

Common Financial Reporting Challenges



2025 NATURE COAST SEMINAR

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Objectives of this Session



- Discuss more common financial reporting challenges and some ACFR basics.
- Review consistently issued GFOA comments from the 2023 ACFRs.
- Review planning suggestions for the 2025 ACFR season.

Common Financial Reporting Challenges



SOME ACFR BASICS

Capital Assets



- As a general rule, additions should equal capital outlay expenditures for governmental funds.
- Don't forget to include lease and SBITA assets.
- Depreciation expense for proprietary funds should equal the increase in accumulated depreciation.
- Beginning balances must tie to prior year ending balances.

Capital Assets

	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
Total Primary				
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 7,621,226	\$ -	\$ -	\$ 7,621,226
Construction in progress	750,657	4,661,398	(1,466,460)	3,945,595
Total capital assets, not being depreciated/amortized	8,371,883	4,661,398	(1,466,460)	11,566,821
Capital assets, being depreciated/amortized:				
Buildings	29,945,201	1,611,971	(1,527,788)	30,029,384
Equipment	17,528,445	2,541,705	(1,894,770)	18,175,380
Intangible Software	2,138,750	-	(40,250)	2,098,500
Intangible Leased Equipment	213,323	23,445	-	236,768
Intangible Leased Building	590,419	-	-	590,419
Intangible Subscription Asset	565,308	141,424	-	706,732
Infrastructure	79,514,237	1,897,168	-	81,411,405
IOTB	-	1,893,097	-	1,893,097
Total capital assets being depreciated/amortized:	130,495,683	8,408,810	(3,462,808)	135,141,685
Less accumulated depreciation/amortization for:				
Buildings	(11,838,503)	(992,474)	-	(12,830,977)
Equipment	(11,863,028)	(1,341,744)	1,290,326	(11,914,446)
Intangible Software	(2,138,750)	-	40,250	(2,098,500)
Intangible Leased Equipment	(102,875)	(53,781)	-	(156,656)
Intangible Leased Building	(130,001)	(65,000)	-	(195,001)
Intangible Subscription Asset	(93,938)	(204,023)	-	(297,961)
Infrastructure	(59,049,623)	(1,025,387)	-	(60,075,010)
IOTB	-	(93,819)	-	(93,819)
Total accumulated depreciation/amortization	(85,216,718)	(3,776,228)	1,330,576	(87,662,370)
Total capital assets being depreciated/amortized, net	45,278,965	4,332,582	(2,132,232)	47,479,315
Governmental activities capital assets, net	\$ 53,650,848	\$ 8,993,980	\$ (3,598,692)	\$ 59,046,136

Capital Assets



	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 2,919,197	\$ -	\$ -	\$ 2,919,197
Construction in progress	33,684,968	14,469,899	(21,057,635)	27,097,232
Total capital assets, not being depreciated/amortized:	36,604,165	14,469,899	(21,057,635)	30,016,429
Capital assets, being depreciated/amortized:				
Buildings	17,268,903	-	-	17,268,903
Improvements other than buildings	417,484,158	29,511,370	-	446,995,528
Equipment	27,257,123	2,651,715	(860,949)	29,047,889
Intangible Software	3,530,027	-	-	3,530,027
Intangible Leased Equipment	3,764,976	-	-	3,764,976
Intangible Subscription Assets	247,310	163,782	-	411,092
Total capital assets, being depreciated/amortized:	469,552,497	32,326,867	(860,949)	501,018,415
Less accumulated depreciation/amortization for:				
Buildings	(6,552,597)	(481,471)	-	(7,034,068)
Improvements other than buildings	(233,619,261)	(11,128,816)	-	(244,748,077)
Equipment	(21,389,871)	(1,451,435)	778,823	(22,062,483)
Intangible Software	(3,331,202)	(72,941)	-	(3,404,143)
Intangible Leased Equipment	(439,247)	(376,498)	-	(815,745)
Intangible Subscription Assets	(57,273)	(117,687)	-	(174,960)
Total accumulated depreciation/amortization	(265,389,451)	(13,628,848)	778,823	(278,239,476)
Total capital assets, being depreciated/amortized, net	204,163,046	18,698,019	(82,126)	222,778,939
Business-type activities capital assets, net	\$ 240,767,211	\$ 33,167,918	\$ (21,139,761)	\$ 252,795,368

