

2023 Financial Reporting Workshop

Presented By:

Statewide Financial Reporting Section (SFRS Team)

Bureau of Financial Reporting

Division of Accounting & Auditing

Welcome

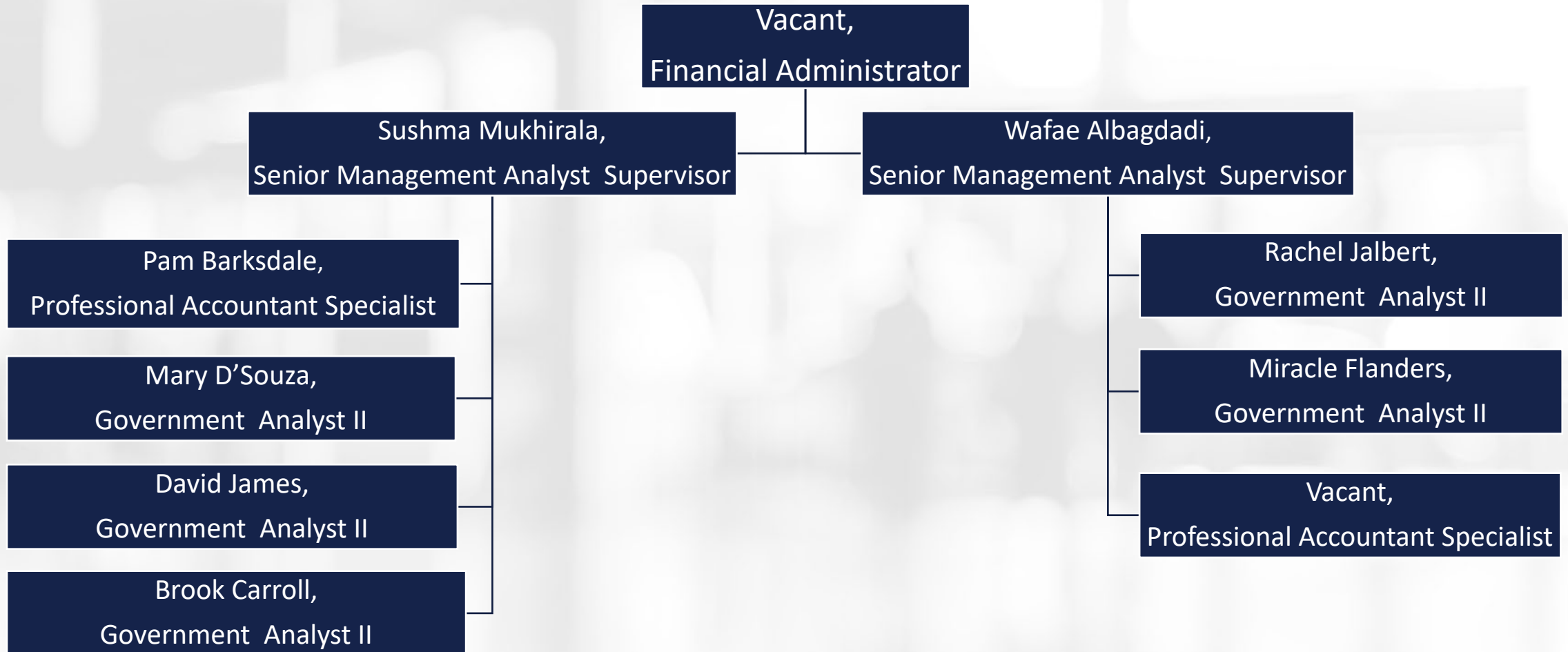
Mark Merry, CPA

Accounting & Auditing Assistant Director

Introduction

Tammy Eastman, CPA
Financial Reporting Bureau Chief

Statewide Financial Reporting Section Team



Housekeeping

- There will be two 15 breaks.
- If you have a question, please ask the question.
- Course has been approved for 3 hours of CPA CPE by the Florida Department of Business and Professional Regulation.

Agenda for Workshop

1. Welcome
2. Financial Reporting Team Introductions
3. Annual Comprehensive Financial Report
Overview & Reminders
4. Future of the Annual Comprehensive Financial
Report Compilation Process

Agenda for Workshop

5. 2022 Compliance Checklist Evaluations

BREAK

6. GASB 87 – Leases Lessons Learned

7. FYE 2023 GASB Implementations

Agenda for Workshop

8. FYE 2024 GASB Implementations

9. GASB Implementation Roundtable

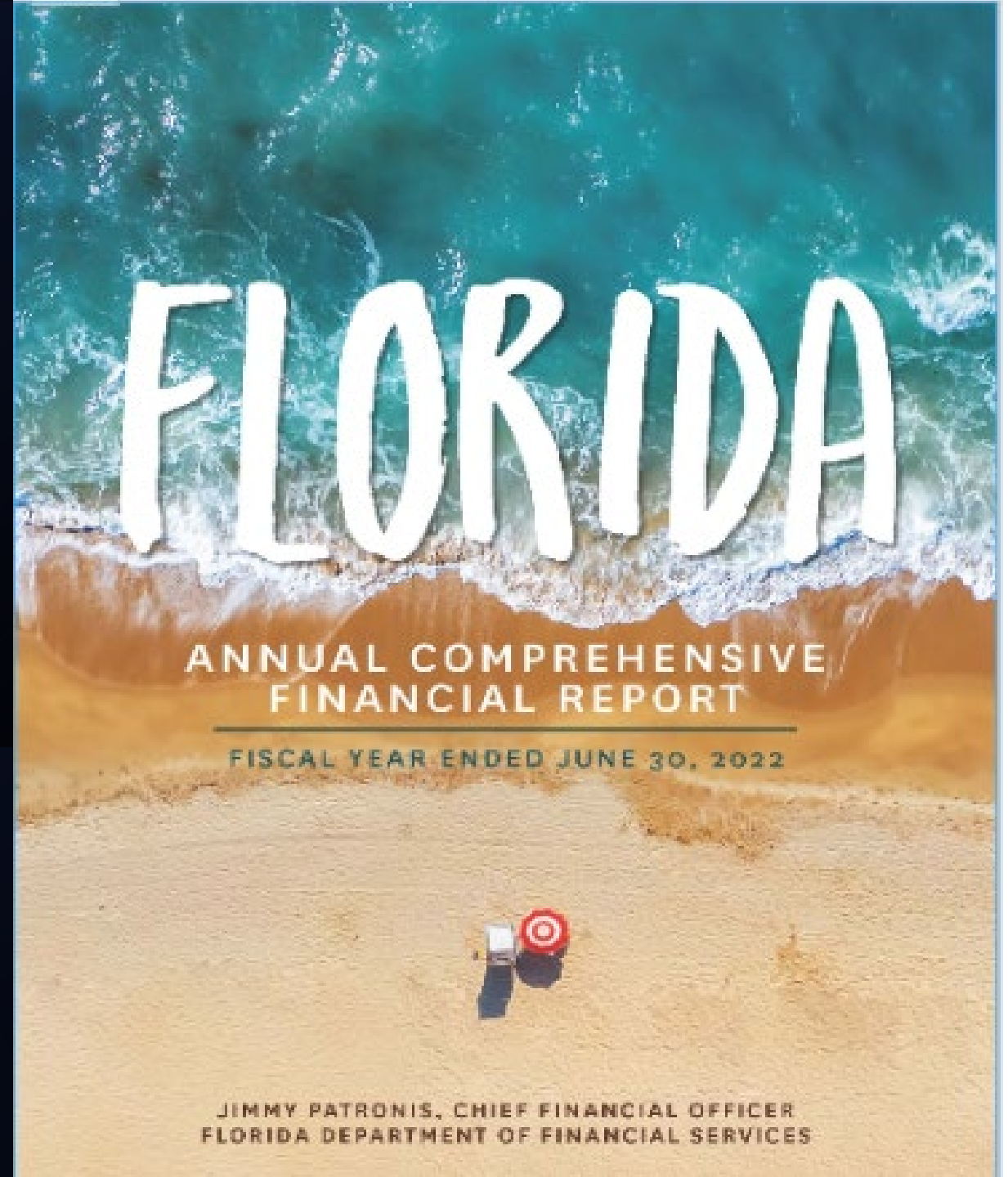
BREAK

10. Financial Reporting Best Practices Roundtable

Are there any
questions?



