



# Elevate Your ACFR

## Tips, Tools, and Techniques for Better Reporting

Presenters: Jeff Wolf, CPA & Joel Knopp, CPA

# Agenda

1. Overall Annual Comprehensive Financial Report (ACFR) Process
2. Common Errors Noted When Reviewing ACFRs and How to Avoid Them
3. Tools for Better Reporting
4. Questions and Answers

# Overall ACFR Preparation Process

- Overall view of annual financial results of state, county, municipality, school district, or other governmental entity (stand alone enterprise funds, employee retirement systems, colleges and universities, etc.)
- Must contain three overall sections
  1. Introductory Section
  2. Financial Section
  3. Statistical Section

# Introductory Section

- Table of Contents
- Letter of Transmittal
- GFOA Certificate of Achievement (if applicable)
- Organizational Chart
- List of Principal Officials
- Other material deemed appropriate by management (optional)

# Letter of Transmittal

## Common Errors

- Incorrect date
- Redundant information
- Outdated terminology

## How to Avoid

- Date no earlier than the date of the independent auditor's report
- Refrain from duplicating information in MD&A and Notes to Financial Statements
- Reference unmodified opinion rather than unqualified

# Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI) and related notes
- Supplementary Information
  - Combining & Individual Fund Statements & Schedules
  - Other Supplementary Information

# Management's Discussion & Analysis (MD&A)

- Must include ONLY the following items:
  - Overview of the financial statements
  - Financial summary
  - Detailed analysis
  - Significant capital asset and long-term financing activity
  - Current known facts, decisions, or conditions

# Management's Discussion & Analysis (MD&A)

## Common Errors

- Quantifying the \$ and % variances without explaining the “Why?”
- Not explaining significant changes in major funds and government-wide
- Lack of 2/3-year comparative data
- Amounts do not agree with the amounts reported elsewhere within the ACFR.
- Not including currently known facts, decisions and conditions significantly affecting financial position or results of operations

## How to Avoid

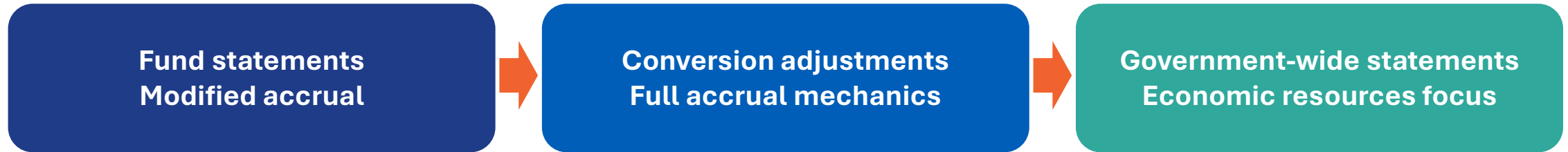
- Analysis of the underlying reasons for the significant changes
- Significant changes in fund balances of major funds and net position of government-wide should be explained
- MD&A should always have one year more than BFS
  - Comparative BFS means 3-year MD&A
- Complete MD&A numbers last and review for any “late” entries
- Everything occurring between fiscal year end and the date of the auditor’s opinion is fair game – focus on things that have actually happened

# Basic Financial Statements (Component of Financial Section)

- Government-wide financial statements
- Fund financial statements (as applicable)
  - Governmental fund financial statements
  - Proprietary fund financial statements
  - Fiduciary fund financial statements
- Notes to the basic financial statements
  - Summary of significant accounting policies (SSAP)
  - Other note disclosures

# What entity-wide conversion is

From modified accrual reporting to the government-wide view



**Governmental funds focus on current financial resources and near-term accountability**

**Government-wide statements present the broader economic picture, including long-term assets and liabilities**

**The conversion translates information from one basis to another; it does not replace the underlying fund records**

# Recommended workflow

A sequence that makes the conversion easier to execute and easier to review

1

## Close and tie out the funds

Finalize the governmental fund trial balances and resolve errors before conversion work starts.

2

## Refresh supporting schedules

Update capital assets, debt, compensated absences, pensions/OPEB, and interfund schedules.

3

## Prepare conversion entries

Move modified accrual balances to the full accrual basis using documented support.

4

## Build statements and bridges

Prepare the government-wide statements and the required reconciliations.

5

## Perform final review

Tie everything back to support and confirm disclosures align with the final balances.

# Core adjustment categories

Breaking the process into repeatable components

## Capital assets

Capitalize outlays, remove disposals, and record depreciation/amortization.

