GASB CODIFICATION · FINANCIAL REPORTING

Section 2450

Cash Flows Statements

How proprietary funds and business-type activities report the movement of cash itself — four categories, a required direct-method format, and a mandatory reconciliation back to operating income. Plain-language reference only; not a substitute for the authoritative text.

GARS 2450

¶.101 – .103

Who Must Present One

Proprietary funds and business-type activities.
Enterprise and internal service funds, plus governmental entities engaged in business-type activities — utilities, hospitals, public colleges, and similar operations.

Trust funds are exempt, not forbidden.
Fiduciary trust funds (including pension and other employee benefit trusts) don't have to present a statement of cash flows, but nothing stops them if the information is useful.

¶.112 – .126

The Four Categories

Operating activities.
Cash effects of providing services and delivering goods — the catch-all for anything not in the other three categories.

Noncapital financing activities.
Borrowing (and repaying) for purposes other than capital assets, plus most grants, subsidies, and interfund transfers.

Capital and related financing activities.
Acquiring or disposing of capital assets, and the debt issued specifically to fund them.

Investing activities.
Making and collecting loans (other than program loans) and buying or selling debt or equity instruments.

¶.128 – .130

Direct Method Required

Gross receipts and payments, by major class.
Governmental enterprises must use the direct method — reporting major classes of operating cash receipts and payments and their net sum — not the indirect method, as the primary presentation.

A reconciliation still has to appear.
A separate schedule reconciles operating income to net cash flow from operating activities, removing depreciation and other noncash items and adjusting for changes in receivables, payables, and inventory.

¶.109 – .111, .133

Gross vs. Net & Noncash Disclosures

Gross is the default.
Most cash receipts and payments should be reported at their gross amounts, not netted.

Net reporting is allowed in narrow cases.
Cash equivalents, and other items with quick turnover, large volume, and original maturities of three months or less, may be reported net.

Noncash transactions get their own schedule.
Investing, capital, and financing activity that affects assets or liabilities without moving cash — like acquiring a building by assuming a mortgage — is disclosed separately, not folded into the cash flow statement itself.

Paraphrased for plain-language reference from GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 2450, "Cash Flows Statements." Principal sources: GASB Statements 9, 34, 84. This summary is not authoritative — consult the current Codification (GARS-Online) or your auditor for application to a specific district.