

# Common Reporting Deficiencies and Best Practices

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# Common Reporting Deficiencies



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

- ▶ New name change. The report is now referred to as an Annual Comprehensive Financial Report
  - ▶ Use the term ACFR now
- ▶ Make sure to make changes in this reference in the Transmittal Letter, Management Discussion, etc.



# GFOA Comments Example

## **Certificate of Achievement for Excellence in Financial Reporting Detailed Listing of Comments and Suggestions for Improvement**

|  
**Member ID:**  
**Report #:**

**112 - Note disclosure (other than the SSAP and pension-related disclosures)**

**Comment Number: 1921**

Pages 58 and 59.

The term "fair value" should be used in place of "market value." [GASB-S31: 7; GAAFR, page 352]

**Comment Number: 2983**



# Association of School Business Officials (ASBO) Comments Example



June 3, 2021

**CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING  
REVIEW COMMENTS**

**ANY SCHOOL DISTRICT  
ANY STATE  
For the Fiscal Year Ended June 30, 2020**

It is the consensus of the Review Team to award the Certificate of Excellence (COE). The District is to be commended for its efforts. The Comprehensive Annual Financial Report is of high quality.

**PAGE  
REFERENCE**

**COMMENTS**

**FINANCIAL SECTION**

- |        |   |
|--------|---|
| Note 1 | 1. The Summary of Significant Accounting Policies (SSAP) should disclose the method used to report prepaid items in governmental funds (i.e., consumption or purchases method) (GASBS 62: 93; 2012 GAAFR, pages 323-324; <u>eGAAFR</u> , page 462). |
|--------|---|



# Introductory Section

- ▶ Table of Contents is NOT a part of the Introductory Section
  - ▶ This one does not always get reported back in the comments

<b>UNION COUNTY, OHIO</b>	
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2020	
TABLE OF CONTENTS	
Table of Contents .....	i-v
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	vii-x
Certificate of Achievement for Excellence in Financial Reporting .....	xi
Principal Officials .....	xii
Organizational Chart .....	xiii
Duties and Responsibilities of the County Auditor .....	xiv



## Introductory Section (cont.)

- ▶ Population (city/county) or enrollment (schools) and other amounts that are reported in the transmittal letter should match the amount reported in the Statistical Section
- ▶ Transmittal Letter for schools should also discuss projected enrollment and age of school buildings



# Introductory Section (cont.)

In 2012, the School District opened five new elementary schools, providing students with a great, safe learning environment with updated technologies and securities. Student enrollment has been stable for several years and is projected to remain so in future years. For the fiscal year ended June 30, 2020, the School District had an enrollment of **4,092 students**.

Year	Population (1)	Per Capita Income (1)	Personal Income (1)	School Enrollment (2)	Unemployment Rate Greene County (3)
2011	25,915	\$ 19,196	\$ 497,464,000	4,761	7.3%
2012	25,983	19,846	515,659,000	4,590	6.4%
2013	25,879	19,890	514,733,000	4,444	6.2%
2014	25,911	20,508	531,383,000	4,303	4.2%
2015	25,976	20,508	532,715,808	4,219	4.6%
2016	25,719	20,508	527,445,252	4,264	4.5%
2017	26,238	21,029	551,758,902	4,234	4.3%
2018	26,562	21,867	580,831,254	4,330	3.8%
2019	26,193	23,206	607,834,758	4,243	4.0%
2020	26,947	23,412	630,883,164	<b>4,092</b>	8.7%





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

- ▶ All sufficient variances between CY and PY should be explained
  - Explanation of the “why” not just “what”
    - ▶ Entity Level
    - ▶ Fund Level
    - ▶ Budgetary Level
- ▶ Simply explaining the amount of the change is not in accordance with the Standards. Must provide “reasons” for the change (GASB 34 par. 10(c) )
  - Example of not meeting standards: “Taxes increased \$500,000 or 20% over the prior year”.
  - Example of meeting the standards: “Taxes increased \$500,000 or 20% over the prior year due to the passage of a new 5 mil tax levy by the voters in the prior year to retire debt issued for a new building.



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

- ▶ Fund analysis should be provided for the general fund and all other major funds
- ▶ General Fund Budgetary Analysis should include:
  - Original vs Final Budgets (Revenue and Expenditures)
  - Final Budget vs Actual (Revenue and Expenditures)
  - Significant changes/variances explanations
- ▶ Amounts need to reconcile to the Financial Statements
- ▶ Description of significant capital asset “activity” during the year
  - Significant changes/variances explanations
- ▶ Description of significant long-term debt “activity” during the year
  - Significant changes/variances explanations



# Basic Financial Statements

- ▶ Capturing “direct” or pass-through payments to vendor (including budgeting)
  - OWDA
  - OPWC
  - ODOT
- ▶ Budgetary statements reporting incorrect budget amounts
- ▶ Recording transactions as net instead of gross
  - Property taxes
  - State foundation
  - Debt issuance
- ▶ Proper assignment of general revenues vs program revenues on the statement of activities
  - Program Revenues - Some functional programs are directly financed, in whole or in part, by resources other than taxes and other general revenues. GAAP require that such program revenues be presented separately on the face of the statement of activities.
  - General Revenues - All revenues that do not qualify as program revenues should be reported as general revenues, even taxes whose use is limited to certain functions (e.g. road maintenance)



	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 66,979,662	\$ 1,479,876	\$ 203,946	\$ -	\$ (65,295,840)
Special . . . . .	22,781,914	411,885	9,500,951	-	(12,869,078)
Vocational . . . . .	652,378	-	579,528	-	(72,850)
Other . . . . .	4,255,868	-	810,493	-	(3,445,375)
Support services:					
Pupil . . . . .	9,488,568	-	815,356	-	(8,673,212)
Instructional staff . . . . .	6,671,881	63,075	444,403	-	(6,164,403)
Board of education . . . . .	617,358	-	-	-	(617,358)
Administration . . . . .	9,578,284	608	95,295	-	(9,482,381)
Fiscal . . . . .	2,315,087	468	-	-	(2,314,619)
Business . . . . .	482,230	-	-	-	(482,230)
Operations and maintenance . . . . .	12,583,473	438,968	14,832	156,272	(11,973,401)
Pupil transportation . . . . .	5,850,116	-	485,982	-	(5,364,134)
Central . . . . .	1,417,976	-	1,675	-	(1,416,301)
Operation of non-instructional services:					
Food service operations . . . . .	5,333,992	2,420,305	2,216,359	-	(697,328)
Other non-instructional services . . . . .	61,253	3,948	14,978	-	(42,327)
Extracurricular activities . . . . .	3,109,249	1,099,989	106,441	-	(1,902,819)
Interest and fiscal charges . . . . .	3,146,618	-	-	-	(3,146,618)
<b>Total governmental activities . . . . .</b>	<b>\$ 155,325,907</b>	<b>\$ 5,919,122</b>	<b>\$ 15,290,239</b>	<b>\$ 156,272</b>	<b>(133,960,274)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	38,328,520
Debt service . . . . .	10,399,798
Facility maintenance . . . . .	419,712
Payments in lieu of taxes . . . . .	585,391
Income taxes levied for:	
General purposes . . . . .	18,329,653
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	54,808,227
Miscellaneous . . . . .	1,746,880
	107,991
<b>Total general revenues . . . . .</b>	<b>124,726,172</b>
Change in net position . . . . .	(9,234,102)
<b>Net position (deficit) at beginning of year . . . . .</b>	<b>(18,962,923)</b>
<b>Net position (deficit) at end of year . . . . .</b>	<b>\$ (28,197,025)</b>