Long-term liabilities



- Increase in debt related liabilities (notes and bonds, leases and SBITA) should equal Other Financing Sources.
- Decreases in debt related liabilities should agree to principal retirements.
- Unique situations:
 - Lease or SBITA modifications or terminations
 - Bond anticipation notes
 - Lines of credit

Long-term liabilities



	Principal Balance October 01, 2023	Additions	Deductions	Principal Balance September 30, 2024	Amount Due Within One Year	Amount Due After One Year
Governmental-type Activities:						
Bonds Payable						
Limited General Obligation Bonds - Direct Placements	\$ 9,050	\$ -	\$ 2,980	\$ 6,070	\$ 3,015	\$ 3,055
Revenue Bonds - Direct Placements	184,259	-	23,250	161,009	23,813	137,196
Revenue Bonds	144,975	-	3,735	141,240	3,880	137,360
Special Assessment Bonds	150	-	150	-	-	-
Plus (Less) Premium (Discount)	8,614	-	468	8,146	-	8,146
Total Governmental Bonds and Unamortized Bond Premium	347,048	-	30,583	316,465	30,708	285,757
Other Long-Term Governmental Type activities						
Finance Purchase Obligations	\$ 32,093	\$ 13,524	\$ 8,986	\$ 36,631	\$ 10,307	\$ 26,324
Lease liability	754	424	406	772	229	543
Subscription liability	798	276	848	226	207	19
Notes payable	16,950	-	947	16,003	971	15,032
2020 Toho Water Authority Loan	3,314	-	1,731	1,583	537	1,046
Other Post Employment Benefits	28,991	-	1,276	27,715	-	27,715
Pension Liability-FRS	241,777	8,782	-	250,559	-	250,559
Health Insurance Subsidy-FRS	68,788	-	2,378	66,410	-	66,410
Compensated Absences	27,967	21,170	20,003	29,134	466	28,668
Total Governmental Activities Long-Term Liabilities	\$ 768,480	\$ 44,176	\$ 67,158	\$ 745,498	\$ 43,425	\$ 702,073

Long-term liabilities

Reconciliation for Issuance of Debt and Prin Retiremts	<u>Reduction - principal retirements</u>	
	per note	(43,033)
	per stmt	42,716
	difference	(317)
	SBITA removal C.O.	167
	not recorded by COC	57
		66
	ISF lease	26
	rounding	(1)
	<u>Increases (issuance of debt)</u>	
Donna: Therapeutic Equestrian Center	per abovr	14,224
	per stmt	(13,937)
	difference	287
		(195)
		(28)
Donna: This is new SBITA for constitutional officer for 2024 that was not added in TRS. This was not added to TRS because it would have been part of the removal of constitutional office SBITAs that are below threshold guidance in county code.		(67)
		(3)

Adm code for county modified during the year to set threshold for SBITA. C.O. SBITA below this threshold removed. Thus reduction on LTL note but not principal reduction expend.

Donna:
These are sprint solutions, part of Paver 7 and part of vendorlink that COC did not record. These are going away for future years (last payment etc.) so no JE in TRS but just added to reconciliation here.

Donna:
Lease/SBITA modifications are included in additions in the long-term liability note but do not get recorded as lease proceeds.

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2023 ACFR- GFOA COMMENTS

Current portion- OPEB and pensions



- It is unclear why the government does not report any portion of the total pension/OPEB liability as “due in one year.” Normally, for a plan not administered through a trust, there would be a portion that is “due within one year” which would be the full amount of benefit payments expected to be paid within one year.

CAFR vs ACFR and use of expense label



- Some governments still have references to a Comprehensive Annual Financial Report or CAFR rather than an Annual Comprehensive Financial Report or ACFR.
 - Table of Contents
 - MD&A tables
- For governmental activities, the use of expenditures was still employed. In the Entity-wide statements these should be expenses.
 - MD&A tables

NP Restricted for Other Purposes



- Major categories of net position restricted for “Other Purposes” should be displayed or disclosed.

