Aspects of Government Accounting

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AGENDA

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- Government Accounting and Reporting (Does it need to be different?)
- Government Accounting Internal Use Perspective
- Government Accounting - Financial Reporting
- GASB 103 - Financial Reporting Model Improvements

GOVERNMENT ACCOUNTING AND REPORTING!

Does it need to be different?

Government Accounting and Reporting

Ways governments differ from a for-profit enterprises:

I. Organizational Purpose
II. Process for Generating Revenue
III. Stakeholders and their relationship to the government
IV. Budgetary Obligations
V. Potential for Longevity

Organizational Purpose

- Enhance and/or maintain citizens well-being
- Provide public services that meet public policy goals
- Services provided without a focus on economic incentives
- Return on Investment is not a primary goal
- Financial reporting measurement not focused on profit but on meeting policy objectives/goals

Processes for Generating Revenue

- Taxes - principal source of revenue
- Taxes are a nonexchange transaction
- Businesses main revenues are exchange transactions

Stakeholders & Their Relationship to the Government

- Citizens, Governing Bodies, Creditors, Other Governments
- Provide public services that meet public policy goals
- Services provided without a focus on economic incentives
- Return on Investment is not a primary goal
- Financial reporting measurement not focused on profit but on meeting policy objectives/goals

Budgetary Obligations

- Legal significance
- Expression of public policy priorities
- Legally authorize raising of public resources
- Primary method how citizens and governance hold government's management accountable
- In Business, budgets are a management tool, controlled by management and generally is proprietary in nature

Potential for Longevity

- Governments are rarely liquidated
  - Power to tax
  - Need for public services
- Business longevity is tied directly to profitability

GOVERNMENT ACCOUNTING AN INTERNAL USE PERSPECTIVE

Government Accountants - Responsibilities

I. Budget – Preparation, Monitoring and Controls

II. Accounting: Funds, Subledgers, Reconciliations, Investment and Capital Assets Management etc.

III. “Internal Auditing”

IV. Grant Management and Reporting

V. Other – Financial Reporting, Procurement, IT, and More

Budget Preparation, Monitoring and Controls

- Legal compliance
- Accountability – tracking expenditures against approved budgets
- Identification of non-compliance or near non-compliance
- Governance tool to ensure public policy priorities

Accounting: Funds, Subledgers, Reconciliations, Investment and Capital Assets Management, etc.

- Follow state accounting system
- Set up funds and accounts for appropriate legal and management purposes
- Converting subledger activities into the general ledger
- Perform reconciliations between subledger and GL
- Perform reconciliations of various accounts: cash, investments, capital assets, receivables, revenue, etc.

Accounting: Funds, Subledgers, Reconciliations, Investment and Capital Assets Management, etc. (cont.)

- Investment activities ensuring compliance with laws and policies
- Maintain capital asset reporting including inventory and depreciation
- Debt management and reporting and related compliance
- Payroll and related activities
- Other?

“Internal Audit”

- ➢Monitoring controls
- ➢Ensuring proper approvals and policies and procedures are followed related to accounting and reporting
- ➢Investigating variances
- ➢Identification of areas for improvements
- ➢Responsibilities associated with fraud risk assessment

Grant Management and Reporting

- Compliance - Federal and State Grants
- Applying for grants
- Grant specific controls over compliance
- Maintaining financial accounting and reporting of grant activities
- Accumulation of grant information for SEFA preparation

Other – Financial Reporting, Procurement, IT, and More

- Financial Reporting – Govt. GAAP, GFOA-ACFR, and State Specific Reporting
- Procurement – Policies, “Auditing”, Knowing and Accountability
- IT – General Controls, Program Controls, Access and Authorities
- Various Regulatory Reporting (Landfill reports, County Funded Court, 911, NTD, etc.)

GOVERNMENT ACCOUNTING – FINANCIAL REPORTING

Government Accounting – Financial Reporting

Government GAAP hierarchy. Authoritative government GAAP are categorized in descending order of authority as follows:

<u>Category A</u> - Officially established accounting principles of the Governmental Accounting Standards Board (GASB) Statements.

<u>Category B</u> - GASB Technical Bulletins, GASB Implementation Guides, and literature of the AICPA cleared by the GASB.

