

CAFR 101

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OBJECTIVES

What are GAAP Mandates versus encouraged by GAAP

Components of CAFR and presentation order

Identify additional resources in organization

Create presentation to Board


Requirements to comply with GAAP

- Management Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI)
- GAAP, however, encourages the production of a broader presentation in the format of a CAFR.

Comprehensive Annual Financial Report

Three Major Sections

Introductory
Section



Financial
Section



Statistical
Section

Order of Presentation

- I. Table of Contents
- II. Introductory Section
 - Letter of Transmittal
 - Organizational Chart
 - GFOA's Certificate of Achievement
- III. Financial Section
 - Auditor's Opinion
 - Management Discussion and Analysis (MD&A)
 - Basic Financial Statements
 - Notes
 - Required Supplementary Information (Other than MD&A)
 - Combining & Individual Statements
- IV. Statistical Section
- V. Optional Sections

Cover and Title Page

REPORT COVER

- Use terminology “comprehensive annual financial report”.
- If CAFR is component unit of another government, cover should reference primary government.
- State in which government is located.
- Disclose fiscal period covered by report.

TITLE PAGE

- Present all information on cover
- Department responsible for preparing CAFR

Table of Contents

Divides CAFR into its three basic sections

1. Basic financial statements and accompanying notes
2. Required supplemental information
3. Other contents of the financial section

Identifies each statement and schedule by its full title and page or pages where each can be found

If statements and schedules are identified by exhibit numbers, these may supplement but not replace page number references

Introductory Section

1. Photographic reproduction of Certificate of Achievement for Excellence in Financial Reporting
2. List of Principal officials
3. Organizational chart
4. Letter of transmittal

Transmittal Letter

FOUR SECTIONS

1. Formal transmittal of the CAFR
2. Profile of the government
3. Information useful in assessing the government's economic condition
4. Awards and acknowledgements

Financial Section

PURPOSE

Provides critical information regarding the financial condition of the government through the presentation of financial statements and schedules. Note disclosures and narratives (MD&A)

Financial Section

- Independent auditor's report (at minimum)
 - Governmental activities
 - Business-type activities
 - Individual major governmental funds
 - Individual major enterprise funds
 - Other funds in the aggregate
 - Discretely presented component units in the aggregate
- In-relation opinions



Financial Section

- MD&A

CONTENTS:

- Discussion of the basic financial statements
- Condensed, government-wide comparative financial data
- Overall analysis
 - Has overall financial position improved or deteriorated
 - What are reasons for significant changes
 - Governmental separate from business-type
 - Important economic factors

Financial Section

- MD&A

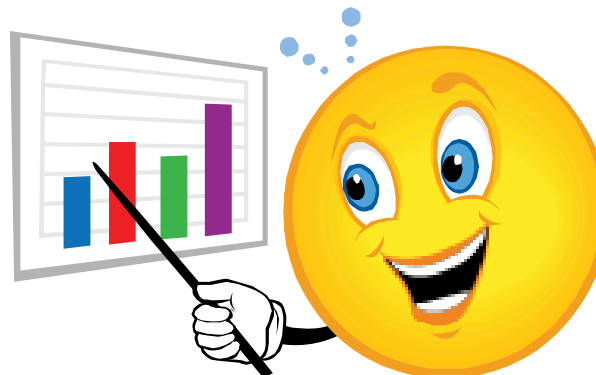
CONTENTS:

- Analyze significant balances and operations of individual major funds
- Significant differences between budgets and actual
- Significant changes in capital assets and long-term debt
- Modified approach for infrastructure reporting
- Other potential significant matters



Financial Section

- MD&A
 - Narrative introduction
 - Charts, graphs, and tables
 - Focus on primary government



Basic Financial Statements

- Each of the basic financial statements should contain reference to the notes
- The fiscal year of the financial reporting entity is always the same as the fiscal year of the primary government



Basic Financial Statements

Government-wide
Financial Statements

Fund Financial Statements

RSI

Combining & Individual
Fund Stmts & Schedules

Government-wide Financial Statements

- Statement of New Assets
- Statement of Activities

Government-wide Financial Statements

- Economic Resources/Full Accrual
- GAAP allows presentation of accounts in one of two ways:
$$\text{Assets} - \text{Liabilities} = \text{Net Assets}$$
$$\text{Assets} = \text{Liabilities} + \text{Net Assets}$$
- Order of liquidity or Classified approach
- Current AND Long-Term Assets and Liabilities shown
- Capital assets being depreciated must be shown separately from assets that are not being depreciated

Government-wide Financial Statements

Primary Government

Governmental Funds	Business-Type Activities	
General Fund	Enterprise Funds	
Special Revenue	Internal Service ⁽²⁾	
Debt Service		
Capital Projects		
Internal Service ⁽¹⁾		
Permanent Fund		
		Component Unit
		Non fiduciary component units

Government-wide Financial Statements

- GOVERNMENT-WIDE STATEMENT OF NET ASSETS:

Net assets invested in capital
assets, net of related debt

Restricted net assets

Unrestricted net assets

Government-wide Statement of Net Assets

Net assets invested in capital

Capital Assets: All assets used in operations that have initial useful lives beyond one year, net accumulated depreciation.