# Basic Financial Statements

- ▶ Proper identification and reporting of grants receivable as it pertains to revenue recognition (GASB 33 and GASB 34). Also, AOS Bulletin 2001-004
  - Non-reimbursable vs Reimbursable Grants
- ▶ Capturing of Capital Asset additions and disposals
- ▶ Capturing of Accounts/Contracts/Retainage Payables
- ▶ Pension and OPEB liabilities should be reported as a subset (i.e., indented beneath) “noncurrent liabilities due in more than one year;” there is no current portion (a.k.a., portion due within one year)
  - Exception: If a OPEB plan’s net position < benefit payments expected to be paid within one year
- ▶ Separately report net pension assets and net pension liabilities as well as net OPEB assets and net OPEB liabilities (no netting)



# Basic Financial Statements - Retainage Payable example

## CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.  
Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM	\$	466,143.00
2. Net change by Change Orders	\$	0.00
3. CONTRACT SUM TO DATE (Line 1 ± 2)	\$	466,143.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)	\$	461,717.26
5. RETAINAGE:		
a. 8 % of Completed Work (Column D + E on G703)	\$	36,937.38
b. 0 % of Stored Material (Column F on G703)	\$	
Total Retainage (Lines 5a + 5b or Total in Column I of G703)	\$	36,937.38
6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)	\$	424,779.88
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$	372,507.91
8. CURRENT PAYMENT DUE	\$	52,271.97
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)	\$	41,363.12