## Long-term debt

Record obligations, interest accruals, and any premium or discount effects.

## Accruals / deferrals

Add items not fully reflected in modified accrual reporting.

## Interfund activity

Eliminate internal balances and transfers within governmental activities.

## Internal service funds

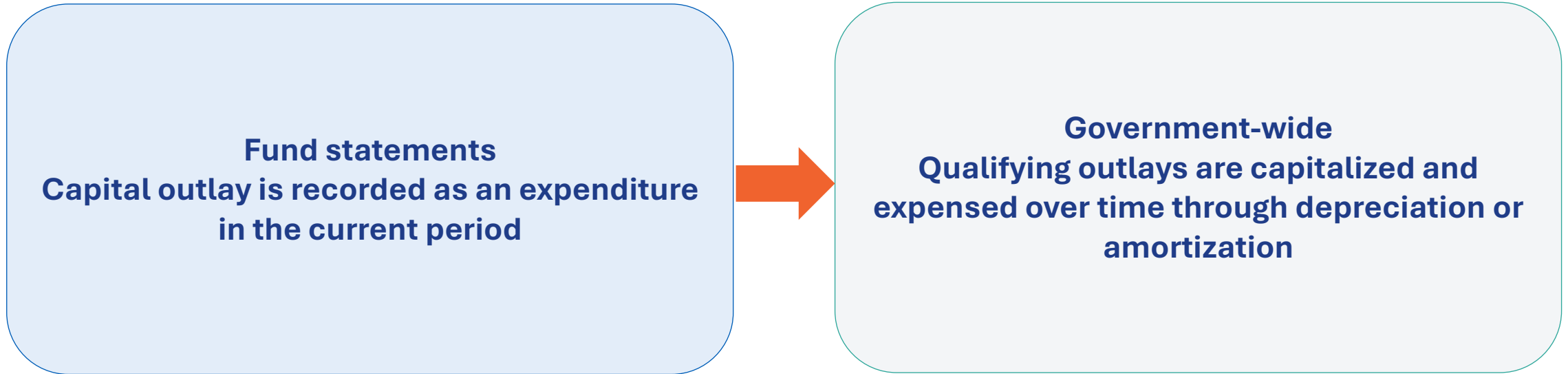
Evaluate allocation or consolidation into governmental activities.

## Reconciliations

Bridge the gap from fund balance to net position and change in fund balance to change in net position.

# Capital assets — concept first

How to explain the difference in a client-friendly way



## Key message

The immediate expenditure in the funds becomes a long-term asset in the government-wide view.

The focus shifts from current spend to useful life.

# Capital assets — sample entry and numeric example

Illustrative only; actual account structure may differ by client

## Illustrative entry

Dr Capital Assets  
Cr Expenditures — Capital Outlay  
Dr Depreciation Expense  
Cr Accumulated Depreciation

## Numeric example

Fund statements: \$5,000,000 capital outlay recorded as current-period expenditure

Government-wide: \$5,000,000 capital asset recorded

If useful life is 20 years, annual depreciation would be \$250,000

Result: the government-wide view recognizes a long-term asset and a smaller current-period expense

# Long-term debt — concept and sample entries

Why proceeds and principal behave differently in the government-wide view

## Concept

Debt proceeds are not revenue in the government-wide view

Principal payments reduce the liability rather than create expense

Interest is recognized when incurred, not only when paid

## Illustrative entries

Dr Other Financing Sources

Cr Bonds Payable

Dr Bonds Payable

Cr Expenditures — Debt Service

Dr Interest Expense

Cr Accrued Interest Payable

# Accruals, deferrals, and internal items

The schedule-driven areas that often create late-cycle stress

## Accruals / deferrals

Compensated absences

Claims and judgments, when applicable

Pension and OPEB-related balances and deferrals

Other accrued liabilities not normally expected to be liquidated with current resources

Illustrative entry: Dr Expense / Cr Compensated Absences Liability

## Internal items

Eliminate due from / due to balances that are internal to governmental activities

Eliminate transfers in and transfers out

Evaluate internal service fund balances for allocation or consolidation

Illustrative entries: Dr Due to Other Funds / Cr Due from Other Funds and Dr Transfers In / Cr Transfers Out

# Full conversion walkthrough

A single scenario that connects the fund statements to the government-wide result

## Step 1 Fund statements

- Revenues: \$10,000,000
- Expenditures: \$9,500,000
- Includes \$2,000,000 capital outlay
- Includes \$1,000,000 debt principal
- Change in fund balance: \$500,000

