

#### 6.16. Unbilled Revenue:

6.16.1. The Water and Sewage Disposal Funds shall record unbilled revenue for services provided prior to year end by accruing actual revenue billed in the subsequent month.

6.17. Component units shall undergo an annual audit conducted in accordance with Government Auditing Standards as promulgated by the Comptroller General of the United States.

## 7. DEFINITIONS

7.1. *Business-type activities*: activities generally financed in whole or in part by fees charged to external parties.

7.2. *Governmental activities*: activities generally financed through taxes, intergovernmental revenue and other nonexchange transactions.

7.3. *Component Units and Other Related Entities*: legally separate organizations for which the elected officials of the City are financially accountable, or their relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Controller shall develop a list of component units to be included in the City's reporting entity each fiscal year. Below is the current list for FY 2017-18:

7.3.1. *Blended Component Units*: legally separate entities that are, in substance, part of the City's operations. The following are Blended Component Units of the City:

7.3.1.1. Detroit Building Authority (DBA).

7.3.1.2. Greater Detroit Resource Recovery Authority (GDRRA).

7.3.1.3. Public Lighting Authority (PLA).

7.3.2. *Discretely Presented Component Units*: legally separate entities from the City that are reported in a separate column in the government-wide financial statements. The following are the Discretely Presented Component Units of the City:

7.3.2.1. Detroit Brownfield Redevelopment Authority (DBRA).

7.3.2.2. Detroit Public Library (DPL).

7.3.2.3. Detroit Transportation Corporation.

7.3.2.4. Detroit Housing Commission.

- 7.3.2.5. Downtown Development Authority.
- 7.3.2.6. Eastern Market Corporation.
- 7.3.2.7. Economic Development Corporation.
- 7.3.2.8. Local Development Finance Authority.
- 7.3.2.9. Museum of African American History.
- 7.3.2.10. Detroit Land Bank Authority.
- 7.3.2.11. Eight Mile/Woodward Corridor Improvement.
- 7.3.2.12. Detroit Employment Solutions Corporation.
- 7.3.3. *Joint Ventures*: legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity. The City participates in the following joint ventures:
  - 7.3.3.1. Detroit-Wayne Joint Building Authority.
- 7.3.4. *Effective Interest Method*: the effective interest rate method, or interest method, as it is referred to by the FASB in the codification, spreads the total cost of debt over the life of the debt at a constant interest rate.

APPROVED



Eric S. Higgs  
*Deputy CFO-Controller/ Chief Accounting Officer, City of Detroit*

### **Annex A**

GASBS1—Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide

GASBS2—Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457

GASBS3—Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements

GASBS4—Applicability of FASB Statement 87 to State and Local Government Employers

GASBS5—Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers

GASBS6—Accounting and Financial Reporting for Special Assessments

GASBS7—Advance Refundings Resulting in Defeasance of Debt

GASBS8—Applicability of FASB Statement No. 93 to Certain State and Local Governmental Entities

GASBS9—Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting

GASBS10—Accounting and Financial Reporting for Risk Financing and Related Insurance Issues

GASBS11—Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements

GASBS12—Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers

GASBS13—Accounting for Operating Leases with Scheduled Rent Increases

GASBS14—The Financial Reporting Entity

GASBS15—Governmental College and University Accounting and Financial Reporting Models

GASBS16—Accounting for Compensated Absences

GASBS17—MFBA: Amendment of Effective Dates

GASBS18—Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs

GASBS19—Governmental College and University Omnibus Statement

GASBS20—Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting

GASBS21—Accounting for Escheat Property

GASBS22—Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds

GASBS23—Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities

GASBS24—Accounting and Financial Reporting for Certain Grants and Other Financial Assistance

GASBS25—Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans

GASBS26—Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans

GASBS27—Accounting for Pensions by State and Local Governmental Employers

GASBS28—Accounting and Financial Reporting for Securities Lending Transactions

GASBS29—The Use of Not-For-Profit Accounting and Financial Reporting Principles by Governmental Entities

