

Annual Comprehensive Financial Report (ACFR)

FY 2021 WORK SESSION

Work session goals

- Introduce the City Council and citizens to the City's annual financial report, including staff responsibilities
- Highlight accounting knowledge that is essential to using the report, thereby increasing accessibility
- Provide an overview of specific report sections
- Offer a brief tour of the FY 2021 ACFR



ACFR Responsibilities for City Staff

- The City's Administrative Services Director and Finance Division prepare the annual report, which includes substantiating balances at fiscal year end.
 - The process of balance substantiation is often referred to as audit preparation.
 - Finance division staff members ensure that documentation is on hand for balance sheet accounts.
 - Staff also perform variance analysis on income statement accounts.
- City staff are fully responsible for the preparation and fair presentation of the City's financial statements in accordance with generally accepted accounting principles (GAAP).
- City staff are also responsible for the design, implementation, and maintenance of internal controls that allow fair financial statements that are free from material misstatement to be prepared.

Annual Audit Requirement

In addition to an audit being a best practice, municipalities are required to obtain an audit by Wyoming State Statute 16-4-121.

- (a) The governing body of each municipality shall cause to be made an annual audit of the financial affairs and transactions of all funds and activities of the municipality for each fiscal year. At the option of the governing body, audits may be made at more frequent intervals.
- (b) The governing body shall make available all documents and records required to perform the audit upon request by the independent auditor.
- (c) The audits shall be conducted by independent auditors in accordance with generally accepted auditing standards as promulgated by the AICPA in their guidelines for audits of state and local government units. The audit procedures shall be performed in accordance with "Government Auditing Standards", issued by the comptroller general of the United States. Any audit performed shall comply with the requirements of W.S. 9-1-507.

What is the ACFR?

- A standardized, best practice format for annual governmental financial reporting prepared in accordance with generally accepted accounting principles (GAAP)
- Includes multiple sections
 - Introductory
 - Financial
 - Statistical
- The City elects to prepare an ACFR to fulfill its statutorily required annual reporting.
- The City participates in the GFOA's Certificate of Excellence program for Financial Reporting. For 44 years, it has received this award by preparing an ACFR that undergoes and passes additional review from qualified technical experts.

More about GAAP

- Generally accepted accounting principles (GAAP) are a set of standards and interpretations for the accounting and reporting of financial transactions and events promulgated by a standard setting body.
 - The Financial Accounting Standards Board (FASB) sets standards for private and not for profit entities.
 - The Government Accounting Standards Board (GASB) sets standards for government entities.
- Standards are principles-based, rather than rules-based, although a plethora of technical rules exist within each standard.
- Wyoming Statute 16-4-120 requires municipalities to use GAAP to record transactions and events.
- GAAP change every year with the implementation of new accounting standards.

Accounting standards provide a common framework for disclosures

Accounting standards ensure that like transactions are accounted for similarly across entities

The end goal is comparable financial statements that allow users to make good decisions.

Why are GAAP important?

What's in a financial statement?

Balance Sheet and Income Statement

- The Balance Sheets and Statements of Net Position contain the measurement at the end of the fiscal year – i.e. as of June 30.
 - Assets, liabilities, deferred inflows and outflows of resources, and net position or fund balance are the types of balances found on these reports.
- The Statement of Activities and Statements of Changes in Net Position or Fund Balance contain the measurement during the fiscal year (July 1 – June 30).
 - Revenue, expenditures or expenses, and other financing sources and uses are the types of activity reported.
 - The changes quantified on these statements represent the difference between last year's ending fund balance or net position and the current year's ending fund balance or net position.

What's in a financial statement number?

Measurement focus and basis of accounting

- GAAP varies depending on the TYPE of statement being prepared.
- Governmental Fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
 - This approach accounts for resources that impact near term liquidity.
- Government-wide and Proprietary Fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.
 - This approach is the same as private sector accounting. It accounts for economic resources in addition to resources that impact near term liquidity.

Accounting Basis Comparison

MODIFIED ACCRUAL

- Capital outlay expenditures recorded fully in period incurred
- Debt financing inflows are recorded when debt is issued, and payments are recorded as matured for the value of principal and interest.
- Pension expense is recorded as the City's contribution to WRS.

ACCRUAL

- Capital outlay is recorded as a capital asset, with the asset cost amortized over future periods for the useful life.
- Debt financing inflows create a long-term obligation, that is reduced as principal payments are made during the life of the debt. Interest expense is accrued as incurred.
- Pension expense is the proportionate share of WRS's actuarially determined net pension liability.

ACFR Report Sections

INTRODUCTORY

Letter of transmittal

Certificate of achievement

Organization chart

List of officials

FINANCIAL

Independent auditor's report

Management's discussion and analysis

Basic financial statements

Notes to the financial statements

- These notes are essential to an understanding of financial statements!

Required supplementary information

Combining financial statements

Supplemental information

ACFR Report Sections

STATISTICAL SECTION

Financial trends

Revenue capacity

Debt capacity

Demographic and economic

Operating

OTHER

Independent Auditor's report on internal control over financial reporting and on compliance with other matters

Schedule of findings and responses

Highlights from the FY 2021 Report

Audit Results

- Unmodified opinion
- Emphasis of matter disclosure for prior period error correction in incurred but not reported claim liability (\$364,081 in Internal Service Fund and Government Activities Net Position)
- Testing did not disclose instances of non-compliance

Governmental Fund Balance

- \$68.5 million governmental fund balance at year end, a 22.6% or \$12.6 million increase from the prior year
- There was a \$9.4 million fund balance increase in the General Fund and a \$6.0 million fund balance increase in the Specific Purpose Tax Fund.

Highlights from the FY 2021 Report

General Fund

- Expenses declined \$50,000 from prior year due to staff attrition and spending freeze
- Sales and use tax revenue grew by \$3.0 million or 27%. Staff estimates \$1.0 million of this increase was one-time due to wind energy development.
- \$4.3 million in pandemic-related federal aid was received from successful Coronavirus Relief Fund (CARES Act) applications and American Rescue Plan non-entitlement unit revenue replacement

Governmental Activities Net Position

- \$64.9 million balance as of June 30, 2021, a \$3.1 million decline from the prior year
- Net program related expenses total \$31.2 million and general revenues, special items, and transfers total \$28.1 million

Highlights from the FY 2021 Report

Business-type Activities Net Position

- \$169.2 million balance as of June 30, an \$10.9 million increase from prior year
- Net program related revenue totals \$7.6 million and general revenues, special items, and transfers total \$3.3 million
- Charges for services income increased \$1.1 million due to consumption changes and development activity. No rate increases were implemented.

Accounting Standards Implementation

- GASB Statement 84 – Fiduciary Activities – Cemetery Perpetual Care Fund now a special revenue fund, rather than a fiduciary fund
- GASB Statement 98 – Renaming the annual report the “Annual Comprehensive Financial Report”