## Step 2 Key adjustments

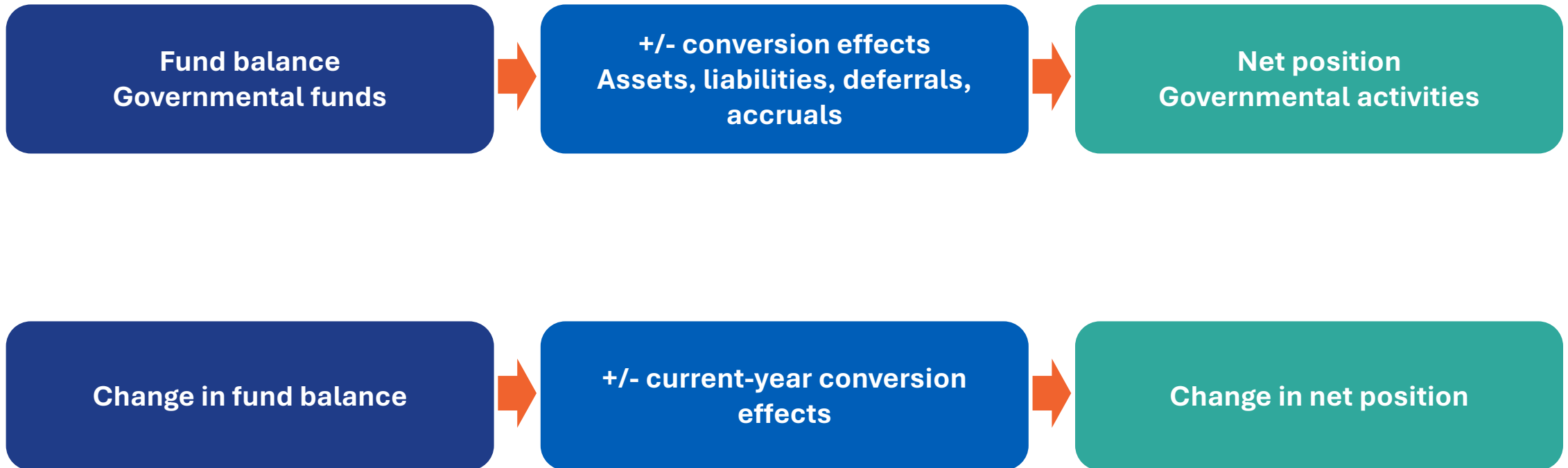
- Remove capital outlay and capitalize the asset
- Record depreciation: (\$200,000)
- Remove debt principal from expense: +\$1,000,000
- Record accrued interest: (\$150,000)

## Step 3 Government-wide

- Start with change in fund balance: \$500,000
- Add capital outlay removed: +\$2,000,000
- Less depreciation: (\$200,000)
- Add debt principal removed: +\$1,000,000
- Less accrued interest: (\$150,000)
- Illustrative change in net position: \$3,150,000

# Bridges and reconciliations

Use the required reconciliations as both explanation and quality control



# Where clients commonly get stuck

Practical pitfalls and how to reduce them

Pitfall	Root cause	Best response
Converting before fund balances are final	Timing	Finish close and tie-outs before conversion work
Incomplete capital asset or debt schedules	Support	Refresh rollforwards early and reconcile them
Using conversion entries to fix errors	Process	Resolve fund-level errors separately
Missing accruals or deferrals	Inputs	Update actuarial / HR / debt support before final entry prep
Not reconciling interfund activity	Discipline	Reconcile internal balances before eliminations
Building bridges at the end	Review gap	Use reconciliations throughout the process

# Client takeaway checklist

A practical list to use before close, during conversion, and before final review

- ✓ Governmental fund trial balances are closed and tied out
- ✓ Capital asset rollforward is complete and reconciled
- ✓ Debt, lease, and SBITA schedules are updated
- ✓ Compensated absences and other long-term liabilities are refreshed
- ✓ Pension and OPEB support has been updated
- ✓ Interfund balances and transfers are reconciled
- ✓ Internal service fund impact has been evaluated
- ✓ Government-wide statements tie to the conversion workbook
- ✓ Reconciliations explain the final results clearly
- ✓ Related note disclosures align with final balances

# Pensions/OPEB Reporting on Statement of Net Position – Net or Gross?

## Common Errors

- Deferred Inflows/Outflows presented incorrectly as net and/or gross
- Netting the net pension liability and the net pension asset on the statement of net position when a government participates in multiple pensions.
- Current portion of OPEB liability

