

# How to Build a Comprehensive Annual Financial Report (CAFR)

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[www.marionschools.net](http://www.marionschools.net)

*An Equal Opportunity School District*



# CAFR Certification Programs

- **Association of School Business Officials, International (ASBO)**  
<http://www.asbointl.org/>
- **Governmental Finance Officers Association (GFOA)** <http://www.gfoa.org/>
- Pull from the above websites their checklists



# Before You Get Started

- Review what is needed
- Start gathering information
  - You will need information from past audits, AFR's, Millage Rate documents, FTE/Enrollment reports, County CAFR's, etc.
  - Think about what you want for the cover, tab inserts, Board members & Superintendent. If you want pictures, graphics, etc. – start talking to appropriate personnel within your district early.



# Cover

- Agency Name
- Comprehensive Annual Financial Report
- For the Fiscal Year Ended



# Title Page

- Agency Name
- City & State
- Comprehensive Annual Financial Report
- For the Fiscal Year Ended
- Persons or Departments responsible for preparing the CAFR



# Sections of a CAFR

- Required Sections
  - Introductory Section
  - Financial Section
  - Statistical Section
- Additional Sections
  - Single Audit
  - Other Reports



# Introductory Section

- The introductory section is the CAFR's first major section. As the name implies, this section introduces the reader to the CAFR.



# Parts of the Introductory Section

- Table of Contents (prior to section tab)
- Transmittal Letter
  - It should be:
    - Presented on school district letterhead
    - Dated on or after the date of the auditor's report
    - Signed by the chief financial officer and the chief executive officer





# Parts of the Introductory Section (continued)

- Transmittal Letter (concluded)
  - It should include:
    - Management's responsibility for financial information
    - Explanation of CAFR
    - Description of the school system (types of programs)
    - Definition of the reporting entity
    - Economic condition and outlook
    - Long-term planning
    - Major initiatives by the district
    - Awards
      - Certificate of Excellence (ASBO)
      - Certificate of Achievement for Excellence (GFOA)
    - Acknowledgments



# Parts of the Introductory Section (concluded)

- Organizational Chart
- List of Elected and Appointed Officials
- Certificates of Awards from ASBO and/or GFOA
- Transmittal Letter should NOT include information that is presented in the MD&A



# Financial Section

- The focus of this section is the school district's financial statements.



# Parts of the Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
  - Discussion of the Basic Financial Statements
  - Condensed Comparative Data from Government-Wide Financial Statements
  - Overall Analysis
  - Fund Analysis



# Parts of the Financial Section (continued)

- Management's Discussion and Analysis (continued)
  - Budgetary Highlights
  - Capital Asset and Debt Administration
  - Other Significant Matters
    - Currently known facts, decisions, or conditions that are expected to have a significant effect on the finances of the district
  - Requests for Information



# Parts of the Financial Section (continued)

- Management's Discussion and Analysis (concluded)
  - Other Miscellaneous Issues
    - Use charts, graphs, and tables to enhance the required presentations of financial data
    - Focus on the primary government
    - Highly subjective information should be reported in the letter of transmittal rather than in the MD&A



# Parts of the Financial Section (continued)

- Basic Financial Statements
  - Government-Wide Statements:
    - Statement of Net Position
    - Statement of Activities
  - Governmental Funds Statements:
    - Balance Sheet
    - Reconciliation of the Balance Sheet to the Statement of Net Position
      - (needs to be very detailed and traceable to other information in the financial statements and notes to financial statements)



# Parts of the Financial Section (continued)

- Basic Financial Statements (continued)
  - Governmental Funds Statements:
    - Statement of Revenues, Expenditures, and Changes in Fund Balance
    - Reconciliation of the Statement of Revenues, Expenditures & Changes in Fund Balance to the Statement of Activities
      - (needs to be very detailed and traceable to other information in the financial statements and notes to financial statements)





# Parts of the Financial Section (continued)

- Basic Financial Statements (continued)
  - Governmental Funds Statements:
    - Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
      - ONLY for General and Major Special Revenue Funds
      - **May instead be included as RSI, but titled as a Schedule**



# Parts of the Financial Section (continued)

- Basic Financial Statements (continued)
  - Proprietary Funds Statements (Internal Service Funds & Business Type Activities):
    - Statement of Net Position
    - Statement of Revenues, Expenses and Changes in Net Position
    - Statement of Cash Flows



# Parts of the Financial Section (continued)

- Basic Financial Statements (continued)
  - Fiduciary Funds Statements (Agency Funds – Internal Accounts):
    - Statement of Fiduciary Net Position
    - Statement of Fiduciary Assets and Liabilities (if agency funds only)
    - Statement of Changes in Fiduciary Net Position (not required if only agency funds are reported)



# Parts of the Financial Section (continued)

- Basic Financial Statements (concluded)
  - Notes to Basic Financial Statements
  - This discussion will not include a complete list of all “Notes”. See GASB Codification Section 2300 for required notes disclosures.