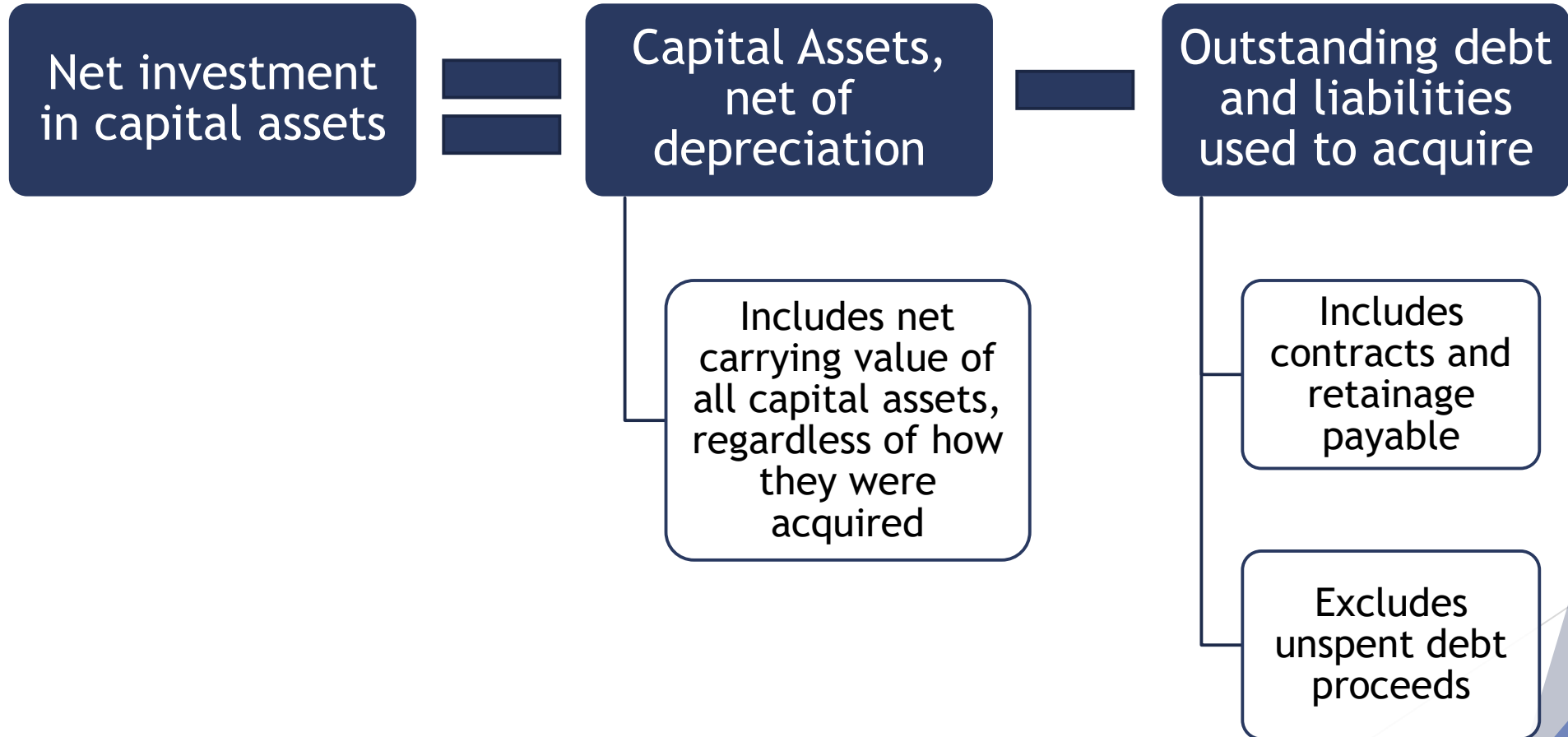
# Pension/OPEB Example

Net pension asset . . . . .	106,217	3,072	109,289
Assets held for resale . . . . .	-	-	-
Net OPEB asset . . . . .	68,594	-	68,594
Internal balance . . . . .	35,649	(35,649)	-
Capital assets:			
Nondepreciable capital assets . . . . .	5,291,118	62,433	5,353,551
Depreciable capital assets, net. . . . .	37,775,480	9,132,920	46,908,400
Total capital assets, net. . . . .	<u>43,066,598</u>	<u>9,195,353</u>	<u>52,261,951</u>
Total assets . . . . .	<u>152,809,331</u>	<u>11,724,413</u>	<u>164,533,744</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding . . . . .	79,443	-	79,443
Pension . . . . .	11,984,641	402,736	12,387,377
OPEB . . . . .	1,491,233	82,481	1,573,714
Total deferred outflows of resources . . . . .	<u>13,555,317</u>	<u>485,217</u>	<u>14,040,534</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	1,173,324	111,854	1,285,178
Contracts payable. . . . .	347,696	-	347,696
Retainage payable . . . . .	2,414	-	2,414
Accrued wages and benefits payable . . . . .	622,286	21,379	643,665
Due to other governments . . . . .	605,227	19,811	625,038
Due to primary government . . . . .	-	-	-
Payroll withholdings payable . . . . .	840,618	-	840,618
Accrued interest payable . . . . .	85,544	39,702	125,246
Claims payable . . . . .	178,426	-	178,426
Due to external parties. . . . .	7,233	-	7,233
Long-term liabilities:			
Due within one year . . . . .	2,016,823	246,569	2,263,392
Due in more than one year:			
Net pension liability . . . . .	41,485,701	1,173,404	42,659,105
Net OPEB liability . . . . .	18,683,437	540,382	19,223,819
Other amounts . . . . .	17,902,025	7,196,464	25,098,489
Total liabilities . . . . .	<u>83,950,754</u>	<u>9,349,565</u>	<u>93,300,319</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	14,644,254	-	14,644,254
Pension . . . . .	2,193,641	109,601	2,303,242
OPEB . . . . .	890,806	50,932	941,738
Total deferred inflows of resources . . . . .	<u>17,728,701</u>	<u>160,533</u>	<u>17,889,234</u>





# Basic Financial Statements







# Basic Financial Statements

- ▶ GASB 54 Fund Balance categories reported by “purpose” rather than by “function”

Fund balance	General	Board of Developmental Disabilities	Flood Mitigation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Prepayments	\$ 680,022	\$ 55,412	\$ 140	\$ 136,166	\$ 871,740
Materials and supplies inventory	207,730	1,047	-	405,630	614,407
Permanent fund	-	-	-	247,000	247,000
Unclaimed monies	2,228	-	-	-	2,228
<b>Total nonspendable</b>	<b>889,980</b>	<b>56,459</b>	<b>140</b>	<b>788,796</b>	<b>1,735,375</b>
<b>Restricted:</b>					
Capital projects	-	-	-	5,426,960	5,426,960
Debt service	-	-	-	1,304,553	1,304,553
Legislative and executive programs	-	-	-	2,638,597	2,638,597
County courts and judicial programs	-	-	-	1,442,551	1,442,551
Sheriff and public safety programs	-	-	-	1,003,355	1,003,355
County engineer and public works programs	-	-	-	3,895,421	3,895,421
Health programs	-	13,481,206	-	1,660,098	15,141,304
Human service programs	-	-	-	895,670	895,670
Economic development programs	-	-	-	838,025	838,025
Conservation and recreation programs	-	-	-	10	10
Permanent fund	-	-	-	188,135	188,135
<b>Total restricted</b>	<b>-</b>	<b>13,481,206</b>	<b>-</b>	<b>19,293,375</b>	<b>32,774,581</b>
<b>Committed:</b>					
Capital projects	-	-	11,186,581	1,548,279	12,734,860
Sheriff police revolving	61,113	-	-	-	61,113
County home donations	4,816	-	-	-	4,816
Centennial	172	-	-	-	172
Severance	26,034	-	-	-	26,034
<b>Total committed</b>	<b>92,135</b>	<b>-</b>	<b>11,186,581</b>	<b>1,548,279</b>	<b>12,826,995</b>
<b>Assigned:</b>					
Capital projects	-	-	-	25,652	25,652
Debt service	-	-	-	51,641	51,641
Legislative and executive programs	179,620	-	-	-	179,620
County courts and judicial programs	336,876	-	-	-	336,876
Sheriff and public safety programs	171,191	-	-	-	171,191
County engineer and public works programs	275	-	-	-	275
Human service programs	116	-	-	-	116
Subsequent year appropriations	1,902,214	-	-	-	1,902,214
<b>Total assigned</b>	<b>2,590,292</b>	<b>-</b>	<b>-</b>	<b>77,293</b>	<b>2,667,585</b>
<b>Unassigned (deficit)</b>	<b>13,645,070</b>	<b>-</b>	<b>-</b>	<b>(1,412,665)</b>	<b>12,232,405</b>
<b>Total fund balances</b>	<b>\$17,217,477</b>	<b>\$13,537,665</b>	<b>\$11,186,721</b>	<b>\$20,295,078</b>	<b>\$62,236,941</b>



# Notes to the Basic Financial Statements

- ▶ Proper identification of Jointly Governed Organizations and/or Joint Ventures (evaluate annually)
- ▶ Sufficient detail on interfund activity
  - Reported by individual major funds, nonmajor governmental, nonmajor enterprise, internal service funds and fiduciary funds
  - Purposes
  - Amounts not expected to be repaid within 1 year
  - General description of the principal purposes
    - ▶ Additional purpose if:
      - They do not occur on a routine basis
      - Are inconsistent with the activities of the fund



# Interfund Activity Example

Transfers In	Transfers Out					Total
	General	Board of Developmental Disabilities	Other Governmental	Sewer	Water	
General	\$ -	\$ -	\$ -	\$ 49,949	\$ -	\$ 49,949
Job and family services	203,532	-	-	-	-	203,532
Motor vehicle and gasoline tax	76,980	-	-	-	-	76,980
Nonmajor governmental	2,051,592	300,000	38,000	-	-	2,389,592
Internal service	500,000	-	-	-	-	500,000
Sewer	-	-	-	-	26,504	26,504
Total	<u>\$ 2,832,104</u>	<u>\$ 300,000</u>	<u>\$ 38,000</u>	<u>\$ 49,949</u>	<u>\$ 26,504</u>	<u>\$ 3,246,557</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$300,000 transfer out of the board of developmental disabilities fund to the capital projects fund (a nonmajor governmental fund) was to fund capital projects related to the board of developmental disabilities. The \$38,000 transfer out of the common pleas rehab, acquisition and transfer fund (a nonmajor governmental fund) to the debt service fund (a nonmajor governmental fund) was for debt service payments. The transfer of \$26,504 from the sewer enterprise fund to the water enterprise fund was for debt service payments.