Annual Comprehensive Financial Report Overview



General Overview

- Section 216.102(3), Florida Statutes, requires the Chief Financial Officer to publish an *Annual Comprehensive Financial Report* in accordance with generally accepted accounting principles.
- Defined by Governmental Accounting Standards Board (GASB)
- Due annually by February 28
- Audited by the Florida Auditor General
- Provides a thorough and detailed presentation of the state's financial condition

General Overview



Functional Timeline of the Annual Comprehensive Financial Report Preparation Process



Tools Available for Agency Closing

- a) Agency Closing Schedule
- b) Agency Calendar
- c) Statewide Financial Statement Guidance
- d) Statewide Financial Reporting Compliance Checklist
- e) WTB Database
- f) Form 3 Completeness Database

Tools Available for Agency Closing

- a) Agency Closing Schedule can be found at https://www.myfloridacfo.com/docs-sf/accounting-and-auditing-libraries/state-agencies/financial-reporting/agency-closing-schedule-2023.pdf?sfvrsn=2c523cb9_4.
- b) Agency Addressed Memo #22 - Statewide Financial Reporting Fiscal Year 2022-23 Annual Comprehensive Financial Report can also be found on the website. <https://www.myfloridacfo.com/division/aa/state-agencies/agency-addressed-memoranda>

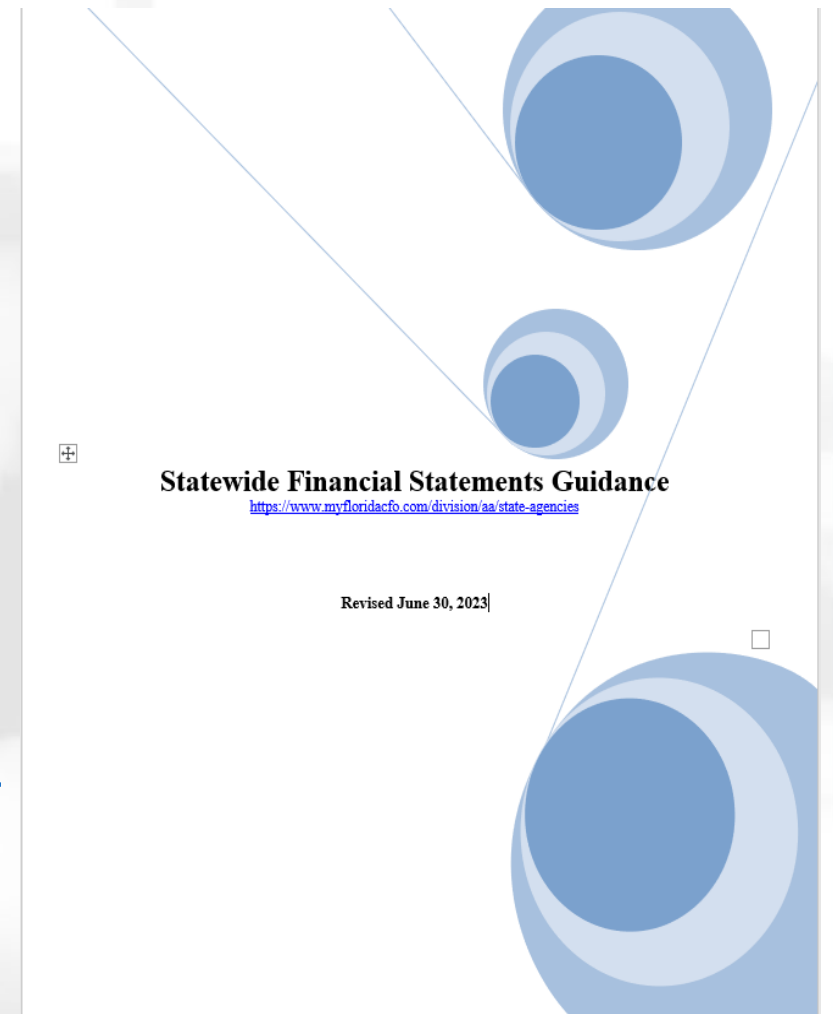
Tools Available For Agency Closing

c) Statewide Financial Statements Guidance

- ❖ Provides the necessary steps to comply with the checklist items. It also provides accounting guidance for specific subjects.

- ❖ Can be located on our website at:

<https://myfloridacfo.com/division/aa/state-agencies>



Tools Available For Agency Closing

d) Statewide Financial Statements Compliance Checklist

- ❖ Designed to identify essential tasks that must be accomplished during and after the agency closing process.
- ❖ Due dates for some checklist items are provided on the checklist itself and others are based on agency closing dates identified in the Agency Calendar.
- ❖ Agencies Compliance Checklist responses are due in October signed by the chief fiscal officer. Checklist items with a “No” response, require completion and submission of “Attachment A” for each no response.
- ❖ The SFRS grades each checklist item for timeliness and accuracy. Grading sheets will be available after workshop for the most recent ACFR cycle.

Statewide Financial Statements Compliance Checklist
Fiscal Year Ended June 30, 2023

Agency 6-digit CLO

Instructions: Agencies should utilize the Statewide Financial Statements Guidance document when completing this compliance checklist. The items on this checklist are evaluated by the Department of Financial Services (DFS) for compliance. Choose the appropriate response from the drop-down box to indicate your determination of compliance.

- YES, indicates in compliance with the checklist requirement and by the due date.
- NO, indicates the checklist requirement was not completed or inaccurate by the due date. For each “No” response, an attachment A is required for each item.
- N/A indicates the item does not apply to your agency.

This form and Attachment A, if applicable, must be e-mailed to sfrs@myfloridado.com by **October 6, 2023**.

Save and submit form with the following file name: “CLO”, Form Acronym, and date. (Ex: 9900-SFSCForm-05-30-20XX).

Select One: The trial balance for every fund within the agency is in balance by agency closing date.

Select One: All INTRA fund balances and transfers within the agency are in balance and in agreement with Form 3-INTRA by August 28, 2023.

Select One: All INTER fund balances and transfers with other agencies have been reconciled, correctly recorded accurately in agency trial balances including any adjustments necessary to agree with the other agencies, and in agreement with Form 3-INTER by September 11, 2023.

Select One: Cash in State Treasury is properly reported by agency closing date.

Select One: Treasury investment balances for all funds agree with those reported by the State Treasury by agency closing date.

Select One: Current year beginning fund balance and net position amounts have been adjusted, as appropriate, to last year's audited ending fund balance and net position amounts for all funds by agency closing date.

Select One: All revenues reported in general revenue funds (State Fund 1) that will be accounted for in the General Revenue Unallocated fund have been closed out to Collections, General Revenue (GL 546XX) by agency closing date.

Select One: Depreciation has been run in FLAIR for all capital assets at least one day prior to agency closing. For agencies using a system other than FLAIR, amounts have been properly reported by agency closing date. In addition, please complete the following:
 FLAIR depreciation run date:
 Depreciation method used, if other than straight-line:
 System used other than FLAIR to calculate depreciation:

Select One: For applicable governmental funds, fund balance classifications have been properly reported in agency records by agency closing date.

