

TOPIC	GAAP REPORTING	SUB-SECTION 27.60.20
SECTION	PROPRIETARY FUNDS	ISSUANCE DATE June 30, 2011
SUB-SECTION	STATEMENT OF CASH FLOWS	REVISED - 2019

STATEMENT OF CASH FLOWS

PURPOSE

GASB Statement 9, as amended by GASB Statement 34, establishes standards for reporting cash flows of proprietary funds and requires governments to report cash flows from operating activities using the direct method. A Statement of Cash Flows should be completed for each fund classified as an enterprise fund. The Statement of Cash Flows reconciles beginning and ending cash and cash equivalents. The statement, along with the supporting Statement of Cash Flows Worksheet (Form 27.60.25), should be sent to OFR as part of the GAAP packet. A copy of the final Statement and Worksheet is provided to the agencies by OFR after year-end reporting.

The primary purpose of a Statement of Cash Flows is to provide information about the cash receipts and cash payments of a fund. This should help users of the financial statement assess a fund's ability to generate future net cash flows, to meet its obligations as they come due, and to determine its need for external financing. A Statement of Cash Flows classifies cash receipts and cash payments into one of the following four categories: operating, noncapital financing, capital and related financing, or investing. Information about activities that do not result in cash receipts or cash payments should be reported as noncash activities. An example of a noncash transaction is entering into a capital lease to obtain assets.

A reconciliation of operating income to net cash from operating activities is part of the statement. This reconciliation provides information about the difference between the Statement of Cash Flows and the Statement of Revenues, Expenses and Changes in Fund Net Assets. Reconciling items include noncash expenses, such as depreciation and amortization, and changes in assets and liabilities.

Agencies should carefully study the operational nature of their fund. The classification of certain transactions will vary depending upon the nature of operations and the intent of the law governing the fund. An example of an operating activity normally classified as an investing activity is illustrated by the Veterans' Home Purchase Board. The purpose of the fund's operations is to make loans to veterans and is undertaken to fulfill a governmental responsibility. Consequently, for cash flow reporting purposes, these loan activities and the related cash flows should be classified as operating activities of the fund. All loans made and collected (including interest) are considered operating cash outflows and inflows, respectively. Any proceeds from bond issues to finance this loan program are classified as noncapital financing activities.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities generally include all cash flows related to transactions and events reported as components of operating income in the Statement of Revenues, Expenses and Changes in Fund Net Position. Operating revenues and expenses for proprietary funds are classified in essentially the same accounts as used in the private sector. Transactions that are reported as operating revenues are generated from the primary operations of the fund. Depreciation and amortization expenses are presented as operating expenses.

Nonoperating revenues and expenses are those that do not arise from the activities of primary operations. Items that are often reported as nonoperating are federal grants, investment income, interest expense, and gains or losses on the sale of capital assets.

Examples of cash inflows from operating activities are:

- (1) cash receipts from sale of goods and services,
- (2) collections of accounts receivable, and
- (3) cash receipts from other funds for Interfund services provided.

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Examples of cash outflows from operating activities are:

- (1) cash payments to suppliers for goods and services, and
- (2) cash payments to employees for services.

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Noncapital financing activities include borrowing and repayments (including interest) of debt that is not clearly attributable to capital purposes. Also included are interfund transactions and grants.

Examples of cash inflows from noncapital financing activities are:

- (1) proceeds from the sale of bonds and notes that are not clearly attributable to capital purposes,
- (2) cash receipts from grants, not restricted to capital purposes, and
- (3) cash transfers in from other funds.

Examples of cash outflows from noncapital financing activities are:

- (1) principal and interest payments on bonds and notes that are not clearly attributable to capital purposes, and
- (2) cash transfers out to other funds.

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital and related financing activities include the borrowing and repayment of debt clearly attributable to capital purposes. These activities also include acquiring and disposing of capital assets, as well as payments for the construction and improvement of capital assets.

Examples of cash inflows from capital and related financing are:

- (1) proceeds from issuing or refunding bonds, mortgages and notes that are clearly attributable to the acquisition, construction, or improvement of capital assets,
- (2) cash receipts from the sale of capital assets, and
- (3) proceeds from insurance on capital assets that are stolen or destroyed.

Examples of cash outflows from capital and related financing are:

- (1) payments to vendors to acquire, construct, or improve capital assets,
- (2) cash principal payments to lenders who have extended credit for the acquisition, construction, and improvement of capital assets, and
- (3) cash payments to lenders for interest directly related to acquiring, constructing, and improving capital assets.

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CASH FLOWS FROM INVESTING ACTIVITIES

Investing activities include the receipt of interest, nonprogram loan collections, proceeds from the sale of investments and the purchase of investments.