# Parts of the Financial Section (continued)

- Required Supplementary Information (RSI) (if needed)
  - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
    - General and Major Special Revenue Funds
    - These schedules **MAY** be presented here instead of included in the Basic Financial Statements



# Parts of the Financial Section (continued)

- Required Supplementary Information (RSI) (if needed) (concluded)
  - Other required RSI includes OPEB and Pension Information
    - Schedule of Funding Progress for OPEB
    - Schedule of Proportionate Share of Net Pension Liability
    - Schedule of Contributions
  - Notes to Required Supplementary Information
    - If RSI is presented then the notes for the budget comparisons must be separated here



# Parts of the Financial Section (continued)

- Supplementary Information:
  - Combining and Individual Fund Statements and Schedules:
    - Combining Balance Sheet Non-Major Governmental Funds
      - Special Revenue Funds
      - Debt Service Funds
      - Capital Projects Funds
      - Permanent Funds (if applicable)



# Parts of the Financial Section (continued)

- Supplementary Information (continued)
  - Combining and Individual Fund Statements and Schedules (continued):
    - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds
    - Special Revenue Funds
    - Debt Service Funds
    - Capital Projects Funds
    - Permanent Funds (if applicable)





# Parts of the Financial Section (continued)

- Supplementary Information (continued)
  - Combining and Individual Fund Statements and Schedules (continued):
    - Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
      - Special Revenue Funds (Non major only)
      - Debt Service Funds
      - Capital Projects Funds



# Parts of the Financial Section (continued)

- Supplementary Information (concluded)
  - Combining and Individual Fund Statements and Schedules (continued):
    - Combining Proprietary Funds Statements (if needed)
    - Combining Fiduciary Funds Statements (if needed)
    - Component Unit Combining Statements (if needed)



# Statistical Section

- The last required section is the Statistical section, which presents comparative data for several periods of time, most often 10 years.
- This section may contain data from sources other than the accounting records.
- Sources of information should be indicated on each schedule.



# Statistical Section (continued)

- The use of graphs may be beneficial to the readers of this section.
- GASB Statement 44, as amended
- GASB Implementation Guide (2015-01) shows illustrative statistical schedules in the appendix.
- Governmental Accounting, Auditing, and Financial Reporting (Blue Book) also shows illustrative statistical schedules



# Parts of the Statistical Section

- Financial Trend Information
- Revenue Capacity Information
- Debt Capacity Information
- Demographic and Economic Information
- Operating Information



# Parts of the Statistical Section (continued)

- Financial Trend Information
  - These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.
  - They include:
    - Net Position by Component – Government-wide
    - Changes in Net Position – Government-wide
      - Expenses for Governmental and Business Activities (separate)
      - Program Revenues for Governmental and Business Activities (separate)
      - General Revenues for Governmental and Business Activities (separate)
    - Fund Balances of Governmental Funds
    - Changes in Fund Balances of Governmental Funds
      - Debt service principal and interest shown separately
      - Ratio of debt service expenditures to noncapital expenditures
    - And other schedules as needed



# Parts of the Statistical Section (continued)

- Revenues Capacity Information
  - These schedules contain information to help the reader assess the District's most significant local revenue source. Property Taxes
  - These schedules include:
    - General Governmental Tax Revenues by Source (property tax, sales tax, impact fees)
    - Assessed and Estimated Actual Value of Taxable Property
    - Property Tax Rates – Direct and Overlapping Governments
    - Sales Tax Rates – Direct and Overlapping Governments
    - Principal Property Taxpayers (current year and nine year previously)
    - Property Tax Levies and Collections



# Parts of the Statistical Section (continued)

- Debt Capacity Information
  - These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the government's ability to issue additional debt in the future.
  - These schedules include:
    - Ratios of Outstanding Debt by Type
    - Ratios of Net General Bonded Debt Outstanding to Assessed Value
    - Direct and Overlapping Governmental Activities Debt (if applicable)
    - Anticipated Capital Outlay Millage Levy Required to Cover Certificates of Participation Payments
    - Calculation of Legal Debt Margin
    - Pledged Revenue Coverage





# Parts of the Statistical Section (continued)

- Demographic and Economic Information
  - These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's Financial activities take place.
  - These schedules include:
    - Demographic and Economic Statistics
      - Population
      - Total Personal Income
      - Per capita personal income
      - The unemployment rate
      - And other information
    - Principal Employers (current year and nine year previously)



# Parts of the Statistical Section (concluded)

- Demographic and Economic Information (concluded)
  - Number of Full Time Employees (administrative, non-instructional, educational support)
- Operating Statistics
  - Number of Schools
  - Expenditures
  - Student Membership
  - Cost per Student
  - Ratios of FTE to instructors, employees, etc.
- Food Service operating statistics
- School building information



# Single Audit and/or Other Reports

- These sections may be included in one section or separated in two sections.