## How to Avoid

- Inflows/Outflows
  - Present Gross:
    - Differences between expected and actual economic experience
    - Changes in actuarial assumptions
    - Changes in proportionate share
  - Present Net:
    - Differences between projected and actual investment earnings
- Each pension plan should be kept separate, so as to not understate the liability or assets

# Net Investment in Capital Assets

## Common Errors

- Calculation often consists of only net capital assets less capital related capital debt
- Incorrect terminology – Invested in Capital Assets, Net of Related Debt

## How to Avoid

- Calculation should also include:
  - Right to use assets and lease liabilities
  - Deferred gains/losses on refunding
  - Retainage payable
  - Construction accounts payable
- Exclude from calculation:
  - Interfund loans
  - Noncapital accrued liabilities
  - Accrued interest payable

# Incorrect Conversion from Accrual to Cash Basis



- Accrual to Cash Conversion Errors
  - Incorrectly converting accrual-based figures to cash basis leads to misstated operating cash flows and inaccurate reports.
- Impact of Working Capital Changes
  - Failing to adjust for accounts receivable, payables, and inventory changes causes overstated or understated cash flows.
- Need for Systematic Reconciliation
  - Accurate cash flow requires systematic reconciliation of accounts and verification against supporting documents.
- Importance of Internal Controls
  - Strong internal controls and detailed workpapers reduce risks of calculation errors in the direct method.



# FAILURE TO PRESENT MAJOR CLASSES OF CASH FLOWS

## Cash Flow Requirements

Direct method mandates presenting major classes of gross cash receipts and payments separately to increase transparency and compliance.

## Common Presentation Errors

Aggregating or netting cash flows reduces transparency and complicates understanding of operating cash flow structure.

## Improving Cash Flow Tracking

Implementing granular tracking processes helps ensure compliance and enhances financial information utility for stakeholders.



# ISSUES IN RECONCILING OPERATING INCOME TO CASH FLOW

## **Common Reconciliation Errors**

Errors include missing reconciling items, incorrect adjustments, and amounts not aligning with balance sheet changes.

## **Importance of Inclusion**

Items included in operating income but classified differently in cash flow must be adjusted to avoid discrepancies.

## **Impact on Financial Reliability**

Incorrect reconciliation undermines statement reliability and raises audit concerns due to mismatched financial data.

## **Ensuring Accuracy**

Regular reviews and cross-checking with supporting schedules improve completeness and accuracy of reconciliations.



# IMPROPER INCLUSION OF NONCASH ITEMS

## Noncash Items Exclusion

Depreciation and amortization do not involve cash and must be excluded from cash flow statements.

## GASB Disclosure Requirements

Significant noncash investing and financing activities should be disclosed separately in notes or schedules.

## Common Errors & Solutions

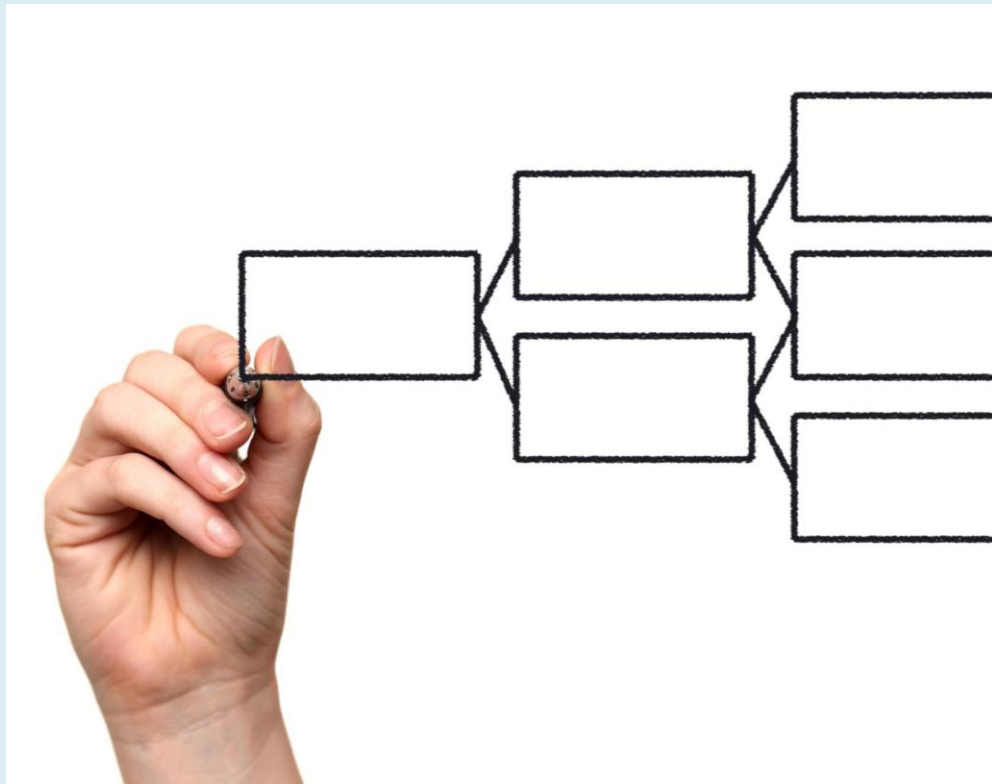
Including noncash items distorts cash flows; clear procedures ensure accurate exclusion and compliance.