Page 1

DFS-A1-1831
(Rev. 6/2023)

Tools Available For Agency Closing

e) WTB Database

❖ Access database utilized to provide various reports to support state agencies with fulfilling ACFR requirements. Reports include:

❖ Specific compliance checklist item reports (01, 04-10, 12-14, 16 and 21).

❖ Analytical reports to identify potential errors.

Financial Reporting Workshop - Full Page Slides - June 2021

Financial Reporting Workshop - For Notes - June 2021

Financial Statement Engagement Letter

[Funds List](#) (as of 09-17-21)

[General Ledger Codes - Discretely Presented Component Units](#)

[General Ledger Codes - Governmental/Proprietary Funds](#)

[General Ledger Crosswalk - Fiduciary Funds](#)

[Implementation Schedule for the Governmental Accounting Standards Board \(GASB\)](#)

[Non-Escheat Funding Sources Verification Checklist](#)


[Schedule of Expenditures of Federal Awards Workbook Guidance](#)

[Statewide Object Code List \(01/13/2021\)](#)

[SWCAP Online Training Workshop](#)

[Statewide Financial Statements Guidance](#)

Financial Statements Databases:

- Working Trial Balance (WTB) 

Tools Available For Agency Closing

e) WTB Database

- ❖ From the second working day of July until the last CFO and AG adjustments are posted, the SFRS team updates the WTB database, updates it on the website, and notifies it was updated to the agencies via [e-mail](#).
- ❖ It is located on the DFS website at:
<https://myfloridacfo.com/division/aa/state-agencies> under Financial Guidance for State Agencies → Financial Reporting → Financial Statements Databases.
- ❖ Instructions for using the WTB are attached with the database.

Financial Reporting Workshop - Full Page Slides - June 2021

Financial Reporting Workshop - For Notes - June 2021

Financial Statement Engagement Letter

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[SWCAP Online Training Workshop](#)

[Statewide Financial Statements Guidance](#)

Financial Statements Databases:

- Working Trial Balance (WTB) 

Tools Available For Agency Closing

f) Form 3 Completeness Database

- ❖ Form 3 Completeness database is a tool available for the agencies to ensure your Form 3 Intra and Form 3-Inter data is in balance with your trial balance.
- ❖ Form 3 Completeness database can be located at <https://myfloridacfo.com/division/aa/state-agencies>.
- ❖ Instructions for using Form 3 are attached within the database.

Financial Reporting Workshop - Full Page Slides - June 2021

Financial Reporting Workshop - For Notes - June 2021

Financial Statement Engagement Letter

Funds List (as of 09-17-21)

General Ledger Codes - Discretely Presented Component Units

General Ledger Codes - Governmental/Proprietary Funds

General Ledger Crosswalk - Fiduciary Funds

Implementation Schedule for the Governmental Accounting Standards Board (GASB)

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Schedule of Expenditures of Federal Awards Workbook Guidance

Statewide Object Code List (01/13/2021)

SWCAP Online Training Workshop

Statewide Financial Statements Guidance

Financial Statements Databases:

- Working Trial Balance (WTB)
- Form 3 Completeness

Agency Management Representation Letter

Agency Representations – Financial Statements Letter is a document issued by SFRS team on behalf of state agencies to provide their attestations of the responsibilities for the financial statements and knowledge of the matters concerned.

Delegation of Authority

When submitting forms or letters that are signed by someone other than the intended party (e.g., Agency Head or CFO) as stated on form(s) and/or letter(s), a delegation of authority **must** be provided with the submission of the form and/or letter.

Electronic Signatures

- Pursuant to section 668.004, Florida Statutes, electronic signatures will be accepted on Bureau of Financial Reporting's forms submitted electronically during ACFR cycle. These forms must contain the following statement for the electronic signatures to be considered valid and must be submitted by the authorized signer.

“By providing this electronic signature, I am attesting that I understand that electronic signatures are legally binding and have the same meaning as handwritten signatures. I am also confirming that internal controls have been maintained, and that policies and procedures were properly followed to ensure the authenticity of the electronic signature.

This statement is to certify that I confirm that this electronic signature is to be the legally binding equivalent of my handwritten signature and that the data on this form is accurate to the best of my knowledge.”

Electronic Signatures

- If the form is converted to Adobe and the Adobe “Fill & Sign” is used with a default signature, or it is a copy and paste signature, provide the statement above in the body of the email at the time of the form submission. Otherwise, it will be returned to complete.
- If DocuSign is used and it is stamped, the electronic signature statement is not required. Please contact the Bureau of Financial Reporting at (850) 413-5511, if you have questions or require additional information.

When is an Updated Form Required

An updated form is required when an adjustment is made.
Please submit updated form(s) with adjustments.

Adjustments Deadline

Deadline for Adjustments is **August 24, 2023**

Closing Process

- ONLY one reminder for agency closing
- Reversions and closing adjustments

Remember that adjustments posted the day of closing may not be processed prior to closing. For example, if your agency is scheduled to close on August 4th the last day to post an adjustment to ensure it is processed prior to closing would be August 3rd.

Statewide Financial Statements FY 2022-2023 FLAIR Fiscal Year Closing Schedule

| OLO | Agency | Closing Date |
|--------|---------------------------------------|---------------------------|
| 489000 | School for Deaf and Blind | Wednesday, August 2, 2023 |
| 620000 | Military Affairs | Wednesday, August 2, 2023 |
| 570000 | Citrus | Wednesday, August 2, 2023 |
| 410000 | Legal Affairs | Thursday, August 3, 2023 |
| 415000 | Florida Gaming Control Commission | Thursday, August 3, 2023 |
| 500000 | Veterans Affairs | Thursday, August 3, 2023 |
| 640000 | Department of Health | Thursday, August 3, 2023 |
| 650000 | Elder Affairs | Thursday, August 3, 2023 |
| 550000 | Transportation | Friday, August 4, 2023 |
| 220000 | State Courts | Monday, August 7, 2023 |
| 310000 | Executive Office of the Governor | Monday, August 7, 2023 |
| 420000 | Agriculture | Monday, August 7, 2023 |
| 480000 | Education | Monday, August 7, 2023 |
| 610000 | Public Service Commission | Monday, August 7, 2023 |
| 800000 | Juvenile Justice | Monday, August 7, 2023 |
| 210000 | Justice Administration Commission | Tuesday, August 8, 2023 |
| 360000 | Lottery | Tuesday, August 8, 2023 |
| 400000 | Department of Economic Opportunity | Tuesday, August 8, 2023 |
| 430000 | Financial Services | Tuesday, August 8, 2023 |
| 439000 | Accounting & Auditing | Tuesday, August 8, 2023 |
| 110000 | Legislature | Tuesday, August 8, 2023 |
| 370000 | Environmental Protection | Tuesday, August 8, 2023 |
| 600000 | Children and Family Services | Wednesday, August 9, 2023 |
| 670000 | Agency for Persons with Disabilities | Wednesday, August 9, 2023 |
| 710000 | Florida Department of Law Enforcement | Wednesday, August 9, 2023 |
| 729700 | Division Of Administrative Hearings | Wednesday, August 9, 2023 |
| 680000 | Agency for Healthcare | Thursday, August 10, 2023 |
| 720000 | Management Services | Thursday, August 10, 2023 |
| 729800 | Agency for State Technology | Thursday, August 10, 2023 |
| 730000 | Revenue | Thursday, August 10, 2023 |
| 760000 | Highway Safety | Thursday, August 10, 2023 |
| 770000 | Fish & Wildlife | Thursday, August 10, 2023 |
| 790000 | Business and Prof. Regulation | Thursday, August 10, 2023 |
| 450000 | State | Friday, August 11, 2023 |
| 700000 | Corrections | Friday, August 11, 2023 |
| 780000 | Florida Commission on Offender Review | Friday, August 11, 2023 |
| 840000 | State Board of Administration | Monday, August 14, 2023 |

Who to call in times of trouble?