GASBS30—Risk Financing Omnibus  
GASBS31—Certain Investments and External Investment Pools  
GASBS32—Accounting and Financial Reporting for Internal Revenue Code Section 457  
Deferred Compensation Plans  
GASBS33—Accounting and Financial Reporting for Nonexchange Transactions  
GASBS34—Basic Financial Statements--and Management's Discussion and Analysis--for  
State and Local Governments  
GASBS35—Basic Financial Statements--and Management's Discussion and Analysis--for  
Public Colleges and Universities  
GASBS36—Recipient Reporting for Certain Shared Nonexchange Revenues  
GASBS37—Basic Financial Statements—and Management's Discussion and Analysis—for  
State and Local Governments: Omnibus  
GASBS38—Certain Financial Statement Note Disclosures  
GASBS39—Determining Whether Certain Organizations Are Component Units Statement  
No. 39 of the Governmental Accounting Standards Board  
GASBS40—Deposit and Investment Risk Disclosures  
GASBS41—Budgetary Comparison Schedules—Perspective Differences  
GASBS42—Accounting and Financial Reporting for Impairment of Capital Assets and for  
Insurance Recoveries  
GASBS43—Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans  
GASBS44—Economic Condition Reporting: The Statistical Section  
GASBS45—Accounting and Financial Reporting by Employers for Postemployment Benefits  
Other Than Pensions  
GASBS46—Net Assets Restricted by Enabling Legislation  
GASBS47—Accounting for Termination Benefits  
GASBS48—Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers  
of Assets and Future Revenues  
GASBS49—Accounting and Financial Reporting for Pollution Remediation Obligations  
GASBS50—Pension Disclosures  
GASBS51—Accounting and Financial Reporting for Intangible Assets  
GASBS52—Land and Other Real Estate Held as Investments by Endowments  
GASBS53—Accounting and Financial Reporting for Derivative Instruments  
GASBS54—Fund Balance Reporting and Governmental Fund Type Definitions  
GASBS55—The Hierarchy of Generally Accepted Accounting Principles for State and Local  
Governments  
GASBS56—Codification of Accounting and Financial Reporting Guidance Contained in the  
AICPA Statements on Auditing Standards  
GASBS57—OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans  
GASBS58—Accounting and Financial Reporting for Chapter 9 Bankruptcies  
GASBS59—Financial Instruments Omnibus  
GASBS60—Accounting and Financial Reporting for Service Concession Arrangements  
GASBS61—The Financial Reporting Entity: Omnibus an amendment of GASB Statements  
No. 14 and No. 34  
GASBS62—Codification of Accounting and Financial Reporting Guidance Contained in Pre-  
November 30, 1989 FASB and AICPA Pronouncements

GASBS63—Statement No. 63 of the Governmental Accounting Standards Board Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASBS64—Derivative Instruments: Application of Hedge Accounting Termination Provisions

GASBS65—Items Previously Reported as Assets and Liabilities

GASBS66—Technical Corrections—2012

GASBS67—Financial Reporting for Pension Plans

GASBS68—Accounting and Financial Reporting for Pensions

GASBS69—Government Combinations and Disposals of Government Operations

GASBS70—Accounting and Financial Reporting for Nonexchange Financial Guarantees

GASBS71—Pension Transition for Contributions Made Subsequent to the Measurement Date

GASBS72—Fair Value Measurement and Application

GASBS73—Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

GASBS74—Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASBS75—Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASBS76—The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASBS77—Tax Abatement Disclosures

GASBS78—Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

GASBS79—Certain External Investment Pools and Pool Participants

GASBS80—Blending Requirements for Certain Component Units

GASBS81—Irrevocable Split-Interest Agreements

GASBS82—Pension Issues

GASBS83—Certain Asset Retirement Obligations

GASBS84—Fiduciary Activities

GASBS85—Omnibus 2017

GASBS86—Certain Debt Extinguishment Issues



EXHIBIT A – SIGNIFICANT ACCOUNTING POLICIES COMPANION DOCUMENT

Reporting Entity and Basis of Presentation

1.1. Reporting Entity and Financial Statements

1.1.1. The reporting entity is the City (primary government) and its component units. Blended component units are combined with the City’s reporting entity (DBA, GDRRA, PLA). See Annex A for sample blending entry. Discretely presented component units are reported in a *separate column* to emphasize that they are legally separate entities (Detroit Brownfield Redevelopment Authority (DBRA), Detroit Public Library (DPL), Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement and Detroit Employment Solutions Corporation).

1.1.2. The Government-Wide Financial Statements (GWFS) report the overall financial activity of the primary government and its component units, excluding fiduciary activities. GWFS distinguish between the governmental and business-type activities of the City. Governmental activities\* generally are financed through taxes, inter-governmental revenue, and other nonexchange transactions. Business-type activities\*\* are financed in whole or in part by fees charged to external parties.