# Misclassification of Interfund Transactions



- Common Classification Errors
  - Misclassifying interfund services, transfers, or reimbursements leads to inaccurate cash flow reporting and reduced transparency.
- Impact of Netting Transactions
  - Netting interfund inflows and outflows hides true cash flow details and violates proper reporting standards.
- Need for Clear Guidelines
  - Organizations must establish clear guidelines and train staff to correctly classify interfund transactions and follow GASB standards.

# CLASSIFICATION CHALLENGES WITH SUBSIDIES



## **Misclassification of Subsidies**

Operating subsidies are often misclassified as operating cash inflows instead of noncapital financing activities, skewing performance analysis.

## **Complexity and Judgment**

Classifying subsidies requires careful analysis of purpose and restrictions, demanding significant judgment from preparers.

## **Impact of Inconsistent Policies**

Inconsistent application of classification policies across periods causes confusion and reduces financial statement comparability.

## **Improving Classification Practices**

Clear criteria, personnel training, and documentation improve consistency and reliability in subsidy classification.

# Errors in Defining and Reporting Cash Balances



- Misunderstanding Cash Equivalents
  - Errors arise from incorrect inclusion or exclusion of short-term investments due to confusion over cash equivalents definition.
- Policy Inconsistency Issues
  - Inconsistent application of entity policies on cash equivalents causes discrepancies between financial statements.
- Reconciliation and Accuracy
  - Ensuring ending cash balances tie to financial statements requires thorough reconciliations and clear policies.

# FAILURE TO RECONCILE ACROSS FINANCIAL STATEMENTS

## Reconciliation Importance

- Financial statements must be internally consistent and reconcile to ensure report reliability and accuracy.



## Common Errors in Reconciliation

- Errors arise from calculation mistakes, omissions, or unreflected adjustments between statements.



## Mitigating Tie-Out Errors

- Implement review processes, cross-checking, automated tools, and standardized templates to reduce errors.



# Major Fund Reporting

## Common Errors

- Not reporting a major fund when it meets the criteria for major fund status
- Not clearly identifying which funds are major
- Not updating the major fund determination on an annual basis as well as before issuance, to ensure status hasn't changed
- Not including deferred inflows and deferred outflows when calculating major funds

## How to Avoid

- Major Fund Reporting – must present fund as major if it meets both the 10% & 5% tests
- Include deferred outflows with assets and deferred inflows with liabilities
- Do not include transfers with revenues and expenses/expenditures
- Threshold applies to final numbers reported in fund financial statements
- Reapply test every year
- Can present calculated non-major funds as major (only when notating this fund has been designated as major or that it is a non-major fund)

# Statistical Section

Multi-year tables presenting:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic & economic information
- Operating information

# Statistical Section

- Debt Capacity schedules should include premiums/discounts
- Debt Service as a Percentage of Noncapital Expenditures should use the capital outlay amount from the modified accrual/accrual reconciliation
- Include all governmental activities' debt for the direct debt in the direct and overlapping debt statistical table
- Ratio of general bonded debt per capita should focus on net bonded debt rather than total bonded debt
- Debt not to be repaid with general government resources should not be included in the net general obligation debt schedule
- Identify all sources for information not contained in the financial statements, notes, or RSI