Government Accounting – Financial Reporting

Principals of government Financial Reporting:

- Focus on public accountability not profit
- Funds: Governmental (general, special revenue, capital projects, debt service, and permanent), Proprietary (Enterprise and Internal Service), and Fiduciary (Pension, Investment, Private-purpose, and Custodial)
- Number of funds – those required by law and sound financial administration

Annual Comprehensive Financial Report (ACFR)

ACFR Components:

- Managements Discussion and Analysis (MD&A) – **GAAP Min**
- Basic Financial Statements – **GAAP Min**
  - Government Wide Financial Statements
  - Fund Financial Statements
  - Notes to the Financial Statements
- Required Supplementary Information (RSI) – **GAAP Min**
- Combining statements
- Individual fund statements and schedules for funds of the primary government (including blended component units)

Annual Comprehensive Financial Report (ACFR)

Additional ACFR Components for GFOA Certificate Program:

- Introductory Section - provides general information about the governments structure and environment.
- Statistical Section - Selected financial and demographic information, financial and debt capacity trends, and other operating information, often presented over multiple years.

Other GFOA Certificate Programs:

- Popular Annual Financial Report (PAFR)
- Budget Award

ACFR Components

- Introductory Section – Includes table of contents, and other material deemed appropriate by management
- Financial Section
  - Auditor’s report
  - MD&A
  - Basic Financial Statements
    - Government Wide – Statement of Net Position and Statement of Activities

ACFR Components

Fund Financial Statements

- Governmental Funds
  - Balance Sheet
  - Statement of revenues, expenditures, and changes in fund balance
  - Reconciliations to government wide
- Proprietary Funds
  - Statement of Net Position
  - Statement of revenues, expenses, and changes in net position
  - Statement of cash flows

ACFR Components

Fund Financial Statements

- Notes to the financial statements
- Required Supplemental Information
- Combining statements and individual fund statements and schedules

Statistical Section

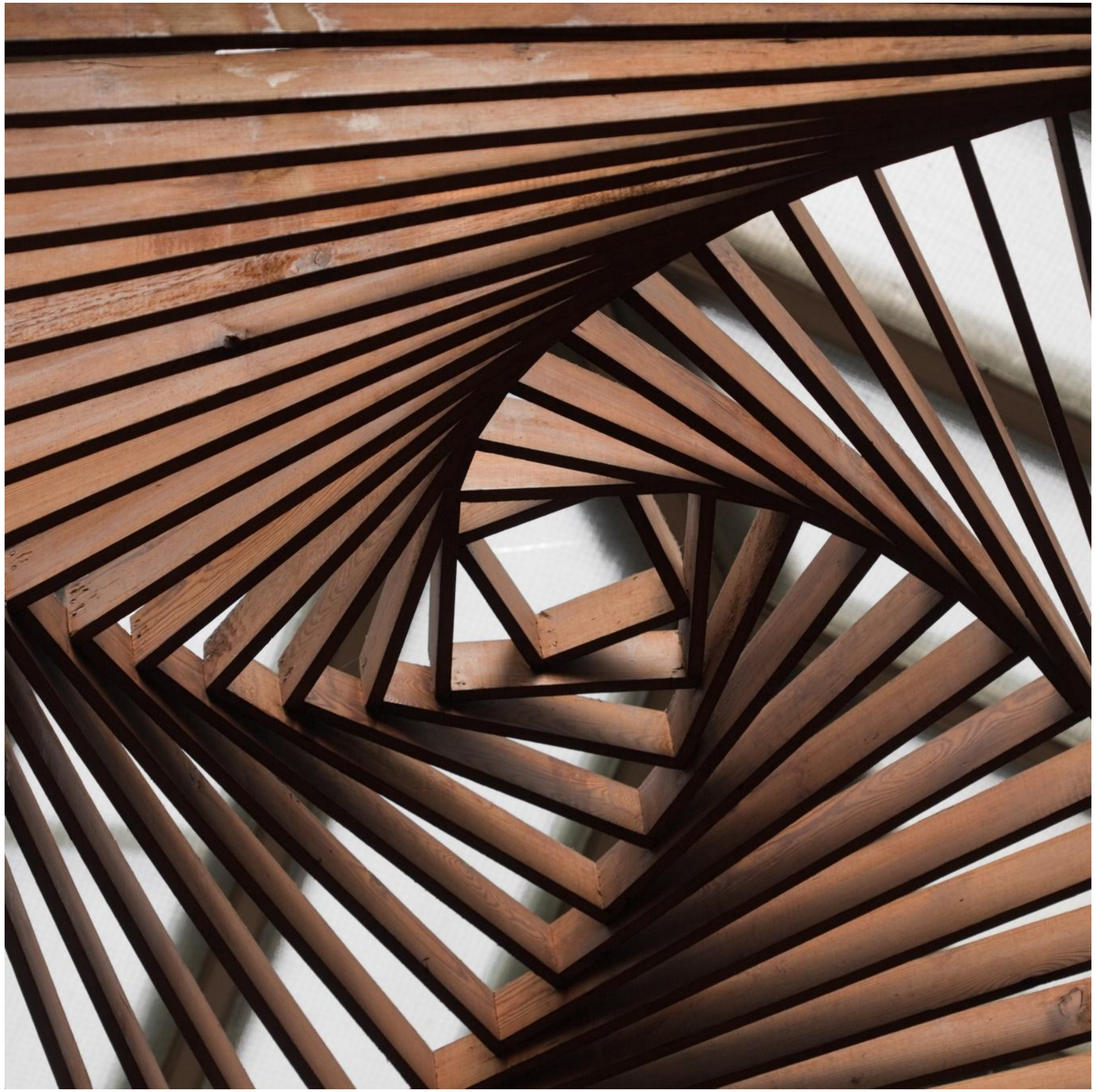
Compliance Section – single audit and other