Fund Balance vs Fund Equity



- Use the term Fund Balance rather than Fund Equity in connection with governmental funds. For proprietary funds, use the term Fund Net Position rather than Fund Equity.
 - This comment related to note 1 - SSAP

Net Investment in Capital Calculation



- Differences between the statements and the notes:
 - Capital related AP or retainage amounts not picked up in the calculation.
 - Internal service fund amounts not included (primarily AP or retainage).
 - Late changes to debt disclosures not taken into account.
 - Prepaid insurance associated with the issuance of debt should not be included in the NICA.

Net Investment in Capital Calculation



- Differences between the COA application worksheet and the statements:
 - Amounts do not agree
 - ✦ Cross-footing errors on worksheet
 - Amounts not all included
 - ✦ SBITA and Leases excluded – these are capital related debt and should be included in the NICA calculation

Statement of Cash Flow issues



- Retainage Payable should be non-cash financing activity.
- The initiation of SBITA/Leases should be non-cash.

Stat table of Direct and Overlapping Debt



- Should include SBITA Payable.
- Should include Leases Payable.
- Amounts should agree to the statements and be easily traceable there.
- Information on each type of outstanding debt should be presented (financed purchases, other debt, etc.)
- Should include subtotal for direct debt, a subtotal for overlapping debt and a grant total including both.

Bond issues



- Premiums and discounts should be reported as a separate component other financing source or use.
- In a refunding transaction, payments made from sources other than refunding bond proceeds should be reported as an expenditure rather than an other financing use.

Pension/OPEB Contributions after MD



- Contributions made after the measurement date of the pension/OPEB liability but before the end of the government's reporting period will be recognized as a reduction of the net pension/OPEB liability in the subsequent fiscal period rather than the current fiscal year.

Budget issues



- The COA application should identify the legal level of control for budget purposes as well as the number of funds for which a budget was adopted.
- The information in the application must agree with disclosures in note 1.
- The information in the application must agree with actual budgeted statements presented.
- It is recommended that the Letter of Transmittal describe the legal level of budgetary control.

Assets accumulated for OPEB liability



- For a defined benefit pension/OPEB plan that is not administered through a trust or equivalent arrangement, the notes should clearly indicate the fact that there are no assets accumulated in a GASB-compliant trust.

Interfund Transfers



- Interfund transfer should net to zero unless a disparity results from a difference in fiscal year between a blended component unit and the primary government.
- ISF transfers should be reported after nonoperating revenues and expenses.
- Note disclosures on interfund transfers should include internal service funds.

Miscellaneous Items



- The applications for the COA program requires information about budgeted funds. Make sure that the COA application is updated for this information.
- A program requirement is to indicate on the report cover the state in which the government is located.
- SNP should include a subtotal for current liabilities.
- The Letter of Transmittal should address the government's citizens as well as other (program requirement)

Miscellaneous Items



- Note 1 covering significant accounting policies should disclose the specific nature of activities reported in fiduciary fund types.
- Prepaid and inventory should be included in nonspendable fund balance. (Comment related to a capital project fund.)
- Capital assets adjustments
 - Decrease in A/D greater than decrease in asset class
 - Decrease in CIP greater than increase in capital assets

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PLANNING SUGGESTIONS FOR 2025 ACFR SEASON

Leases and SBITA



- Start the request for new leases/SBITAs or modifications to existing agreements early in the process. Allow time to request additional information and perform asset/liability calculations.
- Calculations can be done even before year-end. If using Debtbooks or similar tool, input the data when agreement signed. You don't have to wait until year-end.

Compensated Absences



- Accumulate “inventory” of all benefits that fall under GASB 101.
- Make sure to consider employment contracts (such as the City Manager, etc.) or union contracts along with any negotiated changes from the prior year.
- Develop a plan of implementation early and discuss with your auditors. Document the process and your consideration of all areas impacted.
- Look for the impact on existing notes (note 1 for example) and draft new disclosures.

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**SOME WRAP UP
THOUGHTS**

Final Reminders



- Make sure to document any related Notes to Next Year now while the issues are fresh in the team's memory.
- Make changes to the ACFR now where the needed changes have been already identified.
- Prepare for compensated absence GASB 101 long before year end to allow time to gather necessary documents and allow time to evaluate them.

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Questions?