# Internal Consistency

- Data consistency throughout report – Amounts should be easily traceable from one statement/schedule to the next
  - MD&A to basic financial statements
  - Fund financial statement reconciliations to GW financial statements
  - Net position/fund balance across all basic financial statements
  - Cash flows to operating statement
  - Notes to financial statements to basic financial statements
  - RSI to basic financial statements
  - Supplementary information to basic financial statements
  - Statistical financial trend data to basic financial statements

# Common Reporting Deficiencies

- Outdated Terminology

<b>Incorrect Term</b>	<b>Correct Term</b>
Market value	Fair value
Prior period adjustment	Accounting changes and error corrections
Agency fund	Custodial fund
Fixed assets	Capital assets
Fund equity/Net assets	Fund balance/Net position
Capital leases	Leases
Leased assets	Lease assets
Capitalized leases	Financed purchase

# Common Reporting Deficiencies

- Intangible Right-to-Use Assets are Capital Assets
  - The caption for intangible right-to-use assets (such as lease assets, PPP assets, subscription assets) should either be indented under the caption for capital assets or be identified as capital assets in the same manner as the other 'capital assets, net of accumulated depreciation' and 'capital assets not being depreciated.' The intangible right-to-use assets should be presented in a way that makes it clear that they are capital assets.

# Common Reporting Deficiencies

- Restricted assets but no restricted net position or vice versa
- Net Pension/OPEB assets are restricted
  - Should not include any deferrals
- Issuance of debt in the financial statements do not agree to disclosures
- It is unclear why a decrease in accumulated depreciation /amortization would not accompany a decrease in the amount reported for a given class of depreciable capital assets.

# Using ACFR Prep Software

A Streamlined Process

Web-based software that allows for multiple users to prepare an Annual Comprehensive Financial Report (ACFR) at once

Streamlines production by linking the financial statements to other areas of the ACFR such as MD&A, notes, etc.

Automatic changes & updates are made in real time for all users to see

# Advantages of Utilizing ACFR Prep Software



Uses purpose-built software for creating financial statements rather than spreadsheets






Increases collaboration since multiple users can work on the report at once



Designed to streamline government financial reporting making it easy to learn

# Advantages of Utilizing ACFR Prep Software

-  Streamlines production by linking the financial statements to other parts of the ACFR or Annual Financial Report (MD&A, notes, stats, etc.) along with updates made in real time
-  Access to support team who is knowledgeable of TRS & has worked on hundreds of ACFRs, Annual Financial Reports, etc.
-  Creates efficiency gains with the overall audit process, including a project management tool to keep track of report progress & allows for assignments & due dates

# ACFR Review Process



## Streamlining ACFR Preparation

AI embeds intelligent automation in Excel to speed up ACFR preparation and reduce manual errors.

## Enhancing Accuracy and Consistency

Automatic validation and consistency checks help minimize costly audit adjustments and improve confidence in the report.

## Improving Collaboration and Documentation

Clear documentation of validation steps supports better teamwork between preparers and reviewers in the ACFR process.

## Transforming Review Process

AI transforms the review from a reactive task into an efficient, proactive system for higher-quality reports.

# Key Difficulties in ACFR Preparation and Review



## **Complex Document Structure**

ACFRs include multiple interconnected sections that must be internally consistent, making preparation complex and detail-oriented.

## **Reconciliation Challenges**

Finance teams struggle to reconcile figures across sections ensuring the financial story is accurate and consistent.

## **Revision and Consistency Issues**

Multiple revisions introduce risks of inconsistencies, outdated data, and formatting errors across ACFR drafts.

## **Need for Automation Tools**

Automated validation and real-time discrepancy detection tools reduce errors, workload, and review time.

# Overview of Functionality for Finance Teams



## **Seamless Workflow Integration**

AI integrates into existing Excel workflows without major changes or steep learning curves for finance teams.

## **Automated Accuracy Validation**

The tool automatically checks totals, cross-footing, and identifies discrepancies within financial statements to ensure accuracy.

## **Cross-Referencing Documentation**

Links Excel data to supporting PDFs and reports, ensuring transparency and traceability of financial information.

## **Version Comparison and Flagging**

Allows quick comparison of document versions and flags inconsistencies across sections to detect mismatches efficiently.

# Direct Benefits to ACFR Preparation



## **Reduction in Audit Comments**

Early error detection helps minimize audit comments and findings, leading to smoother audits.

## **Accelerated Reporting Timelines**

Automation of checks reduces rework and speeds up the timeline from draft to final report issuance.