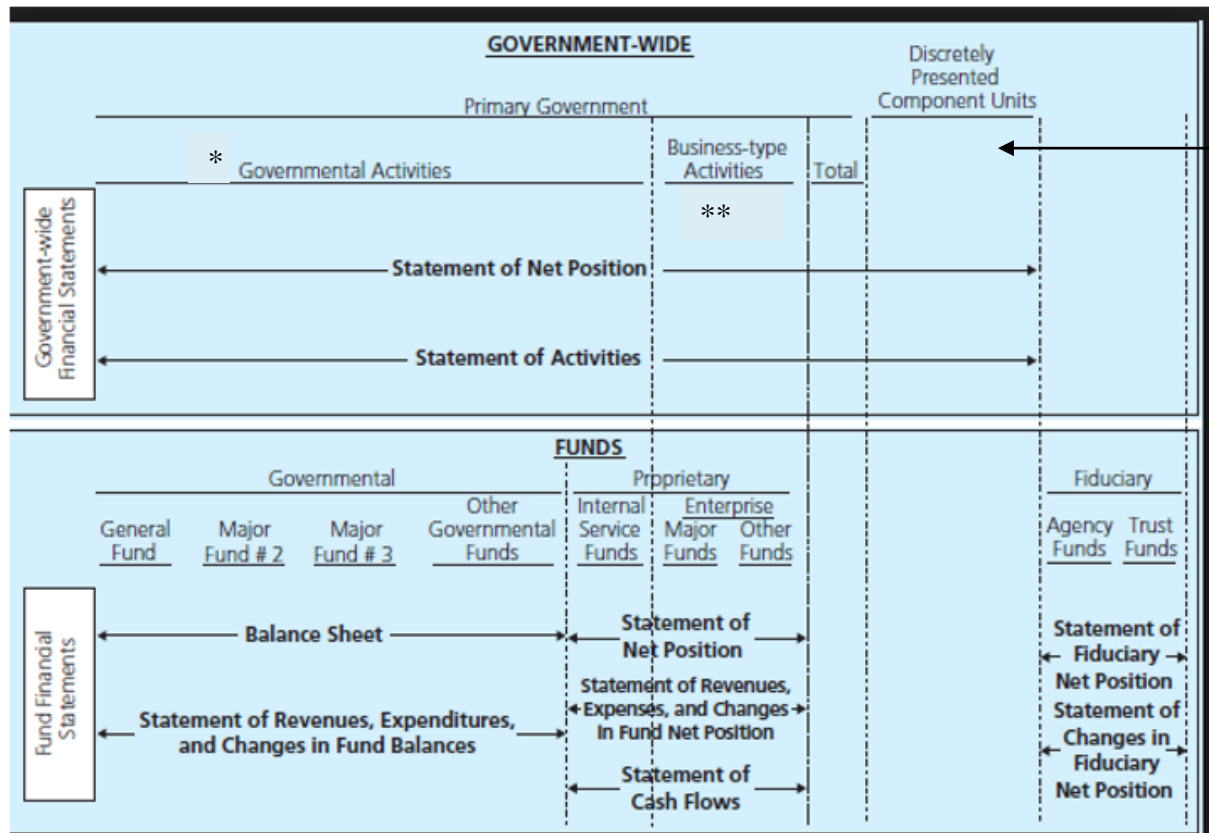


EXHIBIT A – SIGNIFICANT ACCOUNTING POLICIES COMPANION DOCUMENT

1.1 Financial Statements and Measurement Focus (Economic v. Current Financial Resources)

1.1.1 Economic Measurement Focus Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The government-wide, proprietary, and fiduciary fund financial statements record revenues when earned and record expenses at the time liabilities are incurred, regardless of when the related cash flow takes place.

1.1.2 Current Financial Resources Measurement Focus Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds recognize revenues as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

1.1.2.1 The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year with the following exceptions: grant and trade receivables are considered available if collected within 90 days of the end of the current fiscal year.

Measurement Focus/Basis of Accounting	Economic Resource / Accrual Basis	Current Financial Resources / Modified Accrual
Government Wide Financial Statements (excludes fiduciary)	X	
Proprietary Fund Financial Statements	X	
Fiduciary Fund Financial Statements	X	
Government Fund Financial Statements		X

## EXHIBIT A – SIGNIFICANT ACCOUNTING POLICIES COMPANION DOCUMENT

## 1.2 Distinctions and Objectives of Measurement Focus:

1.2.1 The definition of what should be measured is called the *measurement focus*, and the issue of when transactions are recorded in the accounting system is the *basis of accounting*.

1.2.1.1 Accrual (business) accounting: objective is to preserve equity of the investors, which accountants refer to as an economic resource measurement focus.

1.2.1.2 Modified accrual accounting: objective is to assure financial control or accountability for general government functions, which implies a measurement focus on current financial resources.