Us

at (850) 413-5511 or
email sfrs@myfloridacfo.com

How to Contact SFRS

General Questions can be sent to
SFRS@myfloridacfo.com

| | E-mail | Telephone |
|-------------------|-------------------------------------------------------------------------------------------------|----------------|
| Tammy Eastman | <u>Tammy.Eastman@myfloridacfo.com</u> | (850) 413-5746 |
| Sushma Mukhirala | <u>Sushma.Mukhirala@myfloridacfo.com</u> | (850) 413-5559 |
| General Questions | <u>sfrs@myfloridacfo.com</u> | (850) 413-5511 |

Do you have any questions?

Future of the Annual Comprehensive Financial Report Process

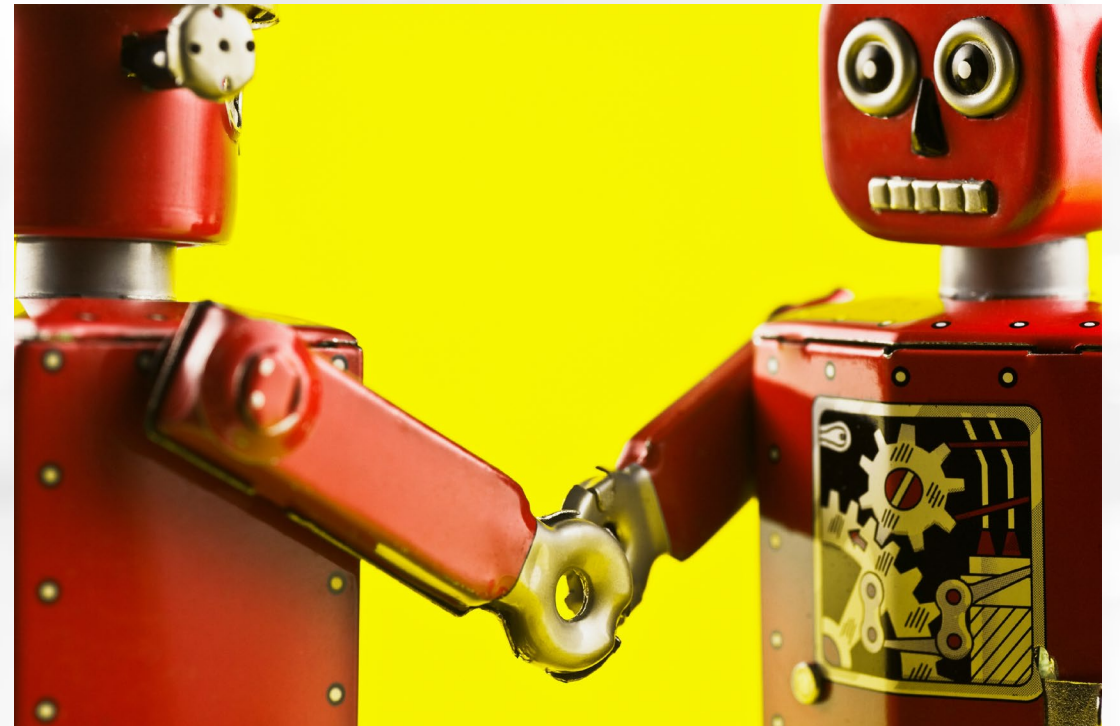


Future of the Annual Comprehensive Financial Reporting (ACFR) Process

1. ACFR Automation
2. Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases*
3. GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*
4. Forms Packages

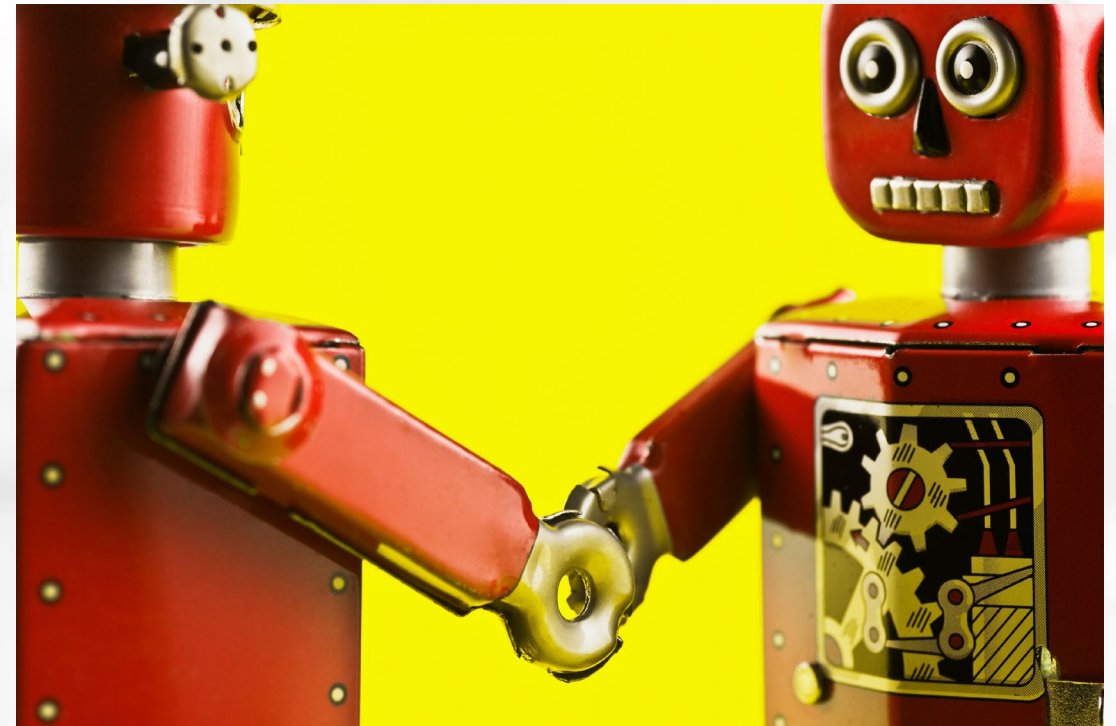
ACFR Automation

- Progress is being made to bring the ACFR processes into the current era.
- The automation should make work easier.



ACFR Automation

- How will it make work easier?
 - ✓ Forms packages automatically populate with general ledger data
 - ✓ Analytics in One Place
 - ✓ Forms update daily adjustments are posted
 - ✓ Adjustment Module