# Single Audit

- Schedule of Expenditures of Federal Awards
- Independent Auditor's Report on Internal control over Financial Reporting...
- Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal...
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings



# Other Reports

- Management Letter (not required)
- Management Letter Comments (District's response to any findings)
- Continuing Disclosure - if additional information is needed



# Common Problems

- Amounts/data in the transmittal letter and/or MD&A does not agree with amounts in the Financial or Statistical Sections. All financial data should agree within the CAFR (even between Statistical Section and F/S).
- Account captions with no dollar amounts presented
- If less than 10 years of statistical data is presented, then a reason needs to be disclosed



# Common Problems (continued)

- Formatting errors such as lack of:
  - Dollar signs
  - Rows lining up when two pages are needed for one spreadsheet
  - Use of 0's or –'s when no amount is presented for a specific line item in a column
  - “This page intentionally left blank.”



# Review Comments

## INTRODUCTORY SECTION

- The transmittal letter should include information useful in assessing the economic condition of the school system, including the age of the school buildings.
- The transmittal letter should include information regarding component units; it should also include the age of any buildings.

## FINANCIAL SECTION

- MD&A - The first sentence under business-type activities references “growth,” however, it should state *reduction*.
- Net pension liability should be reported with noncurrent liabilities in more than one year, unless the pension plan’s fiduciary net position is less than the amount of benefit payments expected to be paid within one year (if any).
- If applicable, disclose the level of the fair value hierarchy within which the fair value measurements are categorized.
- The amounts reported for cash and cash equivalents and cash, end of year between the statement of net position and statement of cash flows do not agree by \$1.
- Pension related note disclosure – notes should provide the aggregate amount for all plans for each of the following items, if they have not been separately displayed in the F/S: (1) pension liabilities, (2) pension assets, (3) deferred outflows of resources, (4) deferred inflows, and pension expense/expenditure for the period associated with the net pension liabilities.





# Review Comments (Continued)

## FINANCIAL SECTION (Continued)

- The notes should include a description of significant reductions in insurance coverage from coverage in the prior year by major category of risk, or a statement that there were none.
- The note disclosure indicate that donated capital assets, donated works of art and similar items, and capital assets received should be reported at acquisition value rather than fair value.
- Use the terminology “issuance of debt” rather than “proceeds from debt”.
- RSI – Consider indicating that the pension schedules in the RSI are intended to show information for ten years, and that additional years’ information will be displayed as it becomes available.
- MD&A – the discussion should explain the underlying reasons for the significant changes in fund balances/fund net position rather than focusing solely on the size of the changes (amounts or percentages).
- Losses on the sale of capital assets of governmental activities should be reported either as an expense of the general government or as a direct expense of the related function or program, as appropriate.
- Consider using the terminology “due from other funds” rather than “due from budgetary funds”.
- All cash flows not properly reported in some other category should be included as part of cash flows from activities, regardless of how the related amount is presented (i.e., operating vs. nonoperating). Relates to loss recoveries shown as Noncapital Financing Activities.
- Agency Fund balances – the only liability is reported as “internal accounts payable”. Please clarify.



# Review Comments (Concluded)

## **STATISTICAL SECTION**

- The statistical section should include information about the volume, usage or nature of the school system's capital assets by function or identifiable activity.
- Information presented for principal employees is only required for the current fiscal period and the fiscal period ended nine years prior. Currently, the District is presenting data for the last ten years.
- The decrease in unrestricted net position during the current year. A narrative should describe atypical trends and anomalous data that users would not otherwise understand. (Implementation of GASB 68).
- The statistical section should include information about direct and overlapping debt related to governmental activities.

## **MISCELLANEOUS**

- Each subsection of the combining statements should be separated by a divider page.



# Remember

- It will **NOT** be perfect. Just get it as close as you can, let it go, then have a copy to mark up for the mistakes that are found so you can fix them next year.



# Questions & Answers



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