

Financial Literacy for Burlington City Councilors

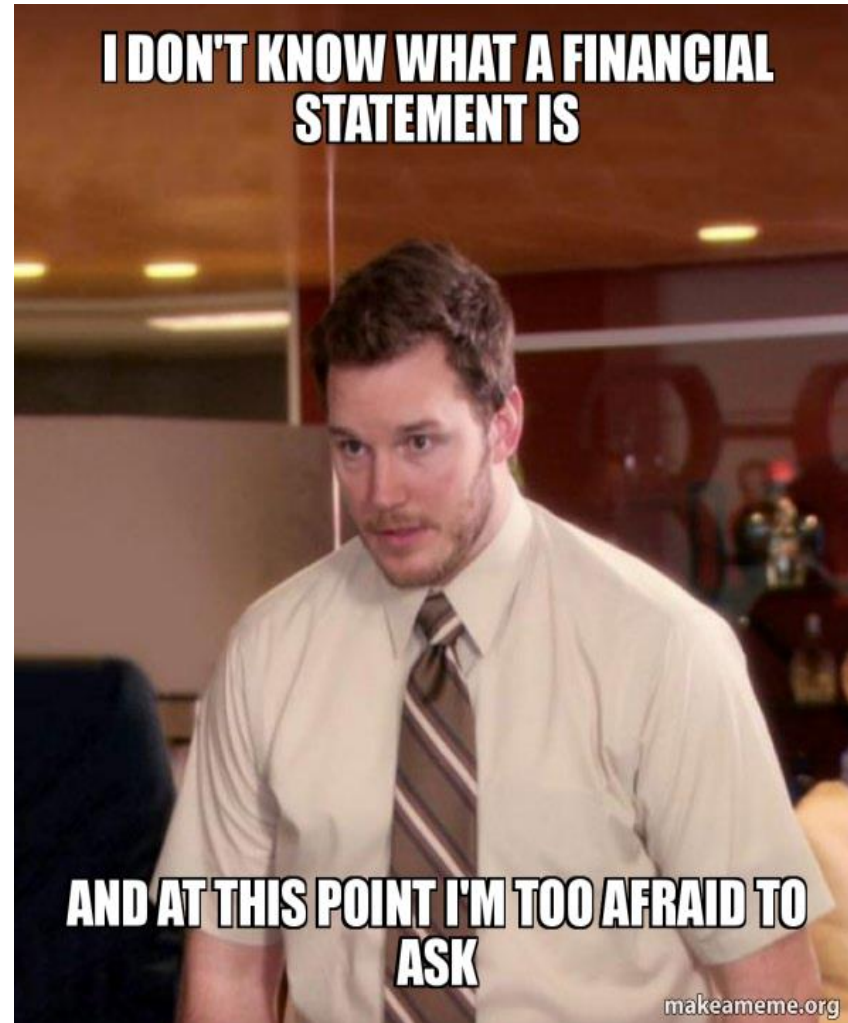
Understanding the Audit and Annual Comprehensive Fiscal Report

January 2023





The Beginning





Generally Accepted Accounting Principles (GAAP)

- Body of accounting and financial reporting standards, conventions, and practices that have authoritative support from standards-setting bodies such as the Governmental Accounting Standards Board (GASB), for which a degree of consensus exists among accounting professionals.
- GAAP are continually evolving as changes occur in the reporting environment.





Some Distinguishing Characteristics of Government

- Operating purpose is not providing goods or services at a profit.
- Absence of defined ownership interest that can be sold, transferred, or redeemed in the event of liquidation of the organization.
- Exist in an environment where the power ultimately rests in the hands of the people.
- Taxpayers are required to serve as providers of resources even though they often have very little choice about which services they receive and the extent to which they receive them.
- Governments do not operate in a competitive marketplace, face virtually no threat of liquidation, and do not have equity owners.





Governmental Accounting Standards Board

- Independent agency established the official body to set accounting and financial reporting standards for state and local governments.
- GASB provides statements, interpretations, technical bulletin updates, and implementation guides related to governmental accounting
- Statements issued periodically that affect us including:
 - GASB 87 - Leases
 - GASB 75 - Other Postemployment Benefits (OPEB)
 - GASB 67 and 68 – Financial Reporting for Pension Plans





Annual Comprehensive Fiscal Report

1. Auditor's Report
2. Management's Discussion & Analysis
3. Government-Wide Financial Statements
4. Fund Financial Statements
 - a. Governmental Funds
 - b. Proprietary Funds
 - c. Fiduciary Funds
5. Notes to Financial Statements
6. Required Supplementary Information
7. Supplementary Statements and Schedules



Independent Auditor's Report

- Report on the Financial Statements
- Opinions
- Management's Responsibility for the Financial Statements
- Auditors' Responsibility
- Other Matters
- Other Reporting Required by Government Auditing Standards





Management's Discussion and Analysis

- Pro-tip: if you only have time to focus on one section: make sure to **read this one**
- 10-12 page summary of report
 - A. Overview
 - B. Financial Highlights
 - C. Government-Wide Financial Analysis
 - D. Financial Analysis of City Funds
 - E. General Fund Budget Highlights
 - F. Capital Assets and Debt Administration
 - G. Economic Factors and Next Year's Budgets and Rates





Management's Discussion and Analysis

- Total unassigned fund balance and % of GF expenditures
- Changes in net position
- Propriety funds overview
- Capital assets
- Credit rating
- Long-term debt



