AGENDA

• Class Designed for “NEWBIES”
• Historical Perspective of Governmental Accounting
• Financial Statement Users
• Fund Accounting
• Basis of Accounting
AGENDA

• Financial Reporting

• Special Considerations for Florida School Districts
HISTORICAL PERSPECTIVE OF GOVERNMENTAL ACCOUNTING

• How did we begin governmental accounting?

• Created by financial statement preparers and the first group was the Municipal Finance Officers Association (MFOA) which later became the Government Finance Officers Association (GFOA). This organization created what eventually became the National Council on Governmental Accounting (NCGA).

• Mid-1930s the first “Blue Book” (Governmental Accounting, Auditing, and Financial Reporting (GAAFR) was issued and was generally considered generally accepted accounting principles (GAAP) for governments.
HISTORICAL PERSPECTIVE OF GOVERNMENTAL ACCOUNTING

- FAF (Financial Accounting Foundation) created the Governmental Accounting Standards Board (GASB) in 1984 which replaced the NCGA in setting accounting principles for governments.
  - GASB is composed of 7 members with various backgrounds including state and local governments, public accounting, academe, and user groups.
  - NCGA Statement #1 was incorporated into Governmental Accounting and Financial Reporting by GASB as GAAP.
HISTORICAL PERSPECTIVE OF GOVERNMENTAL ACCOUNTING

• FASB (Financial Accounting Standards Board)
• GFOA (Government Finance Officers Association)
• FSFOA (Florida School Finance Officers Association)
• FDOE (Florida Department of Education)
KEY DIFFERENCES BETWEEN GOVERNMENTS AND FOR PROFIT BUSINESSES

• Legal structure

• Political process

• Lack of profit motive
  • Government activities - resources driven by budgets
  • For profit businesses - resources driven by the free market
  • Governments are the provider of services that are not based on fees for service (although some activities that operate as Business type activities are based on user fees such as public utilities, etc.)
FINANCIAL STATEMENT USERS

- Taxpayers
- Citizens
- Creditors
- Legislative bodies
- Grantors
- Management
- Rating agencies such as Moody’s and Fitch
Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.
FUND ACCOUNTING

• What types of funds are there?
  • Governmental funds
    • General Fund
    • Special Revenue Funds
    • Capital Projects Funds
    • Debt Service Funds
  • Permanent Funds
FUND ACCOUNTING

- Proprietary Funds (business type activity)
  - Enterprise Funds
  - Internal Service Funds

- Fiduciary Funds
  - Agency Funds
  - Pension Trust Funds
  - Private-Purpose Trust Funds
  - Investment Trust Funds
BASIS OF ACCOUNTING

• Government-wide Financial Statements
  • Economic Resources Measurement Focus and the accrual basis of accounting
  • Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows
BASIS OF ACCOUNTING

- Governmental Fund financial Statements

- Current Financial Resources Measurement Focus and the modified accrual basis of accounting

- Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. **Expenditures** are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions are reported as other financing sources. **Allocations of cost, such as depreciation, are not recognized in governmental funds.**
FINANCIAL REPORTING

- Financial reporting should be
  - Relevant
  - Reliable
  - Auditable
  - Comparable
  - Consistent
FINANCIAL REPORTING

- Account structure defined by the Florida Department of Education in its publication *Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book 2013)*
  - Fund
  - Function
  - Object
  - Facility
  - Program
  - Project
FINANCIAL REPORTING

• Government-wide
  • Includes capital assets, long-term debt, deferred inflows and outflows

• Fund financial statements
  • Based on the concept of major funds
  • 5% and 10% rules for defining major funds
  • Remainder of funds are presented in the aggregate
UNIQUE ACCOUNTING ASPECTS

- Component Units
- Capital Assets and Depreciation
- Compensated Absences
- OPEB
- COPs
- TANs and RANs
UNIQUE ACCOUNTING ASPECTS

- Long term debt
  - Principal and interest when due
  - Government wide reflects all outstanding debt
  - Issuance of Debt – other financing source
- Deferred Inflows / Deferred Outflows
- Loss or Gain on Refunding
- Certain revenues
UNIQUE ACCOUNTING ASPECTS

• Fund balance and net position classifications
  • Nonspendable
    • Inventories and Prepaid items
  • Spendable
    • Restricted
    • Committed
    • Assigned
    • Unassigned
ANNUAL FINANCIAL REPORT

- Required by State Board of Education Rule 6A-1.0071, Florida Administrative Code and Section 1001.51(12)(b), Florida Statutes.
- Due September 11 of each year
ANNUAL FINANCIAL REPORT