## 1.3 Key Comparisons-Economic Resources v. Current Financial Measurement Focus:

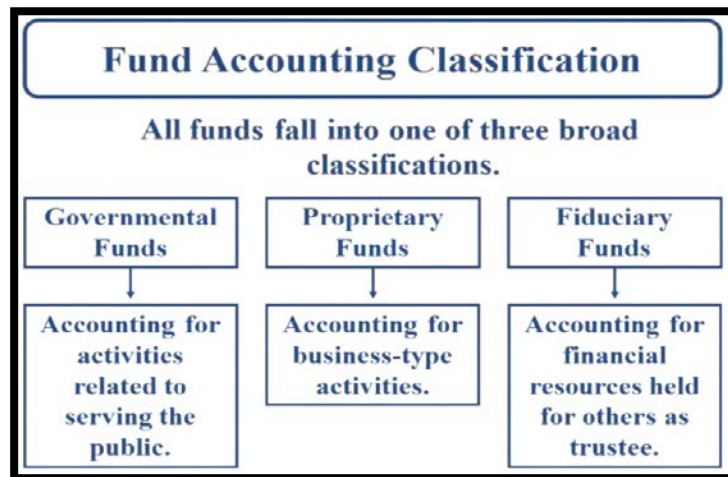
Measurement Focus	Economic Resources	Current Financial Resources
Accountability Focus	Operational Accountability	Fiscal Accountability
Basis of Accounting	Accrual Method	Modified Accrual Method
Required Financial Statements	<p>Statement of Net Position, Statement of Activities (Government Wide Financial Statement)</p> <p>Statement of Net Position, Statement of Revenues, expenditures and change in net position, Statement of Cash Flows (Proprietary Funds)</p> <p>Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position (Fiduciary Funds)</p>	<p>Balance Sheet, Statement of Revenues, expenditures and change in fund balance (Government Funds)</p>
Balance Sheet/Statement of net position	Current and non-current assets, current and non-	Current assets, current liabilities, fund balances (equity)

## EXHIBIT A – SIGNIFICANT ACCOUNTING POLICIES COMPANION DOCUMENT

	current liabilities and net position	
Operating or change statement accounting	Revenues and expenses	Revenues, expenditures, other financing sources/uses
Budgetary Accounting	Not formally integrated into the accounts	Formally integrated into accounts of certain funds

#### 1.4 Fund Financial Statements:

- 1.4.1 Fund Financial Statements are the necessary foundation for preparing GWFS. The City uses funds to report on its financial position and the results of its operations. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific activity.
- 1.4.2 The City presents separate financial statements for each fund category (governmental, proprietary, and fiduciary).



#### 1.4.3 The City reports the following major funds:

##### 1.4.3.1 Governmental Funds:

- 1.4.3.1.1 General Fund.
- 1.4.3.1.2 Detroit General Retirement System Service Corporation Fund.
- 1.4.3.1.3 Police and Fire Retirement System Service Corporation Fund.

##### 1.4.3.2 Proprietary Funds:

- 1.4.3.2.1 Water Fund.
- 1.4.3.2.2 Sewage Disposal Fund.

1.4.3.2.3 Transportation Fund.

1.4.3.2.4 Automobile Parking Fund.

1.4.3.3 Fiduciary Funds:

1.4.3.3.1 Pension and Other Employee Benefit Trust Funds.

1.4.3.4 Agency Funds:

1.4.4 The City aggregates all remaining governmental and enterprise funds and report as other governmental or other enterprise funds.