Examples of cash inflows from investing activities are:

- (1) cash receipts from collections of nonprogram loans,
- (2) cash receipts from investment income, other than program loans, and
- (3) proceeds from the sale of investments.

Examples of cash outflows from investing activities are:

- (1) cash disbursements for nonprogram loans, and
- (2) cash payments to acquire investments.

FORM INSTRUCTIONS

The Statement of Cash Flows Worksheet (Form 27.60.25) must be completed prior to completing the Statement of Cash Flows (Form 27.60.20). Totals from the worksheet are input into the Statement. Positive numbers are used for cash inflows and negative numbers are used for cash outflows.

Exhibit 27.60.20 contains instructions for completing the schedule.

Form 27.60.20

Fund #: Header information should

State of Mississippi

Agency # & Name: be filled in on every page

Statement of Cash Flows

For the Period Ended: June 30, 20XX

Rev. 4/19

Prepared by: _____

Cash Flows from Operating Activities:

- Cash receipts/premiums from customers
- Cash payments to suppliers for goods and services
- Cash payments to employees for services
- Cash payments for claims and benefits
- Other operating cash receipts
- Other operating cash payments
- Principal and interest received on program loans
- Issuance of program loans

Note: The Excel version of the Statement of Cash Flows contains formulas to assist in populating the appropriate fields.

For each section,
corresponding amounts from
Statement of Cash Flows
Worksheet (form 27.60.25)

Net Cash Provided by (Used for) Operating Activities

Section total

Cash Flows from Noncapital Financing Activities:

- Transfers in
- Transfers out
- Operating grants received
- Proceeds from sale of bonds
- Principal paid on bonds
- Interest paid on bonds
- Bond issuance costs

Net Cash Provided by (Used for) Noncapital Financing Activities

Section total

Cash Flows from Capital and Related Financing Activities:

- Acquisition and construction of capital assets
- Proceeds from sale of capital assets
- Proceeds from sale of bonds for capital related financing
- Bond issuance costs for capital related financing
- Principal paid on bonds and capital asset contracts
- Interest paid on bonds and capital asset contracts

Net Cash Provided by (Used for) Capital and Related Financing Activities

Section total

Cash Flows from Investing Activities:

- Proceeds from sales of investments
- Purchases of investments
- Investment income

Net Cash Provided by (Used for) Investing Activities

Section total

Net Increase (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of reporting period

Sum of section totals
Ending Cash & Cash Equiv
from prior year FINAL
Statement of Cash Flows

Cash and Cash Equivalents - End of reporting period

Sum of section totals + prior
year ending cash (must equal
accounts 10020000-10220000
on GAAP Trial Balance (GR55))

Form 27.60.20

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Statement of Cash Flows

For the Period Ended: June 30, 20XX

Rev. 4/19

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**Reconciliation of Operating Income (Loss) to Net Cash Provided by
(Used for) Operating Activities:**

Operating income (loss)

Operating income (loss) from
p. 6 of form 27.60.25

**Adjustments to reconcile operating income (loss) to net cash
provided by (used for) operating activities:**

Interest on program loan bonds

Depreciation

Amortization of bond issuance costs

Other

Changes in assets and liabilities:

(Increase) decrease in accounts receivable, net

(Increase) decrease in interest receivable

(Increase) decrease in due from other governments

(Increase) decrease in due from other funds

(Increase) decrease in due from component units

(Increase) decrease in inventories

(Increase) decrease in prepaid items

(Increase) decrease in loans and notes receivable

(Increase) decrease in other assets

Increase (decrease) in warrants payable

Increase (decrease) in accounts payable and accruals

Increase (decrease) in due to other governments

Increase (decrease) in due to other funds

Increase (decrease) in due to component units

Increase (decrease) in deferred revenues

Increase (decrease) in other liabilities

Increase (Decrease) in Net Pension Liability

Increase (Decrease) in Deferred Outflow for Pension

Increase (Decrease) in Deferred Inflow for Pension

Increase (Decrease) in Other post employment benefits

Increase (Decrease) in Deferred Outflow for OPEB

Increase (Decrease) in Deferred Inflow for OPEB

Total adjustments

Noncash items included
in operating income

Corresponding amounts from
p. 5 of form 27.60.25

(Note: should not include
changes resulting from
nonoperating activities)

Sum of adjustments

Net Cash Provided by (Used for) Operating Activities

Sum of Operating income
(loss) and Total adjustments
(must equal corresponding line
on p. 1 of form 27.60.20)

Noncash Capital and Related Financing and Investing Activities:

Capital leases (initial year)

Capital asset contributions

Loss on disposal of capital assets

Transfer of capital assets from (to) other proprietary funds

Change in market value of investments

Any other noncash transaction

Cost of capital assets acquired
under a new capital lease

Corresponding amounts
from

p. 6 of form 27.60.25

Change in fair market value of
the fund's investments