• Comprised of
  • ESE 348 Report of Financial Data to the Commissioner of Education
  • ESE 145 Superintendent’s Annual Financial Report (basic financial statements that include
    • Statement of Net Position (Government-wide)
    • Statement of Activities (Government-wide)
• ESE 145 (continued)
  • Balance Sheet – Governmental Funds
  • Reconciliation of the Balance Sheet to the Statement of Net Position
  • Statement of Revenues, Expenditures, and Changes in Fund Balance
  • Reconciliation of the Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
ANNUAL FINANCIAL REPORT

• ESE 145 (continued)
  • Statement of Net Position – Proprietary Funds
  • Statement of Revenues, Expenses, and Changes in Fund Net Position
  • Statement of Cash Flows – Proprietary Funds
  • Statement of Fiduciary Net Position
  • Statement of Changes in Fiduciary Net Position
  • Budget to Actual Statements
ANNUAL FINANCIAL REPORT

• ESE 374 Schedule of Maturities of Indebtedness
• ESE 523 Information Concerning Authorized Obligations under Sections 1011.14 and 1011.15, Florida Statutes.
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

- Transmittal Letter
- Auditor’s Report on Financial Statements
- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

• Required Supplementary Information (RSI) and related Notes to RSI
  • Budget to Actual Statements for the General Fund and all Major Special Revenue Funds
  • Other Post-Employment Benefits Funding Progress
  • Schedule of Proportionate Share of Net Pension Liability – Last 10 Fiscal Years
  • Schedule of Contributions (FRS & HIS)
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

• Supplemental Information
• Combining Statements
• Individual Fund Statements
• Budget to Actual Statements
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

- Statistical Section
  - Financial Trends
  - Revenue Capacity
  - Debt Capacity
  - Demographic and Economic Information
  - Operating Information
SPECIAL CONSIDERATION FOR FLORIDA SCHOOL DISTRICTS

- Role of FDOE
- School districts
- Component units
  - Blended
  - Discreetly presented
SPECIAL CONSIDERATION FOR FLORIDA SCHOOL DISTRICTS

• Revenue Sources
  • Florida Education Finance Program (FEFP) funds
    • Based on FTE
    • Weighted based on student services provided
  • Local property taxes
  • Federal through State funds
    • Awarded through FDOE
• FLAGS
• Food Service Program
SPECIAL CONSIDERATION FOR FLORIDA SCHOOL DISTRICTS

• Revenue Sources
  • Other State Sources
  • Food Service Operations
  • Impact Fees
  • Medicaid
  • Sales Tax
SPECIAL CONSIDERATION FOR FLORIDA SCHOOL DISTRICTS

- Other Financing Sources
  - Inception of Debt
  - Transfers In
  - Sale of Assets
  - Insurance Loss Recoveries
SPECIAL CONSIDERATION FOR FLORIDA SCHOOL DISTRICTS

- Expenditure
  - Based on “Red Book”
- Other Financing uses
  - Transfers Out
  - Payments to Escrow Agent
SPECIAL CONSIDERATION FOR FLORIDA SCHOOL DISTRICTS

• Grantor Requirements
  • FDOE's Green Book
  • Uniform Grant Guidance
INTERNAL CONTROLS

• Management’s responsibility to design internal controls

• Uniform Grant Guidance now requires COSO model to be used

• COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control Framework
  • Control Environment
    • Tone at the top
  • Risk Assessment
    • Risk of material financial statement misstatement
  • Control Activities
    • Based on risk assessment
    • Evaluate in light of cost/benefit
INTERNAL CONTROLS

• Information/Communication
  • Who needs information and in what format

• Monitoring
  • Who is going to monitor and what are they going to monitor
KEY DATES

• Monthly Activities
  • Financial reports and budget amendments to the Board
  • Bank reconciliations
  • Closing journal entries (interest allocations, etc.)
• July – Tentative Budget and Preparing YE accruals and Journal Entries
• August – Final FA 399 for prior year
• September – AFR, Superintendent Report, Final Budget, Cost Accounting Report
• October – Final Tax (DR-422)
• November - Cash Advance Reconciliation, Public Depository Report
• January – Unclaimed Property, Sales Tax Use Return, W2s, 1099s
• April – Indirect Cost Rate Plan
AUDITS

• Financial statement audits
  • Rotation for large districts
  • AICPA
  • Yellow Book Requirements
AUDITS

- Single Audits
  - $750,000 Total Federal Expenditures
  - Super Circular
  - SEFA
  - Identification of Type A ($750,000 or 3%) and Type B programs (everything else)
- GAO’s Green Book
  - Issued 1999
  - Will be revised to include COSO framework
AUDITS