LESS

Related debt: Outstanding bonds, note, or other borrowing attributable to the acquisition, construction or improvements of capital assets

Government-wide Statement of Net Assets

Restricted Net Assets

- Constraints externally imposed by creditors, grantors, or laws and regulations by other governments.
- Constraints imposed by law through constitutional provisions or enabling legislation

Government-wide Statement of Net Assets

Unrestricted Net Assets

- Difference between total net assets and the other two categories
- Amount may be deficit

Government-wide Statement of Activities

- Purpose is to show the extent of how each governmental function supports itself, before general tax dollars are included.
 - ORDER OF PRESENTATION
 - 1. **Expenses**
 - 2. **Program Revenues**
 - 3. **Net (Expense) Revenue**
 - 4. **General Revenues**

Government-wide Statement of Activities

Expenses

- Direct expenses – by function
- Depreciation – by function
- Indirect expenses – General Government or allocated in separate column
- Interest Expense – not associated with a function, separate line

Government-wide Statement of Activities

Revenues

Reported by Function & Shown in 3
Columns:

1. Charges for Services
2. Operating Grants and Contributions
3. Capital Grants and Contributions

Government-wide Statement of Activities

Governmental Activities

What you would expect, in theory...

- Governmental activities carry net expenses and depend on tax revenues
- Business-type activities either break even or carry net revenues

Government-wide Statement of Activities

General Revenues & Other Line Items

- Tax revenues are reported by type of tax
- Material gains on sale of capital assets for governmental activities
- Enterprise gains under functional expense
- Impairments to assets, program expense or special/extraordinary items

Government-wide Statement of Activities

General Revenues & Other Line Items

- Endowments and Permanent Fund
- Special Items – significant, subject to management's control, and either unusual OR infrequent
- Extraordinary Items – significant, unusual AND infrequent
- Transfers

Fund Financial Statements

GOVERNMENTAL FUNDS

(Current Resources/Modified)

1. Balance Sheet
2. Statement of Revenues, Expenditures and Changes in Fund Balance
3. Reconciliation to Government-wide Statements

PROPRIETARY FUNDS

Economic Resources/Full Accrual)

1. Statement of Net Assets
2. Statement of Revenues, Expenses and Changes in Fund Net Assets
3. Statement of Cash Flows

FIDUCIARY FUNDS

(Economic Resources/Full Accrual)

1. Statement of Fiduciary Net Assets
2. Statement of Changes in Fiduciary Net Assets

All Financial Statements should refer to Notes!!

Basic Financial Statements

Major Fund Test

- Total assets, liabilities, revenues, or expenditures/ expenses of that individual governmental or enterprise fund constitute 10% of the governmental or enterprise activity

AND

- Total assets, liabilities, revenues, or expenditures/ expenses are 5% of the total governmental and enterprise category combined

Financial Section - Notes

Summary of Significant Accounting Policies	Subsequent Events
Budgetary Information	Defined Benefit Pensions and OPEB
Cash Deposits W/ Financial Inst.	Defined Contribution pension and OPEB
Investments	Capital Assets
Derivatives	Long term Liabilities
Contingent Liabilities	Significant Commitments
Encumbrances	Fund Balances

Financial Section - Notes

Lease Obligations	Property Taxes
Endowments	Segment Information
Risk Financing	Related Party Transactions
Fiscal Year Inconsistencies	Joint Ventures
Landfill Closure & Post closure	Prior Period Adjustments
Insurance Recoveries	Deficits in individual funds
Component Units	Extraordinary gains/losses and special items

RSI – Other than MD&A

1. Budgetary Comparisons (General Fund & Major Special Revenue Funds)
2. Infrastructure condition and maintenance data (modified approach)
3. Pension/other postemployment benefit (OPEB) trend data
4. Revenue & Claims Development Trend Data (Public Entity Risk Pools)

Combining Statements & Individual Schedules – Detail of Aggregate Data

1. Non-major governmental funds
2. Non-major enterprise funds
3. Internal Service Funds & Fiduciary Funds
4. Non-major discretely presented component units

Statistical Section

OBJECTIVE



1. Providing information on financial trends
2. Providing information on revenue capacity
3. Providing information on debt capacity
4. Providing demographic and economic information
5. Providing operating information

OTHER SECTIONS

Investment Section (Pension/OPEB plans and external investment pools)

Actuarial section (pension and OPEB plans)

Single Audit section

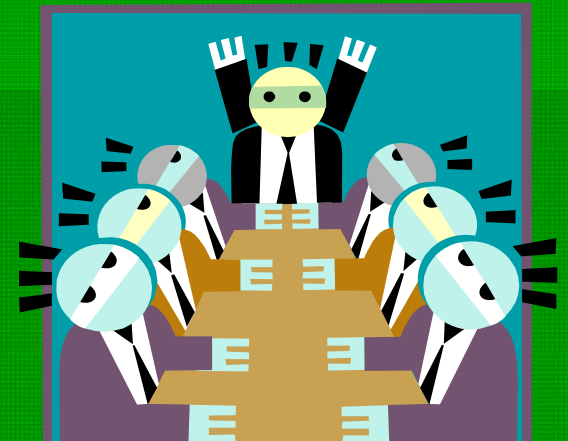
Presentation to Boards

CONSIDERATIONS

Time constraints

Knowledge level of Board Members

Presentation in conjunction with
external auditors or separate work
session



Presentation to Boards

- Why do we prepare a CAFR?
- Describe sections of CAFR
 - Required Sections
 - Compliance Section
 - Highlight where to find key information
- Staff Acknowledgement