# Notes to the Basic Financial Statements

- ▶ Long-Term Debt - primary related to refunded debt
  - Brief description of the refunding transaction
  - Aggregate difference in debt service between the refunded debt and the refunding debt (i.e., Refunding Gain/Loss)
  - Economic Gain/Loss on refunding (i.e., Net Present Value)
  - Amount of outstanding in-substance “defeased” debt
- ▶ Pension and postemployment benefits disclosures should report all defined benefits plans individually and in aggregate





# Refunding Note Disclosure Example

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 01/31/2017 @ 2.1373191%
12/01/2017	143,093.76	123,047.01	20,046.75	20,199.70
12/01/2018	143,093.76	123,125.00	19,968.76	19,589.54
12/01/2019	143,093.76	117,025.00	26,068.76	24,926.06
12/01/2020	143,093.76	116,025.00	27,068.76	25,328.34
12/01/2021	143,093.76	115,025.00	28,068.76	25,702.66
12/01/2022	988,093.76	954,025.00	34,068.76	30,466.60
12/01/2023	986,125.00	956,775.00	29,350.00	25,677.25
12/01/2024	986,525.00	963,900.00	22,625.00	19,368.46
12/01/2025	539,205.00	505,000.00	34,205.00	28,454.09
	<b>4,215,417.56</b>	<b>3,973,947.01</b>	<b>241,470.55</b>	<b>219,712.71</b>

### Savings Summary

Dated Date	01/31/2017
Delivery Date	01/31/2017
PV of savings from cash flow	219,712.71
Net PV Savings	<u>219,712.71</u>

During fiscal year 2017, the School District issued \$3,157,875 in general obligation bonds to refund \$3,160,000 of the Series 2009 General Obligation School Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. **The balance of the refunded bonds outstanding at June 30, 2020 was \$3,160,000.**

The issue is comprised of both current interest bonds, par value \$3,020,000 and capital appreciation bonds, par value \$137,875. The interest rates on the current interest bonds range from 2.00% - 3.50%. The capital appreciation bonds mature December 1, 2025 (approximate equivalent interest rate 15.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2025 is \$505,000. Total accreted interest of \$87,158 has been included on the statement of net position.

**The reacquisition price exceeded the net carrying amount of the old debt by \$136,156. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2024. This advance refunding was undertaken to reduce the combined total debt service payments by \$241,471 and resulted in an economic gain of \$219,713.**



# Notes to the Basic Financial Statements

- ▶ Capital Leases
  - NCGA Statement No. 5 and GASB 62
    - ▶ Now we need the accumulated depreciation or NBV reported on leased assets
- ▶ Operating Leases
  - Reporting requirements under a cancellable vs non-cancellable (GASB 38 and GASB 62)
- ▶ Contractual Commitments
  - Significant projects
- ▶ Significant Encumbrances (per GASB 54)
  - By major fund
  - Aggregate nonmajor funds by type
- ▶ Subsequent Events (through auditor opinion date)



# Notes to the Basic Financial Statements

Disclosure of “material” budgetary violations in accordance with ORC for individual funds affected

- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the ABC fund by \$XXX for the year ended December 31, 20XX
- Contrary to Ohio law, at December 31, 20XX, the XYZ fund had a cash deficit balance of \$XXX (SR Funds do have exceptions for Schools)

Various notes being updated for change in contracts, agreements, etc.

- Compensated Absence/Severance Arrangements
- Risk Management - Insurance information



# Notes to the Basic Financial Statements

- ▶ GASB 72 - donated capital assets should be reported at their acquisition value rather than fair value

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. Capital assets received in a service concession arrangement are reported at acquisition value. The City's capitalization threshold is \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

- ▶ The term “fair value” should be used when discussing investments rather than “market value” or “fair market value”

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.





# ACFR

## Statistical Tables (GASB 34 and GASB 44)

- Incorrect amounts used in the calculation of the ratio of total debt service expenditures to noncapital expenditures
- Calculation of ratios of outstanding debt
  - Include for “all” debt (including Notes Payable and Capital Leases)
    - Governmental and Business Type
    - Include premiums, discounts, etc.

## Calculation of ratios of net general bonded debt

- Only include “bonded” debt
- Calculations should be “net” of resources available at year end restricted for the payment of principal (i.e., debt service fund balance on the accrual basis of accounting)



# Ratio of Total Debt Service Expenditures to Noncapital Expenditures

- ▶ Do not use the “capital outlay” or “facilities acquisition and construction” per the “Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds”
- ▶ Instead, use the capital asset additions that can be found in the “Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities”
- ▶ Use only “principal” and “interest” but do not include “issuance costs”

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	661,943	
Current year depreciation		(2,007,666)	
Total			(1,345,723)



# ACFR

- ▶ Statistical Tables (GASB 34 and GASB 44)
  - Schedule of Direct and Overlapping Debt
    - ▶ Include “all” long-term debt, not just bonded debt
    - ▶ Only include Governmental Activities
    - ▶ Exclude short-term debt
    - ▶ Include premiums, discounts, etc.
    - ▶ Do NOT include amounts available that are restricted for the payment of principal



# Statistical Section Example - Outstanding Debt Table

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN YEARS

Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases	Bonds Payable	Notes/ Bonds Payable	OWDA Loans	Intergovern- mental Loans	OPWC Loans			
2019	\$ -	\$ 1,215,076	\$ 3,006,307	\$ 4,104,725	\$ 1,549,668	\$ 1,311,251	\$ 11,187,027	2.00%	\$ 651
2018	4,967	1,393,230	3,357,179	4,762,646	1,637,538	1,427,151	12,582,711	2.31%	723
2017	10,661	1,563,732	3,690,703	5,397,382	1,627,081	1,543,051	13,832,610	2.53%	794
2016	16,078	1,737,945	4,011,543	6,009,749	1,330,599	1,658,951	14,764,865	2.99%	847
2015	21,231	1,820,684	4,119,859	6,600,537	1,108,156	1,774,851	15,445,318	3.01%	883
2014	-	1,970,753	4,382,866	7,170,509	528,923	1,890,751	15,943,802	3.23%	915
2013	14,427	2,120,822	4,635,873	7,720,400	403,892	2,006,651	16,902,065	3.41%	966
2012	59,710	2,265,891	4,898,880	8,250,917	-	1,917,980	17,393,378	3.51%	996
2011	134,662	2,410,960	5,136,887	8,760,422	-	1,506,229	17,949,160	3.60%	1,019
2010	370,977	-	4,730,000	9,255,783	-	1,448,320	15,805,080	3.19%	904

Include  
premiums



# Best Practices

The background features a complex geometric design. On the right side, there is a solid dark blue vertical band. To its left, several overlapping, semi-transparent shapes in various shades of blue and white create a layered, abstract effect. These shapes include triangles and polygons that intersect to form a sense of depth and movement. The overall aesthetic is clean, modern, and professional.