• Operational Audits performed by the Auditor General
  • Based on directives of the Legislature
  • Risk assessment basis
  • Hot topics
    • Wire Transfer agreements
    • P-card usage and controls
    • Conflicts of Interest
    • Virtual Instruction Programs
RESEARCH AND SOURCES OF INFORMATION

- Florida Administrative Code

- Florida Statutes http://www.leg.state.fl.us/STATUTES/

- Auditor General http://www.myflorida.com/audgen/

- Florida Department of Education http://www.fldoe.org/

- Florida Department of Revenue http://dor.myflorida.com/dor/

- GASB http://www.gasb.org/

- FSFOA http://www.fsfoa.org/
# BUDGET PREPARATION – TRIM TIMETABLE

**SCHOOL DISTRICT TRIM TIMETABLE**

This is an example using July 1 as the date of certification and showing the range of dates (minimum to maximum) for scheduling. These dates do not provide for shortening the time frames.

<table>
<thead>
<tr>
<th>Day #</th>
<th>TYPICAL DATE</th>
<th>AGENCY</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>July 1 or date of certification, whichever is later</td>
<td>Property Appraiser</td>
<td>Certifies tax roll or court certifies interim tax roll (Form DR-420S, Certification of Taxable Value)</td>
</tr>
<tr>
<td>2 working days prior to July 19</td>
<td>July 17</td>
<td>Department of Revenue</td>
<td>Certifies taxable value by county to Commissioner of Education</td>
</tr>
<tr>
<td>No later than July 19</td>
<td>July 19</td>
<td>Department of Education</td>
<td>Calculates required local effort millage and certifies rate to each school district</td>
</tr>
<tr>
<td>No later than 24 days</td>
<td>July 24</td>
<td>School District Superintendent</td>
<td>Submits proposed budget to school board for approval prior to advertising</td>
</tr>
<tr>
<td>Within 29 days</td>
<td>July 29</td>
<td>School District</td>
<td>Publishes required tentative TRIM advertisements</td>
</tr>
<tr>
<td>2-5 days</td>
<td>July 31 – August 3 (no sooner than 2 days and no later than 5 days)</td>
<td>School District</td>
<td>Tentatively adopts millage and budget at this tentative hearing</td>
</tr>
<tr>
<td>Within 35 days</td>
<td>August 4</td>
<td>School District Superintendent</td>
<td>Advises property appraiser of proposed millage; rolled-back rate; and time, date, and place of final budget hearing on Form DR-420S</td>
</tr>
<tr>
<td>Within 55 days</td>
<td>August 24</td>
<td>Property Appraiser</td>
<td>Mails Notice of Proposed Property Taxes (Form DR-474, TRIM notice)</td>
</tr>
<tr>
<td>65 – 80 days</td>
<td>September 3 – September 18</td>
<td>School District</td>
<td>Adopts final millage and budget</td>
</tr>
</tbody>
</table>
# BUDGET PREPARATION – TRIM TIMETABLE

## SCHOOL DISTRICT TRIM TIMETABLE

<table>
<thead>
<tr>
<th>Day #</th>
<th>TYPICAL DATE</th>
<th>AGENCY</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 3 days</td>
<td>September 6 – September 21 (after millage adoption)</td>
<td>School District Superintendent</td>
<td>Certifies adopted final millage to property appraiser, tax collector, and Department of Revenue</td>
</tr>
<tr>
<td>Within 3 working days</td>
<td>September 6 – September 21</td>
<td>School District Superintendent</td>
<td>Submits budget to Department of Education within 3 business days after adoption (per state board rules)</td>
</tr>
<tr>
<td>Typically after VAB</td>
<td></td>
<td>Property Appraiser</td>
<td>Certifies final taxable value (Form DR-422) to all taxing authorities</td>
</tr>
<tr>
<td>Within 3 days</td>
<td>After receipt of final millage and budget</td>
<td>School District Superintendent</td>
<td>Certifies final millage to property appraiser, tax collector, and Department of Revenue</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Property Appraiser</td>
<td>Extends tax roll after completion of VAB hearing or after majority vote of county commission to extend tax roll prior to VAB completion</td>
</tr>
<tr>
<td>Within 30 days</td>
<td>After adoption of final millage and budget</td>
<td>School District Superintendent</td>
<td>Certifies compliance with ss. 200.065 and 200.068, F.S., to Department of Revenue</td>
</tr>
</tbody>
</table>
BUDGET PREPARATION

- TRIM Bill compliance
  - FDOR’s Schools workbook
  - TRIM MANUAL
- Estimated Revenue
- Unit Control