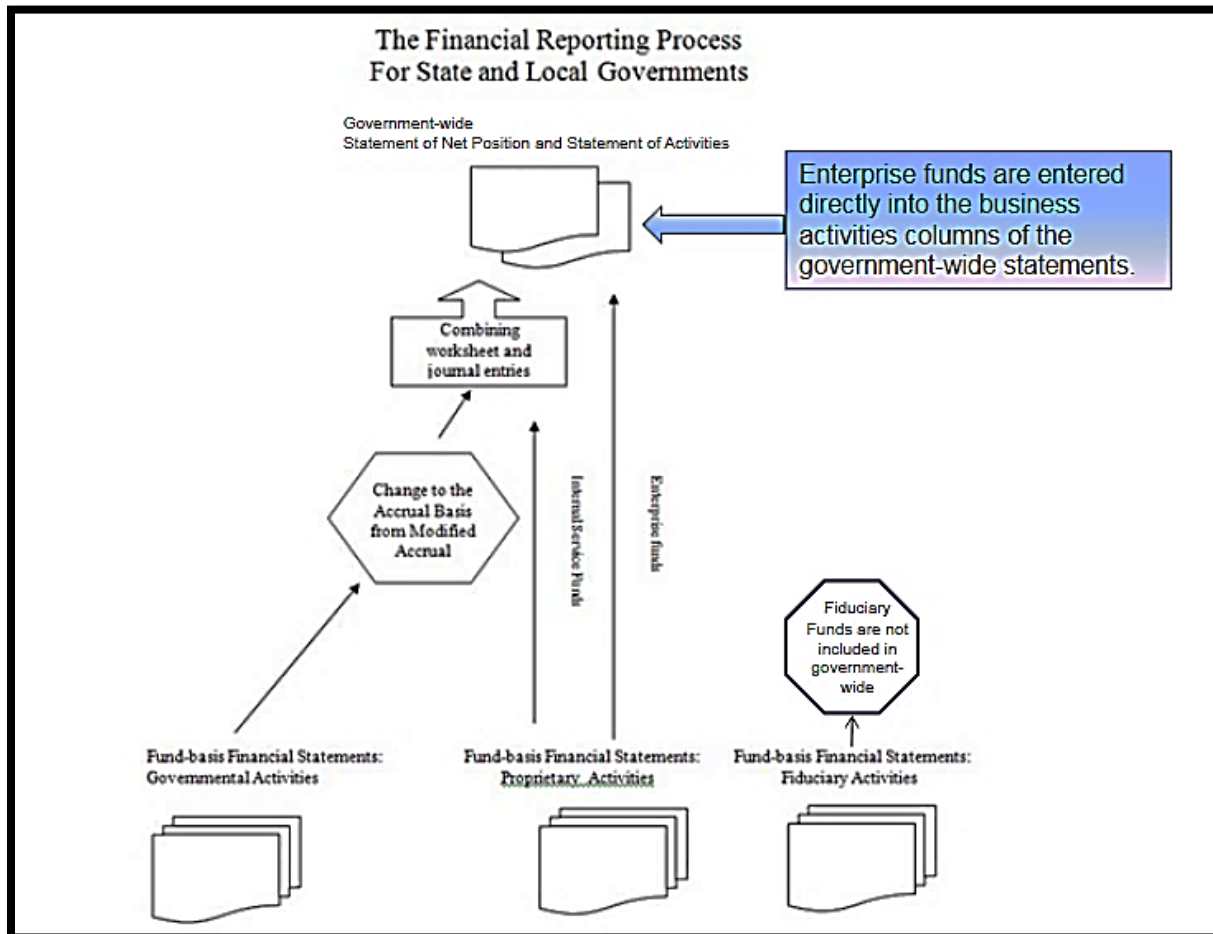
2.1 GWFS and Fund Financial Statements are required for CAFR Reporting\*

<b>Components of CAFR</b>	
•	Introductory Section
•	Financial Section <ul style="list-style-type: none"><li>• Management Discussion and Analysis (MD&amp;A)</li><li>• Auditor's report</li><li>• Basic Financial Statements:<ul style="list-style-type: none"><li>• Government Wide Financial Statement (GWFS)</li><li>• Fund Statements-<i>presents column for each major fund, with one column for nonmajor funds in aggregate</i></li></ul></li><li>• Notes to the financial statements</li><li>• Required supplementary information-<i>includes budget to actual reconciliation and infrastructure information</i></li><li>• Supplementary information-<i>presents columns for each of the nonmajor funds</i></li></ul>
•	Statistical Section – <i>last ten fiscal years</i> <ul style="list-style-type: none"><li>• Financial Trends Information</li><li>• Revenue Capacity Information</li><li>• Debt Capacity Information</li><li>• Demographic and Employment Information</li><li>• Operating Information</li></ul>

\*As required by GASB

## EXHIBIT A – SIGNIFICANT ACCOUNTING POLICIES COMPANION DOCUMENT

## 3.1 Fund Financial Statement Conversion process required for GWFS CAFR Reporting:

**GWFS are prepared at year end by:**

- Converting government type funds to the accrual basis; through inclusion of depreciation, long-term assets and long term liabilities,
- Adding in the asset and liability balances from internal service funds along with any income earned through transactions with external parties,
- Consolidating fund statements (other than fiduciary funds)

## 4.1 Helpful Links:

- 4.1.1 Governmental Accounting Standards Board <http://www.gasb.org/>
- 4.1.2 GWFS Overview <https://www.youtube.com/watch?v=DczLioVwnd0>
- 4.1.3 GWFS Additional Information <http://slideplayer.com/slide/10902273/>