# Best Practices

Maintain

Maintain an adequate accounting system

Issue

Issue timely financial statements

Audit

Have financial statements independently audited

Document

Document accounting policies and procedures, have an appropriate level of management and authority, and documentation of policies and procedures should be readily available to all employees



# Best Practices

## ► Overall Preparation Tips

- Timely - should be issued within 60 days after year end (non-GAAP entities) or 150 days after year end (GAAP entities)
- Prepare checklists for preparation and review
- Prepare request lists for outside departments
  - Include due dates and follow up
- Coordinate timeline with your external auditors and compilation converters (if not completing report in-house)
- Conduct weekly progress meeting with team
  - Communicate results to your auditors and compilation converters







# Best Practices

## ANY COUNTY, OHIO

Source Data List for Annual Report

December 31, 2020

Date Requested	Date Received	Person Responsible		
<b><i>JE # 1 - Accrued Wages and Benefits (Nancy, Payroll Officer)</i></b>				
2/15/21	2/4/21	Nancy	X	Accrued Wages HCDD Spreadsheet that shows Teachers Stretch Payments
2/15/21	1/28/21	Nancy	X	2020 Payroll Calendar
2/15/21	1/28/21	Nancy	X	Payroll Earnings Distribution Reports for the payrolls which were incurred during 2020 but not paid until 2021
2/15/21	1/28/21	Nancy	X	Workers Compensation True Up liability/receivable due for Calendar 2020 paid in 2021
<b><i>JE # 2 - Consumable Inventory</i></b>				
3/15/21	2/25/21	Adam	X	Consumable Inventory Spreadsheet - This should include the Department, Program, Fund and dollar amount of supplies at year-end.







# Best Practices

- ▶ Planning can begin prior to year end
  - Assign project coordinator, identify & assign team members
  - Prepare a timeline
  - GASB updates and new standards implementation
  - Review prior year posted and passed audit adjustments
    - ▶ May need to change procedures to ensure they are not repeated
- ▶ Things that can be done prior to year-end
  - Roll over prior year ending balances & post reversing journal entries in trial balances
  - Update current issues discussion of MD&A



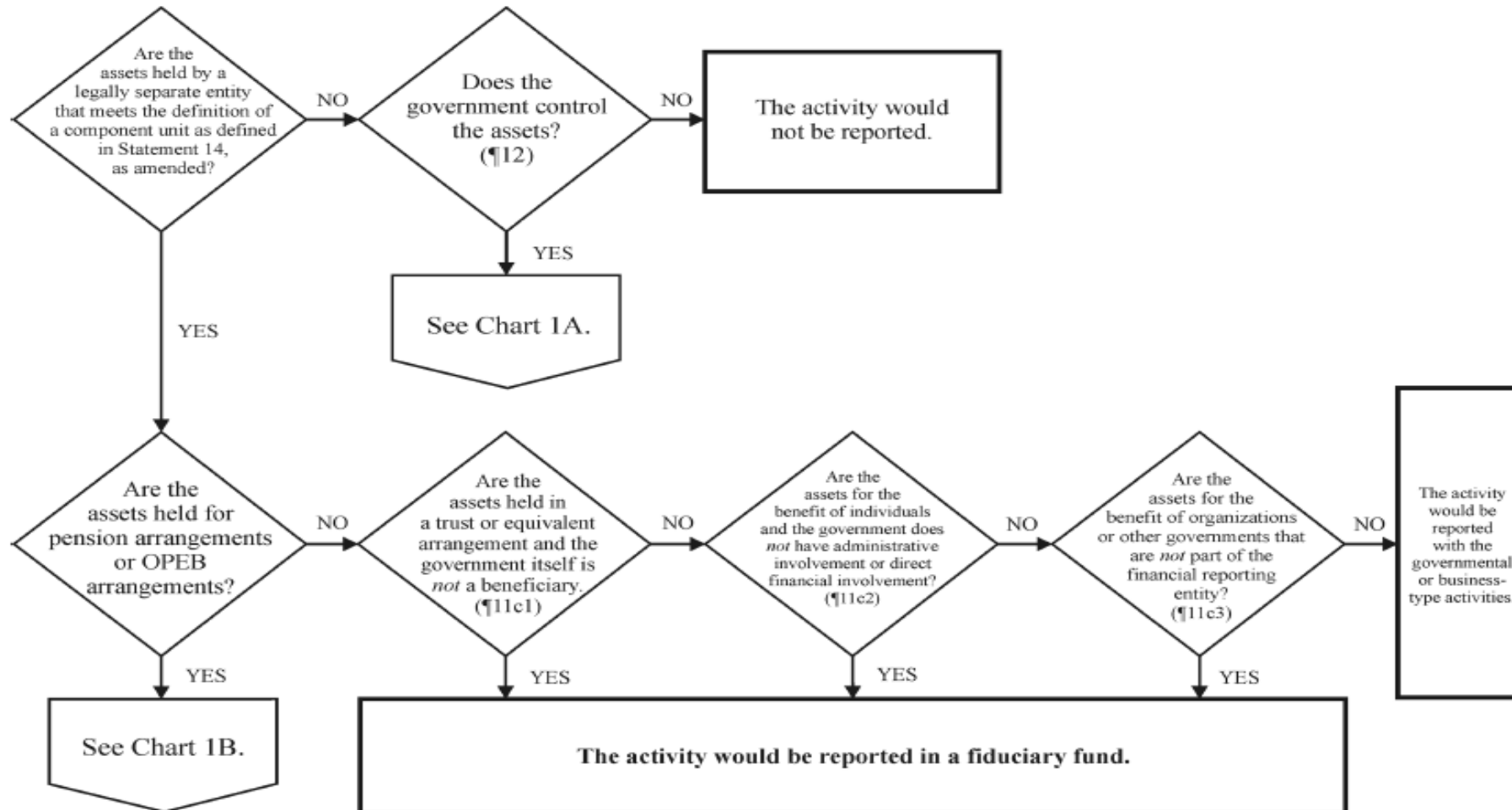
# Best Practices

- ▶ Review new funds
  - Determine how they will be reported (fund type, mapped to an existing fund, etc.)
  - Evaluate new funds under GASB 84
  - Evaluate Governmental funds for proper fund balance classification (GASB 54)
  - Set up trial balance, add new columns to the financial statements, etc.
  
- ▶ Update note disclosures that do not require financial statement information
  - Summary of Significant Accounting Policies
  - Risk Management
  - Jointly governed organizations, related organizations, etc.