ACFR Automation

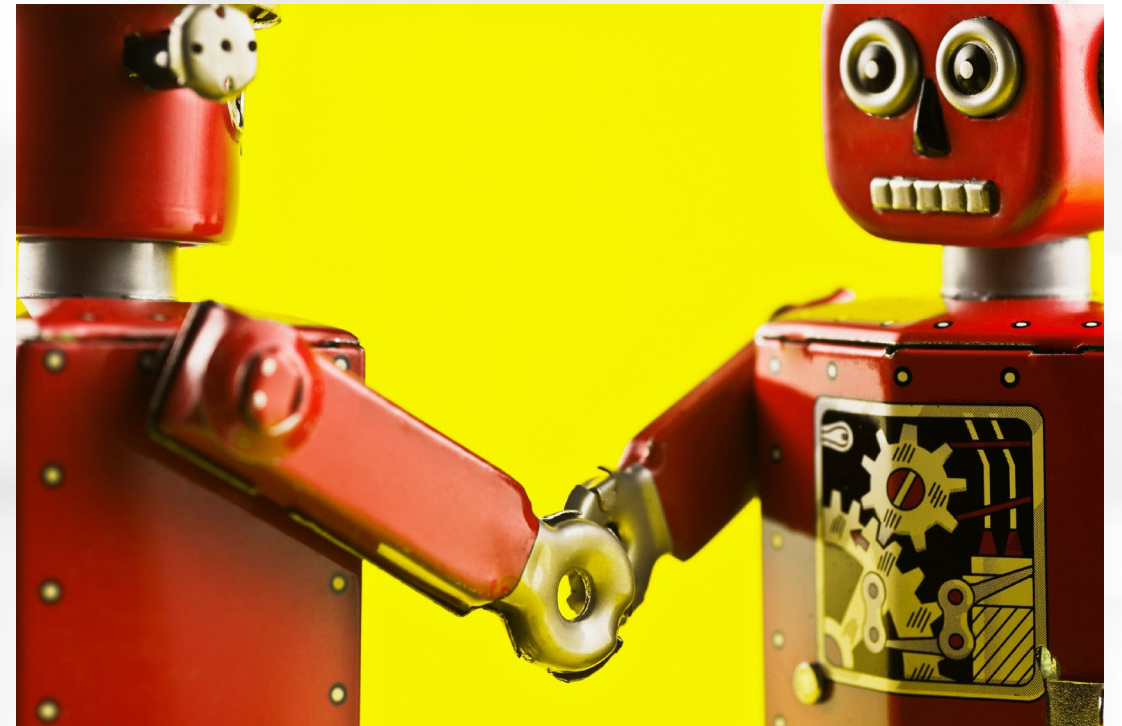
Timeline:

- GASB 87 Roll-forward, GASB 96 Opening and Training
June 30th
- Creation of Form Packages
Currently in progress
- Agency Training – Forms Packages
No later than July 21
- FYE 2022 ACFR Recreated and Submitted to BFR for Review
Sept 29
- Roll-forward and Prepare FYE 2023 ACFR in Workiva
October 13



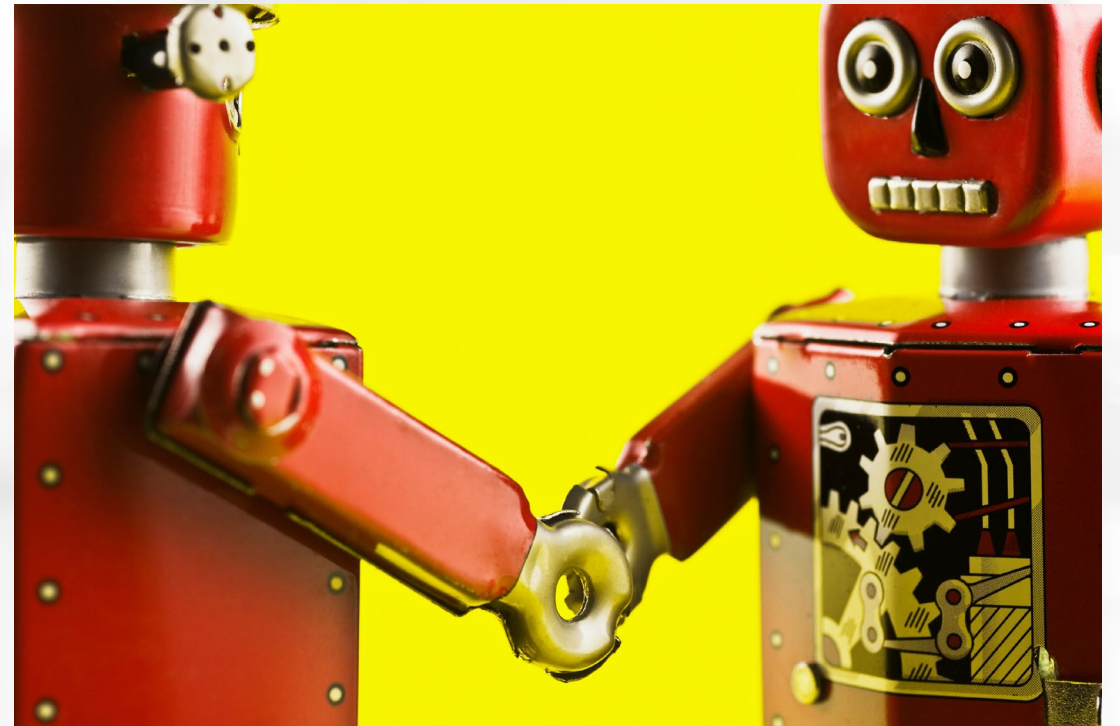
ACFR Automation

- Each agency will need to Provide a List of Individuals that will Need Access to Complete the Forms packages.
- On-line Training must be completed Prior to User Access.



ACFR Automation

- Access will be limited to the Workiva Agency Library
 - ✓ Users will only have access to the agency library of which they are a member.
 - ✓ Note: Please notify SFRS when team members change, so that access is appropriate.



GASB 87 - *Leases*

- All data entered during FYE 2022 has been retained
- Roll Forward - FYE 2023
 - ✓ Surveys have been updated to include types of right to use leased assets
 - ✓ Additional training will be provided through GoTo Meeting on June 30th



GASB 87 - *Leases*

- A threshold is being implemented and will be discussed later in the workshop.
 - ✓ Existing leases will remain in the system until they end.
 - ✓ New lease data will consider the threshold.



GASB 87 - *Leases*

SFRS will send to each agency a request for users that need access to the GASB 87 Lite module to enter, review, and update data.



GASB 87 - *Leases*

- Training for GASB 87 Lite - FYE 2023
 - ✓ Please ensure that the individuals who will be completing, reviewing, and certifying the surveys attend the training.
 - ✓ Work with outside resources enlisted to assist to ensure proper reporting of Leases.



GASB 87 - *Leases*

Short Descriptions

- The Short Description cannot be modified, even in future years. Therefore, use a specific description that will continue to be relevant in future fiscal years.



GASB 87 - *Leases*

- GASB 87 Lite Output/Results
 - ✓ Summary Schedules
 - ✓ Adjustments to be processed



GASB 87 - *Leases*

Agency Responsibilities

- Review PY Data saved in GASB 87 Lite
 - ✓ Verify the Lease is still active
 - ✓ Verify lease terms (length, payment, interest rate)



GASB 87 - *Leases*

Agency Responsibilities

- Update PY Data saved in GASB 87 Lite
 - ✓ Delete Leases that are no longer active
 - ✓ Update leases requiring modification



GASB 87 - *Leases*

Agency Responsibilities

- Enter New GASB 87 Data
 - ✓ Survey entry as last year
 - ✓ Use unique short description