Breakdown Fiscal Report

Government-Wide Financial Systems

Governmental Funds

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Permanent Funds

Proprietary Funds

- Enterprise Funds

Fiduciary Funds

- Pension Trust Fund
- Private Purpose Trust Funds
- Custodial Funds



Breakdown Fiscal Report

Government-Wide Financial Systems

Governmental Funds

General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Permanent Funds

Proprietary Funds

Enterprise Funds

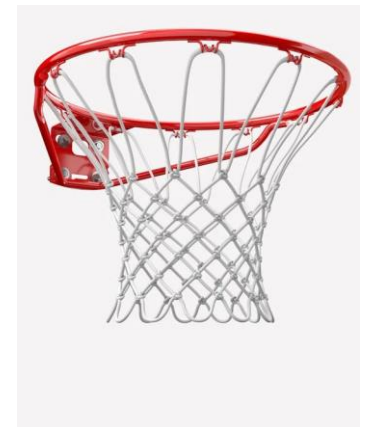
Fiduciary Funds

Pension Trust Fund
Private Purpose Trust Funds
Custodial Funds



Statement of Net Position

- Broken up into governmental activities and business-type activities
- Shows assets broken up into current (includes cash, receivables, investments and inventory) and noncurrent (restricted cash and investments, capital assets, regulatory assets)
- Shows liabilities broken up into current (AP, unearned revenue, current portion of LT liability) and noncurrent (GO bonds, state revolving loans, pension liability)
- Shows deferred inflow of resources (OPEB, leases)





Statement of Activities

- Also distinguishes between governmental and business-type activities
- Looks at program expenses versus program revenues (charge for services, grants and capital) to see the net revenue or net expense
- Broken into categories such as public safety, public works, culture and recreation, electric, airport





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Balance Sheet

Broken up into General (General Fund), Capital Projects, Nonmajor Governmental Funds

Assets / Liabilities / Fund Balances

Nonspendable

Unassigned

Committed

Assigned

Restricted



Reconciliation of Fund Balances to Net Position of Activities

Starting Point: Total Governmental Fund Balances (from balance sheet)

- + capital assets (net of accumulated depreciation)
- + deferred outflows and inflows related to pension and OPEB
 - + deferred debt expense
- long-term liabilities (e.g. bonds, leases, insurance reserves, net pension liability)
 - accrued interest



Statement of Revenues, Expenditures and Changes in Fund Balances

Revenues

- Taxes
- PILOT
- Licenses and permits
- Charges for services

Expenditures

- General government
- Public safety
- Public works
- Culture and recreation
- Community development

Net Change in Fund Balances





Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances

Starting point: Fund Balance in Total Governmental Funds (from previous statement)

+ Depreciation expense

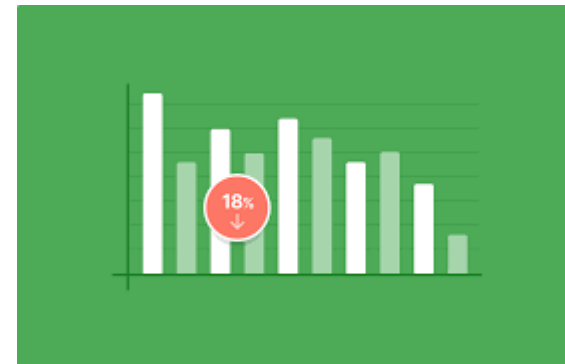
+ Expenses reported in Statement of Activities that do not require use of current financial resources and are not reported as expenditures in governmental fund

- Capital asset purchases



Statement of Revenues and Expenditures – Budget to Actual

- Broken up by revenues (taxes, LOT, PILOT, charge for services, etc) and expenditures (according to department)
- This shows the originally budgeted amount and the final budgeted amount (includes all budget amendments approved)
- Compares final budgeted amount with actuals to provide variance





Breakdown Fiscal Report

Government-Wide Financial Systems

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Proprietary Funds

- Enterprise Funds

Fiduciary Funds

- Pension Trust Fund
- Private Purpose Trust Funds
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Statement of Net Position

- Broken up into major and non-major enterprise funds
- Shows assets broken up into current (includes cash, user fees) and noncurrent (restricted cash and investments, capital assets)
- Shows liabilities broken up into current (AP, current portion of bonds payable) and noncurrent (long-term portion of bonds, pension liability)
- Shows deferred inflow of resources (related to pensions, etc)





Statement of Revenues, Expenditures and Changes in Fund Balances

Operating Revenues

- Charge for services

Operating Expenses

- Personnel and non-personnel

Nonoperating Revenues & Expenses

- Dividends, grants, and interest expense





Statement of Cash Flows

Shows net cash provided by operating activities

Also includes noncapital financing, capital, investing, and adjustments





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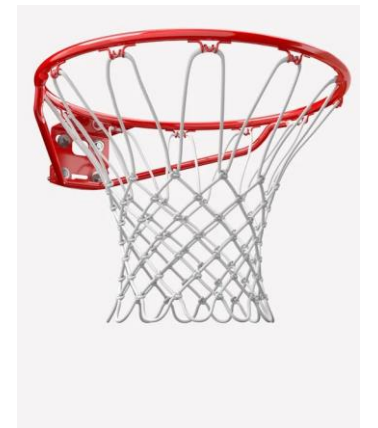
Fiduciary Funds

- Pension Trust Fund
- Private Purpose Trust Funds
- Custodial Funds



Statement of Fiduciary Net Position

- Split between Pension Trust, Private Purpose Trust Funds, and Custodial Funds
- Shows assets broken up into current (includes cash and investments) and noncurrent (capital assets)
- Shows liabilities broken up into current (AP) and noncurrent (capital lease payable)
- Shows restricted funds related to pensions, etc.





Statement of Changes in Fiduciary Net Position

- Lists additions from previous FY such as:
 - pension contributions
 - investment earnings

- And deductions such as:
 - Depreciation
 - pension benefits
 - pension administration expenses



Notes to Financial Statements

32 different sections that dive into the details

Questions and Discussion