# Best Practices - GASB 84

Chart 1—Flowchart for Evaluating and Reporting Potential Fiduciary Activities





# Best Practices for Cash Basis Information

## ▶ Posting Issues

- Ensure all direct vendor payments (from State or Others) are properly recorded and budgeted for (ODOT, OPWC, OWDA, etc.)
- Review new debt issued during the year (including refunding issuances)
  - ▶ Review posting in system by comparing to the Sources & Uses statement
  - ▶ Post at gross (including premium, discount, issuance costs, etc.)
  - ▶ Adjust budgets as necessary

## ▶ Check revenue and expense classifications

- Revenue -Taxes vs. Intergovernmental (ex. Homestead & Rollback)
- Miscellaneous revenue (less of it is better)
- Debt Payments (proper fund, principal vs. interest)



# Best Practices - OPWC website

			<u>Date</u>	<u>Payee</u>	<u>Amount</u>
CK04V	Completed	Scottslawn Road Improvement			
			01/16/2020	Shelly Company	950,000.00
					<u>950,000.00</u>
DKW05	Approved	UNI-CR78-001 Bridge Rehabilitation			
			11/03/2020	George J Igel & Co Inc	74,394.79
			01/08/2021	George J Igel & Co Inc	45,755.20
			01/19/2021	George J Igel & Co Inc	77,534.60
					<u>197,684.59</u>
DKW07	Completed	UNI CR104 D-L Resurfacing			
			01/16/2020	Shelly Company	350,000.00
					<u>350,000.00</u>

**Loan Amount:** \$758,800.00      **Interest Rate (percent):** 0.0      **Payments through:** 04/30/2021  
**BiAnnual Payment:** \$18,970.00      **Loan Term (years):** 20.0      **Balance as of: 12/31/2020** \$607,040.00

<u>Period</u>	<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Late Fee</u>	<u>Payment</u>	<u>Balance</u>
1 Jul 2016	06/20/2016	18,970.00	0.00	0.00	18,970.00	739,830.00
2 Jan 2017	01/11/2017	18,970.00	0.00	0.00	18,970.00	720,860.00
3 Jul 2017	07/06/2017	18,970.00	0.00	0.00	18,970.00	701,890.00
4 Jan 2018	03/12/2018	18,970.00	0.00	0.00	18,970.00	682,920.00
5 Jul 2018	07/06/2018	18,970.00	0.00	0.00	18,970.00	663,950.00
6 Jan 2019	01/28/2019	18,970.00	0.00	0.00	18,970.00	644,980.00
7 Jul 2019	06/13/2019	18,970.00	0.00	0.00	18,970.00	626,010.00
8 Jan 2020	01/23/2020	18,970.00	0.00	0.00	18,970.00	607,040.00
10 Jan 2021	02/01/2021	18,970.00	0.00	0.00	18,970.00	588,070.00
9 Jul 2020	02/01/2021	18,970.00	0.00	0.00	18,970.00	569,100.00



# Best Practices - OWDA website

Drinking Water Fund  
at 3.250%  
for 20 Years From  
07/01/2006 to  
01/01/2026

**Amount Financed Summary**

Undisbursed Funds: \$0.00

Disbursed Funds: \$1,666,984.02

Total Encumbered Funds: \$1,666,984.02

Capitalized Interest: \$3,948.74

Loan Adjustments: \$0.00

Total Amount Financed: \$1,670,932.76

**Loan Balance Summary**

Disbursements: \$1,666,984.02

Capitalized Interest: \$3,948.74

Principal Payments: (\$1,098,251.87)

Principal Adjustments: (\$1,371.34)

Loan Adjustment Payments: \$0.00

Late Fees Charged: \$0.00

Late Fees Paid: \$0.00

Total Loan Balance: \$571,309.55

**Loan Balance Detail**

Date	Type	Loan Balance as of 12/31/2019:	Drinking Water Fund at 3.250% for 20 Years From 07/01/2006 to 01/01/2026
01/03/2020	Principal Payment		(\$46,335.17)
07/01/2020	Principal Payment		(\$47,088.12)
Total Loan Balance as of 12/31/2020:			\$571,309.55

**Payment History Detail**

Date	Type	Interest	Principal	Late Fee
		Accumulated Payments as of 12/31/2019:		
		(\$529,248.26)	(\$1,004,828.58)	\$0.00
01/03/2020	Interest Payment	(\$9,970.99)		
01/03/2020	Principal Payment		(\$46,335.17)	
06/29/2020	Credit Enh Interest Payment	(\$773.00)		
07/01/2020	Interest Payment	(\$9,275.96)		
07/01/2020	Principal Payment		(\$47,088.12)	
12/16/2020	Credit Enh Interest Payment	(\$714.14)		
		Balance as of 12/31/2020:		
		(\$549,982.35)	(\$1,098,251.87)	\$0.00



# Best Practices - Debt Issuance

## Sources:

<b>Bond Proceeds:</b>	
Par Amount	9,230,000.00
Premium	867,321.15
	<hr/>
	10,097,321.15
<b>Other Sources of Funds:</b>	
Sinking Fund Contribution	3,331,104.59
Bond Retirement Fund Contribution	1,300,000.00
	<hr/>
	4,631,104.59
	<hr/>
	14,728,425.74
<hr/>	

## Uses:

<b>Refunding Escrow Deposits:</b>	
Cash Deposit	0.23
SLGS Purchases	14,586,345.00
	<hr/>
	14,586,345.23
<b>Cost of Issuance:</b>	
Bond Counsel (Dinsmore & Shohl)	50,000.00
Municipal Advisor (Rockmill)	34,612.50
Rating (S&P)	6,000.00
Verification Agent (Causey)	1,500.00
Paying Agent (Huntington)	3,500.00
Printer (Digital Muni)	1,000.00
OMAC	2,000.00
Contingency	2,500.00
	<hr/>
	101,112.50
<b>Underwriter's Discount:</b>	
Underwriter's Discount	34,612.50
IPREO	923.00
DTC	800.00
CUSIP	360.00
	<hr/>
	36,695.50
<b>Other Uses of Funds:</b>	
Contingency	4,272.51
<hr/>	
	14,728,425.74
<hr/>	





# Best Practices for Cash Basis Information

## Proper posting of budget information to system

- Establish a formal set of processes for comparing budget to actual amounts

## Transfers and Advances (do they balance?)

## Bank Reconciliations done timely and accurately

- Errors in your accounting system need identified and corrected in a timely manner
- Management relies on monthly reports
- Using inaccurate data to make purchasing and budgeting decisions could = disaster!