GASB 103 – Financial Reporting Model Improvements

Effective for Fiscal Years Beginning after June 15, 2025

Components of GASB 103

1. Management’s discussion and analysis
2. Unusual or infrequent items
3. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
4. Information about major component units in basic financial statements
5. Budgetary comparison information
6. Financial trend information in the statistical section



Management Discussion and Analysis (MD&A)

5 Required Sections

- Overview of Financial Statements
- Financial Summary
- Detailed Analyses
- Significant Capital Asset and Long-Term Financing Activity
- Currently Known Facts, Decisions, or Conditions

Unusual or Infrequent Items

Transactions and other events that are unusual in nature or infrequent in occurrence.

Presentation

- Last presented item before the net change in resource flows
- Inflows and outflows should not be netted

Disclosure

- The program, function or identifiable activity to which the item is related
- Whether the item is within control of management

Proprietary Statements

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position

- New subtotal for noncapital subsidies

Operating revenues (detailed)
Total operating revenues
Operating expenses (detailed)
Total operating expenses
Operating income (loss)
Noncapital subsidies (detailed)
Total noncapital subsidies
Operating income (loss) and noncapital subsidies
Other nonoperating revenues and expenses (detailed)
Total other nonoperating revenues and expenses
Income (loss) before unusual or infrequent items
Unusual or infrequent items (detailed)
Increase (decrease) in fund net position
Fund net position—beginning of period
Fund net position—end of period

Operating and Nonoperating Revenues and Expenses

Operating	Nonoperating
Items other than nonoperating	Subsidies received and provided
	Contributions to permanent and term endowments
	Revenues and expenses related to financing
	Resources from disposal of capital assets and inventory
	Investment income and expenses

Definition
Subsidies

Subsidies are defined as follows:

- Resources received from another party or fund:
  - That the fund does not provide goods or services for
  - That directly or indirectly keep the funds’ current or future fees and charges lower than they otherwise would be
- Resources provided to another party or fund:
  - That the other party or fund does not provide goods or services for
  - That are recoverable through the proprietary funds current or future pricing policies
- All other transfers

Major Component Units

Present each major component unit separately in the statement of net position and activities

Exception: if this reduces readability, combining statements of net position and activities should be presented after the fund financial statements

Budgetary Comparison Information

Presented as RSI for the general fund and each major special revenue fund that has a legally adopted annual budget, and include the following:

- Variance between original and final budget amounts
- Variance between final budget amounts and actual results
- Notes to RSI: Explanation of significant variations between original and final budget amounts and final budget amounts and actual results

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Useful Government Accounting Resources

Useful Government Resources

- GFOA - https://www.gfoa.org
- GASB - GASB HOME
- FL Dept of Fin Services - Local Government Financial Reporting - XBRL
- FGFOA Basic Govt Resource Manual - On Line Manual – fgfoa
- Uniform Guidance (Federal Awards) - eCFR :: 2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- FL Single Audit Act - Florida Single Audit Act
- FL AG Rules - Florida Auditor General - Rules

Questions?

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Thank You!

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