GASB 87 - *Leases*

Agency Responsibilities

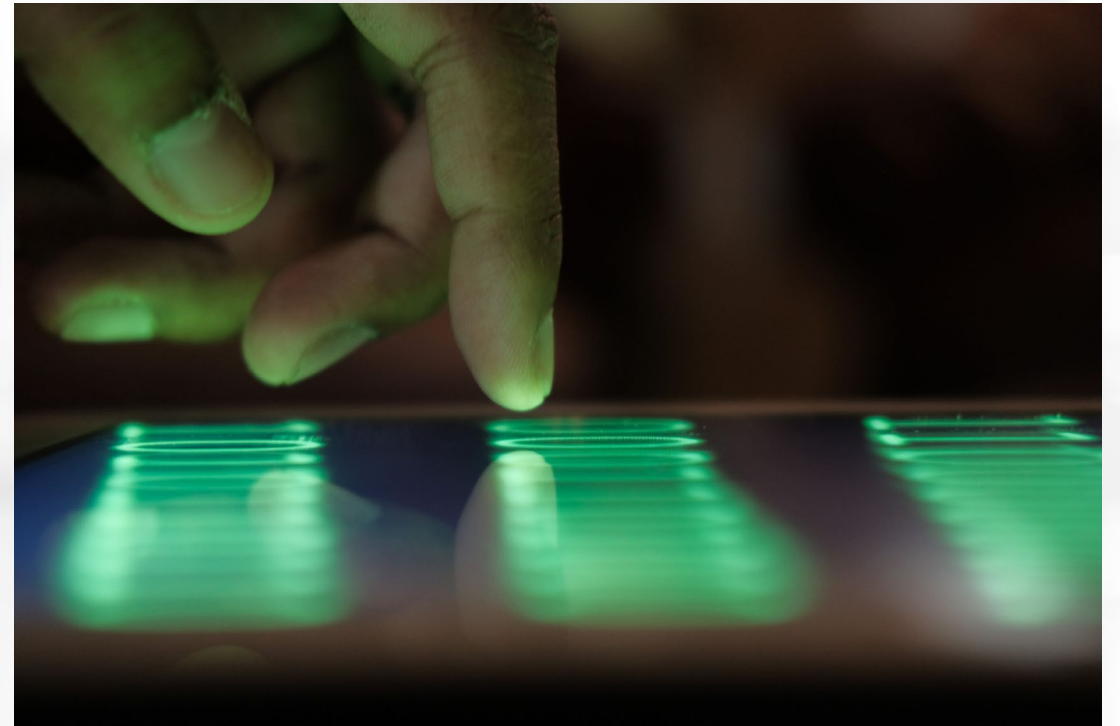
- Process adjustments
 - ✓ Assets related to Right to Use Leased Assets (Asset)
 - ✓ Liabilities related to Right to Use Leased Assets (Debt)
 - ✓ Current Year Activities related to Right to Use Leased Assets



GASB 96 - *SBITA*

Overview of GASB 96 -
*Subscription-Based
Information Technology
Arrangements (SBITAs)*
will be covered later in the
workshop

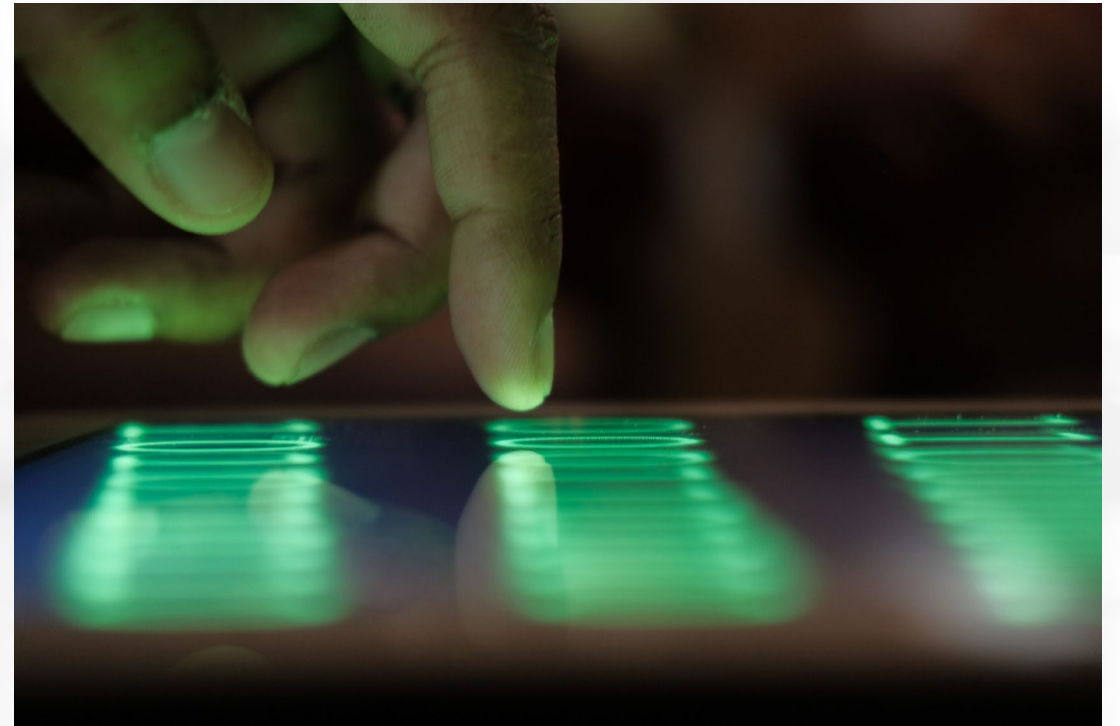
- ❑ Implementation
- ❑ Threshold



GASB 96 - *SBITA*

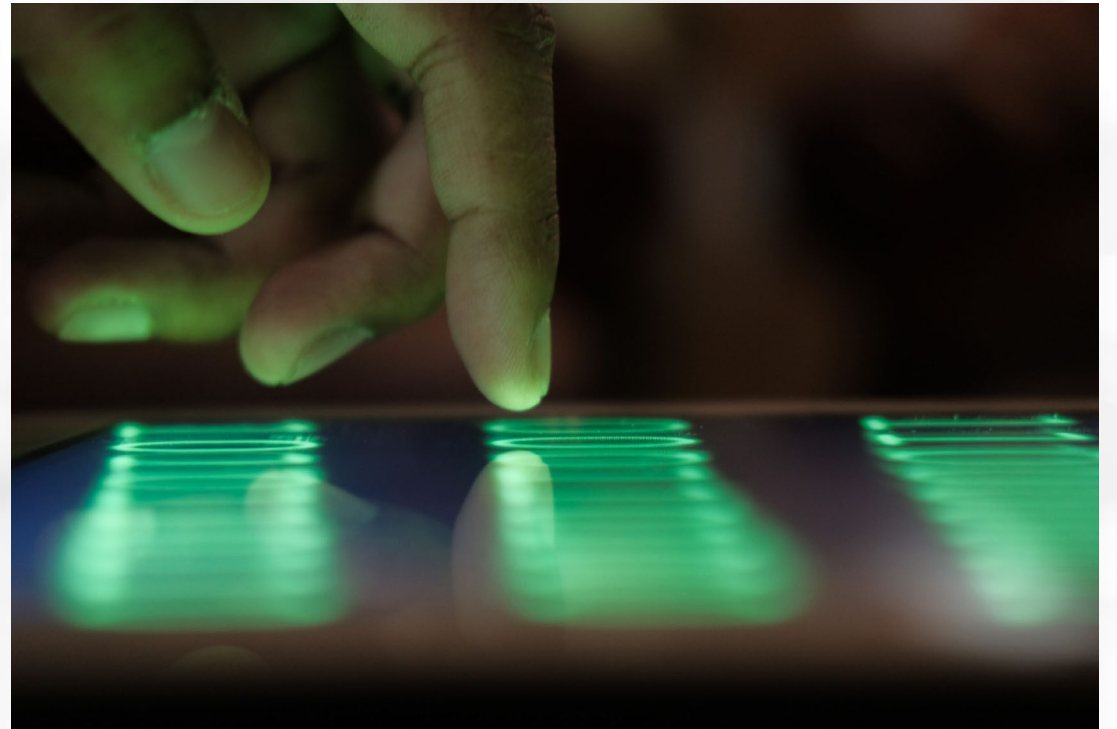
GASB 96 - SBITA data will be collected by Survey the same as GASB 87 – Lease data