# Best Practices for Cash Basis Information

- ▶ Reconcile all bank accounts
  - Payroll clearing accounts
    - ▶ Undetected errors in withholdings could = fines and penalties
  - **DO NOT LET THIS FALL BEHIND!**
    - ▶ Avoid audit citations (or being deemed un-auditable by AOS)
    - ▶ Deter fraud



# Cash in Segregated Accounts

- ▶ Examples: utilities, income tax, sheriff, courts
- ▶ Courts also need to reconcile their book cash balance to an “open items” report in their system
  - ▶ Need “Book Balance” to be reported on the financials rather than “Bank Balance”
  - ▶ Also will need activity during the year, especially if these are reported as custodial funds under GASB 84



# Best Practices for Receivables

- ▶ Property Taxes Receivable
  - Amended Certificate - Include or exclude homestead/rollback, PPT loss reimbursement
  - Collectability of delinquents
- ▶ Income Taxes Receivable
  - Change in rate and/or allocation for current year to subsequent year
- ▶ Grants Receivable
  - Reimbursable vs. non-reimbursable
  - Completeness






# Amended Certificate Example

(529) FUND	UNENCUMBERED BALANCE JANUARY 1ST 2019	TAXES	OTHER SOURCES	TOTAL
<b>GOVERNMENTAL</b>				
GENERAL	\$15,267,967.00	\$1,173,047.25	\$21,130,580.27	\$37,571,594.52
SPECIAL REVENUE	\$13,656,788.00	0	\$24,731,857.00	\$38,388,645.00
DEBT SERVICE	\$2,013,750.00	0	\$4,157,690.00	\$6,171,440.00
CAPITAL PROJECTS	\$25,539,747.00	0	\$40,267,999.00	\$65,807,746.00
<b>SUBTOTAL</b>	<b>\$56,478,252.00</b>	<b>\$1,173,047.25</b>	<b>\$90,288,126.27</b>	<b>\$147,939,425.52</b>
<b>PROPRIETARY</b>				
ENTERPRISE	0	0	0	0
INTERNAL SERVICE	0	0	0	0
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FIDUCIARY</b>				
EXPENDABLE TRUST	0	0	0	0
NON-EXPENDABLE TRUST	0	0	0	0
AGENCY	0	0	0	0
FIDUCIARY	0	0	0	0
SPECIAL ASSESSMENT	0	0	0	0
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>\$56,478,252.00</b>	<b>\$1,173,047.25</b>	<b>\$90,288,126.27</b>	<b>\$147,939,425.52</b>

ESTIMATED ROLLBACK & HOMESTEAD STATE REIMBURSEMENT  
PROPERTY TAX ALLOCATION AMOUNTS INCLUDED IN OTHER SOURCES:

(001) OPER-GEN \$125,233.64

  
 \_\_\_\_\_ CHAIRMAN  
  
 \_\_\_\_\_ MEMBER  
  
 \_\_\_\_\_ SECRETARY

BUDGET  
COMMISSION



# Best Practices for Capital Assets

- ▶ Capital assets - most common area for audit adjustments
  - Incomplete additions or disposals
  - Exclusion of architect/engineering services from construction projects
  - Leased assets capitalized at incorrect amount or not capitalized at all
  - Vehicles recorded net of trade-in
  - Construction in progress issues
  - Capitalization of payables







# Best Practices for Capital Assets

- ▶ Capitalization Threshold
  - Accounting standards do not need to be applied to items that are of only minimal interest to financial statement users
  - Materiality - only need to report capital assets if they exceed a predetermined amount, commonly known as a capitalization threshold
  - GFOA recommends a minimum of \$5,000
  - Governments are required by Ohio Administrative Code (OAC) to report at least 80% of their capital assets
    - ▶ Keep this rule in mind if you ever increase your threshold (i.e. increasing your threshold cannot remove more than 20% of amount previously reported)





# Best Practices for Capital Assets

- ▶ Update capital assets additions
  - Should be done throughout the year
  - Quarterly questionnaires to departments
  - Review certain expense accounts for possible additions
    - ▶ Just because construction has not started, does not mean you do not have any construction in progress (CIP)
    - ▶ All architect, engineering services should be capitalized, including design services, construction manager fees, etc.
  - Review any new debt agreements entered into during the year
  - New capital leases - must review lease agreement to determine if it is capital lease or operating lease
    - ▶ Any 1 of 4 criteria makes a lease capital (most common are transfer of ownership to the Entity at the end of the lease and a bargain purchase option (typically \$1). Also, the 75% of life and 90% of value rules



# Best Practices for Capital Assets

Meet with Engineer and other key departments

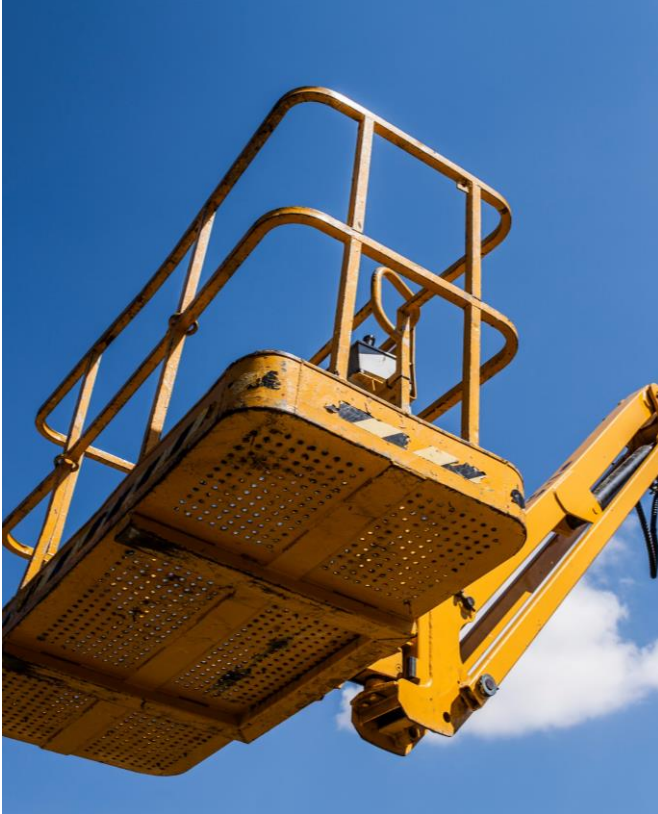
Every government should undertake a systematic effort to identify and implement internal controls over all of its controlled capital-type items

Review Council/Board minutes for the following

- Approval of large contracts - ORC requires approval for most contracts (dollar amount varies by government entity type)
- Donations of capital assets (since no cash is involved in these transactions, they will not show up in accounting system)
  - “Acquisition Value” at time of donation
  - Example: Contractors/developers donating waterlines, roads



# Best Practices for Capital Assets



- ▶ Improvements (betterments)
  - Provides additional value, which is achieved by one of the following:
    - ▶ Lengthening the capital asset's estimated useful life
    - ▶ Increasing the capital asset's ability to provide service
      - Example 1: adding an additional lane to a road (increases capacity for traffic)
      - Example 2: reconstructing an asphalt road with concrete (would extend the original useful life of the asset)
- ▶ Repairs and maintenance
  - Retain value rather than provide additional value (chip and seal, roof replacement)



# Best Practices for Capital Assets

- ▶ New Roofs
  - Assume building has useful life of 80 years, but will need roof replaced in half that time.
  - Assume the original roof is included in the cost of the building
  - Roof replacement does not lengthen the original useful life of the building, but avoids cutting it in half
  - Should be treated as a repair rather than as a replacement
- ▶ These types of items should be addressed in your capital asset policy.