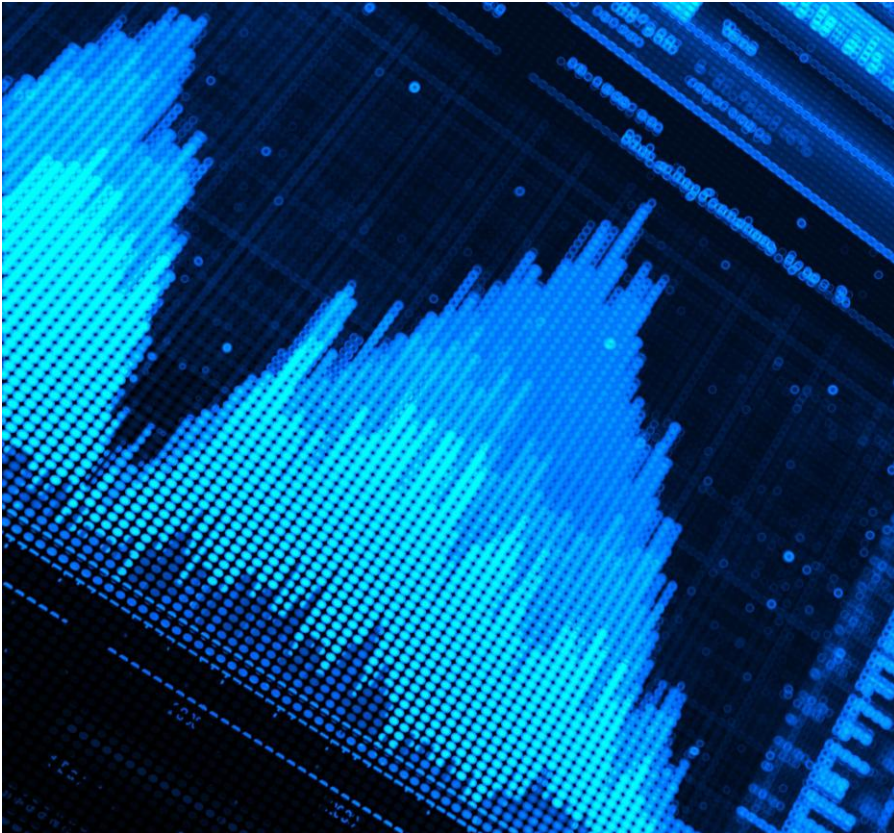
## **Increased Data Accuracy and Confidence**

Validated mathematical accuracy and consistency boost team confidence in financial data integrity.

## **Enhanced Collaboration and Quality**

Improved workflows foster collaboration and help meet standards for certifications like GFOA.

# Example of AI in ACFR Review



## **Early Issue Detection**

AI identifies multiple issues early, preventing delays and audit findings during ACFR review.

## **Inconsistency Summarization**

The tool summarizes mathematical, spelling, and formatting inconsistencies to improve report quality.

## **Proactive Error Correction**

Insights from AI enable finance teams to prioritize and correct errors proactively.

## **Enhanced Review Efficiency**

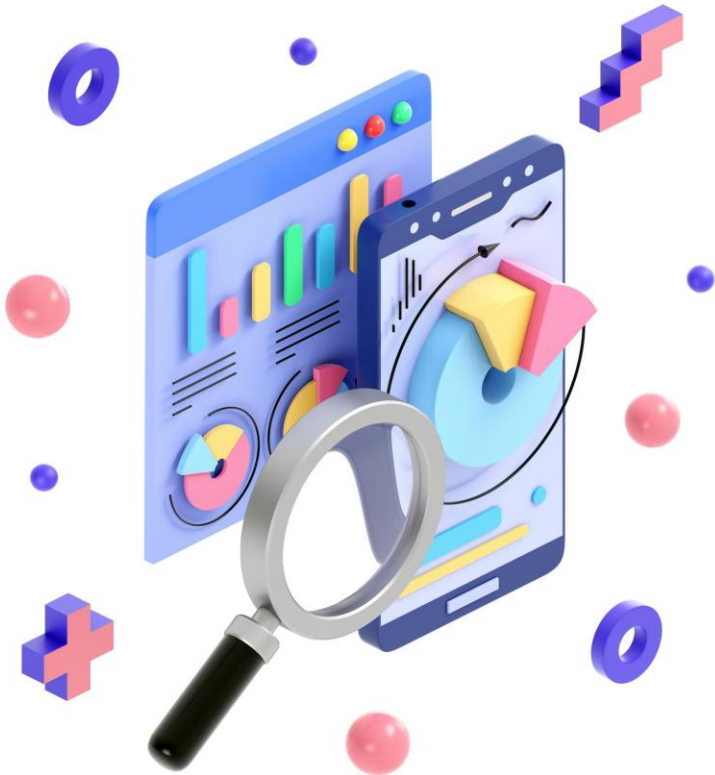
Automation reduces manual scanning, improving efficiency and decision-making in financial reviews.