- ❑ Prior to Agency Closing
- ❑ With an Established Threshold



GASB 96 - *SBITA*

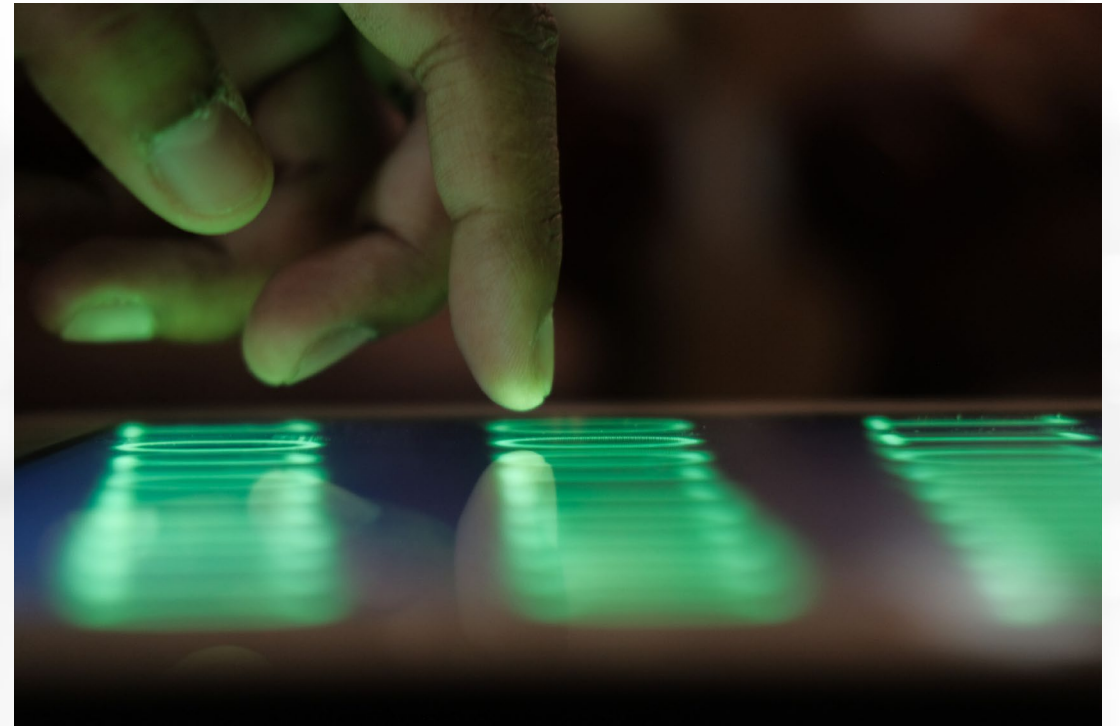
SFRS will send to each agency a request for users that need access to enter the SBITA Data



GASB 96 - *SBITA*

Training for GASB 96 Module (June 30th)

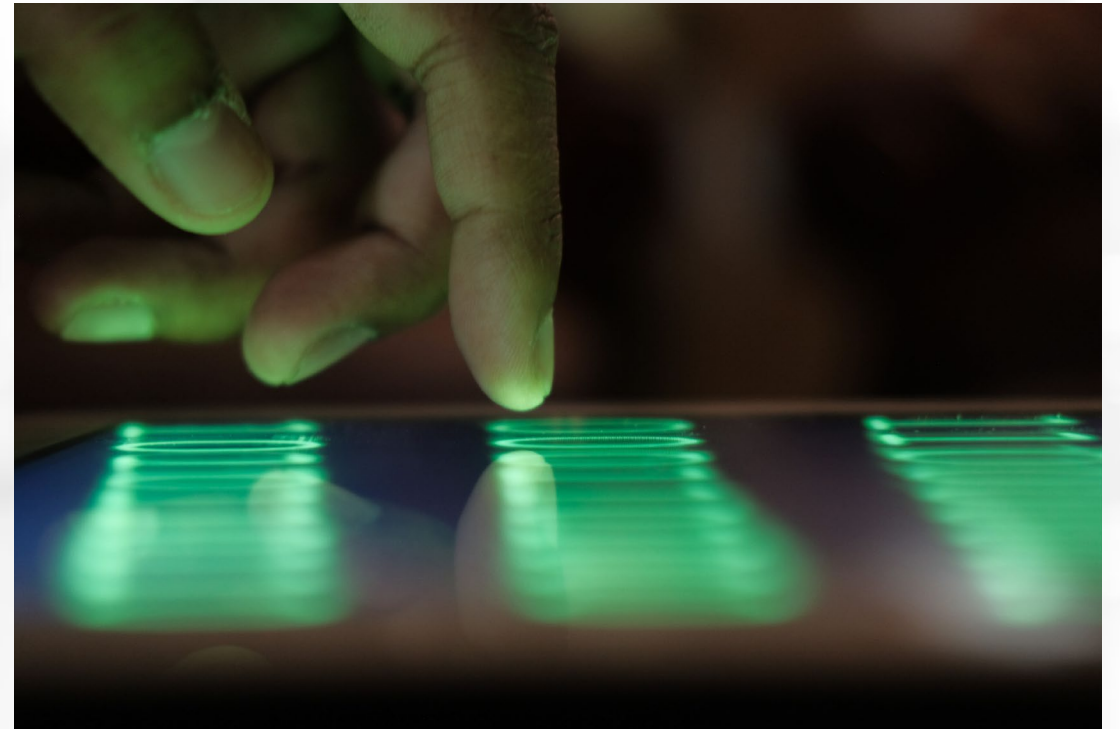
- ☐ Please ensure that the individuals who will be entering, reviewing and certifying the surveys attend the training.
- ☐ Work with outside resources enlisted to assist to ensure proper reporting of SBITAs



GASB 96 - *SBITA*

Short Descriptions

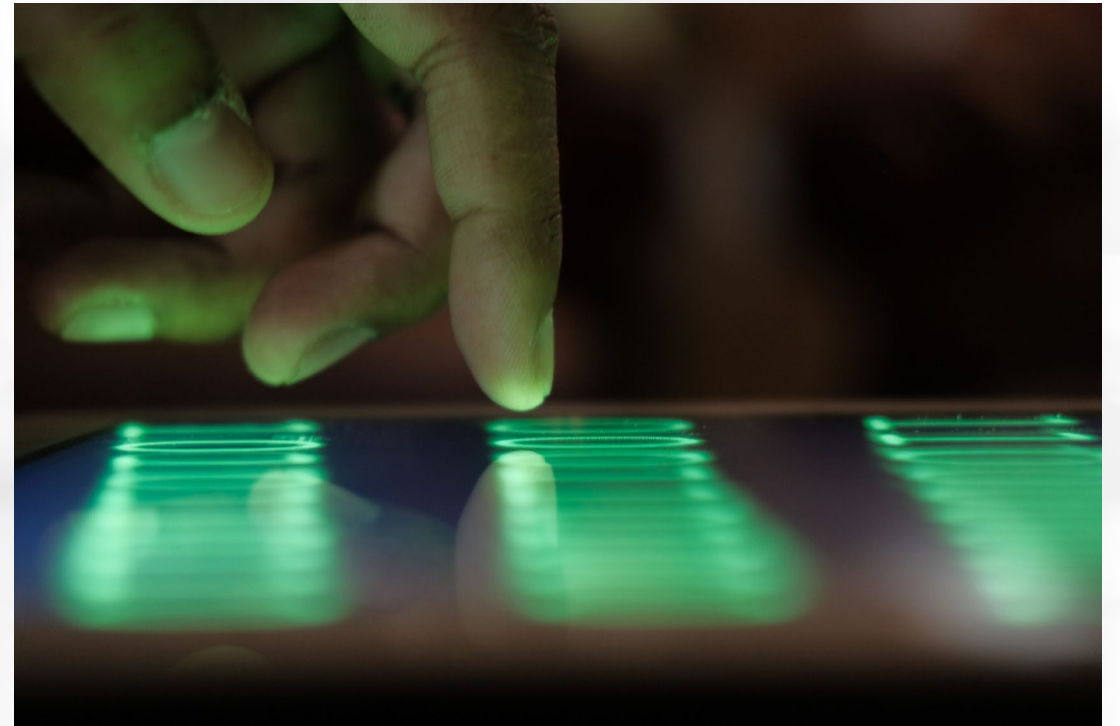
The Short Description cannot be modified, even in future years. Therefore, use a specific description that will continue to be relevant in future fiscal years.