# Best Practices for Capital Assets

- ▶ Cost basis - cost of assets also include any “ancillary charges necessary to place the asset into its intended location and condition for use” (GASB 34)
  - Land - includes any land preparation cost that will have an indefinite useful life
    - ▶ Examples: basic site improvements, including excavation, fill, grading
  - Demolition costs are added to land values
    - ▶ Removal of old buildings are considered land costs because these costs are necessary to get the land in condition for its intended purpose.
- ▶ Assets acquired where credit was given for “trade-ins”
  - Cash paid for new asset plus remaining undepreciated value of asset traded in, if any





# Best Practices for Capital Assets

- ▶ Tracking Construction in Progress
  - Can be difficult due to extending over multiple fiscal years
  - Do not recommend just recording all expenditures in a construction fund
  - Recommend utilizing an excel spreadsheet by vendor
  - Once the project is complete, each component will have to be added to the appropriate class of assets (building, furniture, equipment, etc.)
    - ▶ This can be a monumental task if not tracked during the course of the project!
  - Accumulate information for contracts/retainage payable and contractual commitment note at this time.



# Best Practices for Capital Assets

- ▶ Identifying disposals
  - Request disposals from departments
    - ▶ Could include providing a current listing to each department to review, update and return
    - ▶ Periodic physical inventories (internal or valuation company)
  - Review ledgers for certain receipt codes
    - ▶ Sale of Fixed Assets
    - ▶ Insurance Proceeds
    - ▶ Miscellaneous Revenue
  - Review lease agreements for maturity
    - ▶ If a lease has matured, do you still have the assets?
    - ▶ Did the assets get traded in on new ones?
  - Review vehicle and equipment purchases made during the year for “trade-ins”





# Best Practices for Capital Assets

## ▶ Impairment of Capital Assets

- Definition: a significant and unexpected decrease in the service utility of a capital asset that will continue to be used in operation

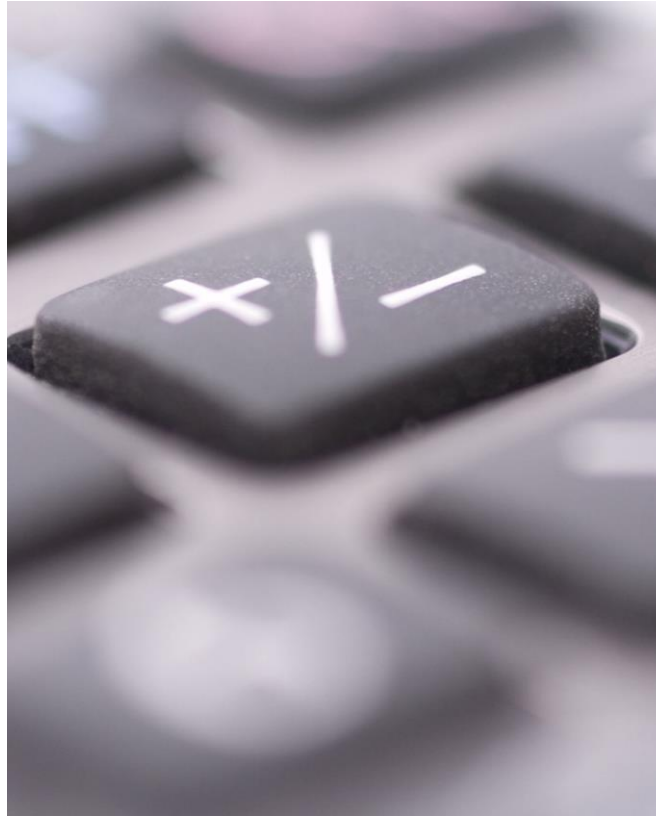
## ▶ Indicators of a potential impairment

- Physical damage requiring restoration of asset
  - ▶ Examples: fire, flood damage
- Changes in technology that negatively impact asset's effectiveness or result in the asset becoming obsolete
- Change in the manner an asset is being used
  - ▶ An instructional building being used for storage (often when a new building is constructed)
- Construction or internal software development stopped on a project
- Must be permanent, cannot be temporary



# Best Practices for Accounts Payable

- ▶ Define methodology on preparation
  - Set scope (\$\$) or not
  - How far to go into subsequent year
    - ▶ Depends on entity's A/P cycle - how long does it take to pay bills?
- ▶ Training A/P Clerk
  - Must be done before year end
  - Date goods/services received vs invoice date
- ▶ Look at open POs, not just what has been paid





# Best Practices for Compensated Absences

- ▶ Define and evaluate methodology
  - Termination vs. Vesting method
- ▶ Vesting method
  - Apply to those currently eligible and those EXPECTED to become eligible
    - ▶ Based on Entity's history of employee turnover
- ▶ Do you need to accrue vacation, personal, comp time?
  - Based on policies/negotiated agreements
  - Carryover allowance
- ▶ Known retirees



# Best Practices for Interfund Activity

- ▶ Transfers vs. Reimbursements
  - May need reclassified on GAAP statements
  - Need to describe purpose for transfers out of any fund other than general
- ▶ Advances
  - Short-term vs. long-term
  - Need to evaluate each year if not repaid
  - Conversion to a transfer
    - ▶ Must be approved by governing Board and posted in the ledgers



# Best Practices for Equity

- ▶ GASB 54 Fund Balance Classifications
  - Applies to all government financial statements, including Regulatory and OCBOA
    - ▶ Nonspendable, Assigned, Committed, Restricted and Unassigned
  - AOS Bulletin 2011-004 on GASB 54 specific to Ohio
- ▶ Net Investment in Capital Asset calculation
  - Exclude unspent debt proceeds (which should also be disclosed in the notes)
  - Exclude accretion on capital appreciation bonds
  - Exclude debt not related to capital assets
  - Include payables related to capital assets



# Best Practices for Note Disclosures

## Update Notes each year

- Look at Auditor of State samples
- New accounting principles
- Completeness - new line item on FS probably = new disclosure
- Compare to prior year audited report

# Questions