# Automated Validation of Calculations



- Automation of Calculation Checks
  - AI automates the verification of totals and flags mismatched values to reduce manual errors.
- Visual Indicators for Accuracy
  - The tool uses visual cues to highlight validated numbers versus discrepancies for easy review.
- Efficiency and Confidence Boost
  - Automation saves time and improves confidence in financial data integrity under tight deadlines.

# Ensuring Data Consistency Across the ACFR



- Cross-Referencing Financial Data
  - AI automatically cross-references amounts across MD&A, financial statements, and notes to ensure consistency.
- Error Reduction and Efficiency
  - Automated discrepancy detection reduces manual errors and enhances efficiency in large financial documents.
- Improved Credibility and Validation
  - Consistent data across reports boosts audit credibility and supports stakeholder confidence.
- Focus on Analysis and Presentation
  - Streamlined consistency checks allow finance teams to prioritize data analysis over reconciliation tasks.

# Validating Comparative Data



## **Prior-Year Data Comparison**

Ensuring current figures align with previously issued financial statements maintains report consistency.

## **Automated Discrepancy Detection**

Automation identifies updates, rounding errors, and data entry mistakes to quickly flag mismatches.

## **Improved Financial Accuracy**

Timely correction of errors enhances transparency and trust in financial reporting among stakeholders.

## **Efficiency for Finance Teams**

Automation reduces manual effort and increases confidence in financial data integrity.

# Managing Multiple Drafts Efficiently



- Multiple Draft Challenges
  - Managing multiple drafts involves tracking updates, corrections, and new information, which is time-consuming manually.
- Automated Version Comparison
  - AI automatically identifies insertions, deletions, and modifications between document versions efficiently.
- Improved Review Accuracy
  - Clear visualization of changes reduces the risk of overlooking revisions and ensures thorough review during final preparation.
- Export and Transparency
  - Exporting comparison results enhances transparency and documentation for audit and compliance purposes.

## Improving Documentation and Audit Readiness



### **Enhanced Documentation Transparency**

Linking financial data to evidence creates a clear, traceable audit trail improving transparency and communication.

### **Streamlined Review Process**

Summaries of findings and validations simplify understanding, reducing follow-up questions and speeding audits.

### **Improved Professionalism and Compliance**

Consistent presentation of findings enhances professionalism and supports compliance with reporting standards.

### **Efficiency for Finance Teams**

Better documentation reduces auditor inquiries, enabling finance teams to focus on delivering quality reports.

# Transformation of the ACFR Process



- Automation of Manual Checks
  - AI automates tedious manual checks, increasing speed and reducing human error in ACFR preparation.
- Early Issue Identification
  - Early detection of discrepancies reduces audit findings and minimizes costly rework in financial reviews.
- Improved Collaboration and Documentation
  - Enhanced collaboration and clear documentation provide visibility and streamline the review workflow.
- Enhanced Efficiency and Confidence
  - Finance teams experience fewer delays, less stress, and greater confidence in reporting quality.

# Summary and Call to Action



## Automation Benefits

Automation improves accuracy by validating math, consistency, and version control in financial reports.

## Efficiency and Collaboration

Enhanced documentation and transparency enable efficient, collaborative review processes within finance teams.

## Competitive Advantage

Using innovative tools helps organizations meet transparency demands and gain competitive advantages.

## Call to Action

Finance teams are encouraged to adopt AI to enhance ACFR processes and deliver higher-value reporting.



Questions?

# Contact

## Forvis Mazars

### Jeff Wolf

Partner

P: 813.421.9299

[Jeff.Wolf@us.forvismazars.com](mailto:Jeff.Wolf@us.forvismazars.com)

### Joel Knopp

Partner

P: 407.740.544

[Joel.Knopp@us.forvismazars.com](mailto:Joel.Knopp@us.forvismazars.com)

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by Forvis Mazars or the author(s) as to any individual situation as situations are fact-specific. The reader should perform their own analysis and form their own conclusions regarding any specific situation. Further, the author(s)' conclusions may be revised without notice with or without changes in industry information and legal authorities.

© 2026 Forvis Mazars, LLP. All rights reserved.