GASB 96 - *SBITA*

GASB 96 – SBITA Output/Results

- ☐ Summary Schedules
- ☐ Adjustments to be processed

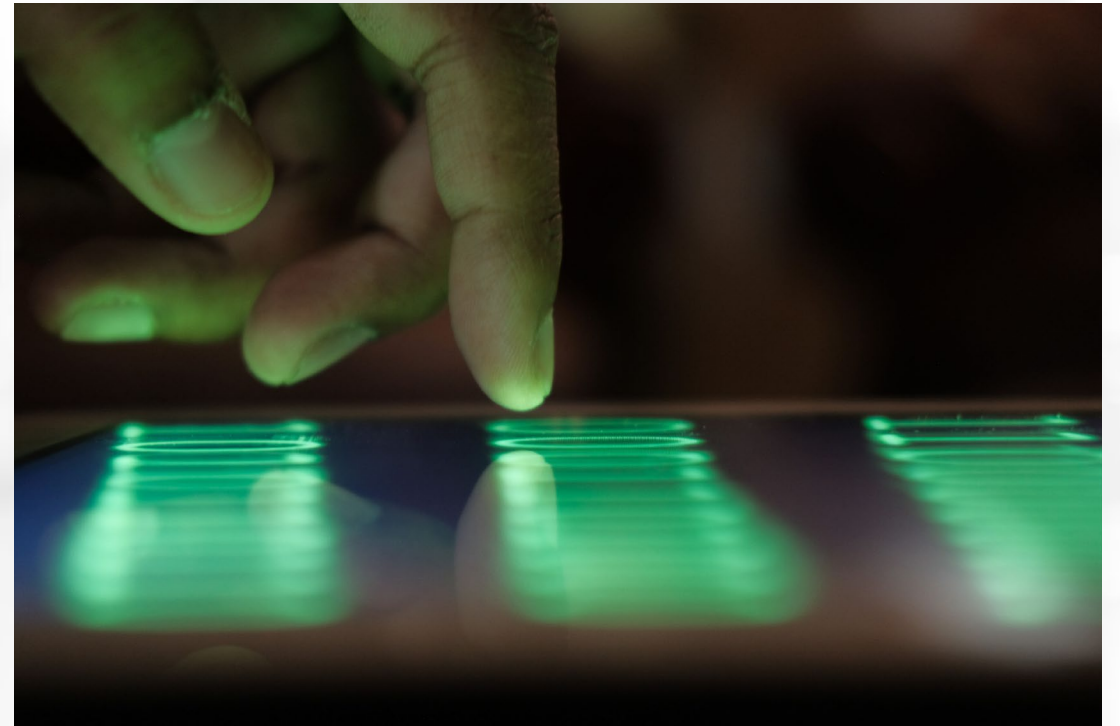


GASB 96 - *SBITA*

Agency Responsibilities

Enter GASB 96 SBITAs
data

- ☐ Survey entry as with
GASB 87
- ☐ Use unique short
description

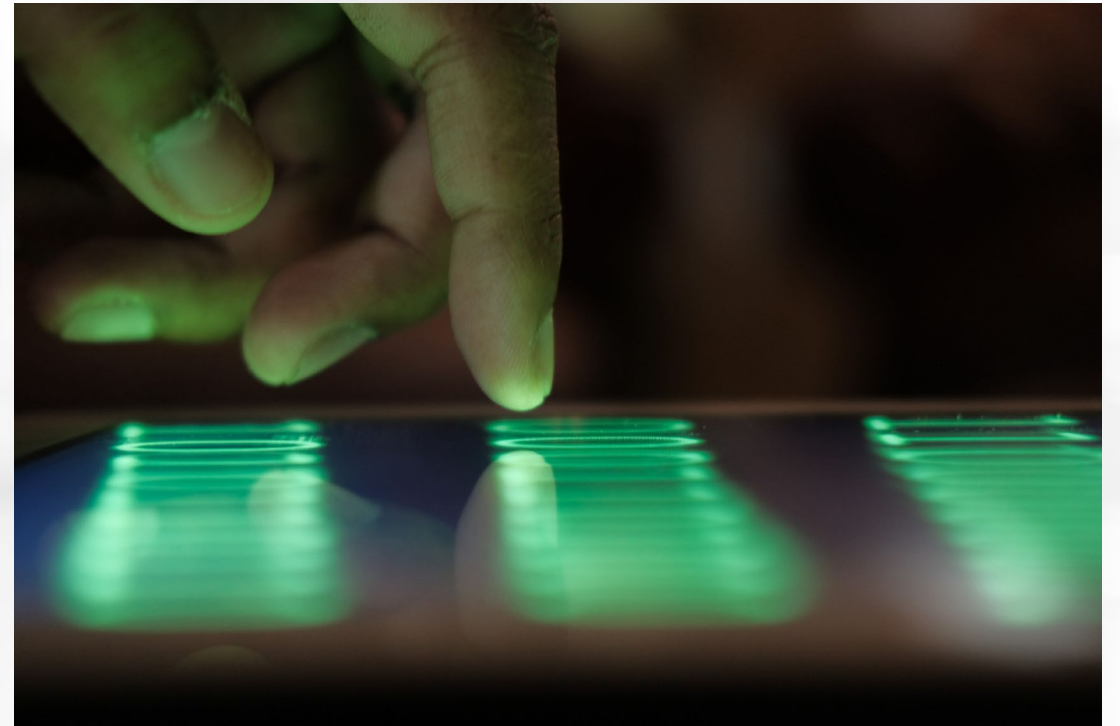


GASB 96 - *SBITA*

Agency Responsibilities

Process adjustments

- ☐ Assets related to Right to Use Leased Assets - SBITAs (Asset)
- ☐ Liabilities related to Right to Use Leased Assets - SBITAs (Debt)
- ☐ Current Year Activities related to Right to Use Leased Assets - SBITAs



Forms Packages

FYE 2023 – the hybrid

Forms available on the web:

- ❑ Reporting Entity Determination
- ❑ Fund Questionnaire
- ❑ Compliance Checklist Form
- ❑ Consideration of Fraud Certification
- ❑ Form 3 – INTER
- ❑ Form 3 – INTRA
- ❑ Form 4 – Due to General Revenue Unallocated



- Please record the amounts on Form 4 using the revenue category used to pay the GR service charges – either 1307 or 1308.
- DO NOT use the category used to record the revenue when it was received.

CFO JIMMY PATRONIS

Forms Packages

FYE 2023 – the hybrid

Remaining Forms:

- ❑ No longer available on the website
- ❑ Available through Workiva



Forms Packages

FYE 2023 – the hybrid

- Remaining Forms:
 - ✓ Forms packages automatically populate with general ledger data
 - Compensated Absences
 - ✓ Analytics
 - ✓ Forms update as general ledger balances update



Forms Packages

FYE 2023 – the hybrid

- SFRS will send to each agency a request for users that need access to complete ACFR Forms



Forms Packages

FYE 2023 – the hybrid

- Training will be held via GoTo Meeting on or before July 21, 2023



Forms Packages

FYE 2023 – the hybrid

- Excel Format
- General ledger balance pre-populated



A hand is shown from the bottom left, reaching upwards. Above the hand, several question marks of various sizes and opacities are floating. Some are bright and glowing, while others are faint and semi-transparent. The background is a dark blue gradient.

— Any
Questions?

2022 Compliance Checklist Evaluations

Compliance Checklist Items Overall

| Checklist # | Checklist Item | Compliance 2022 | Compliance 2021 | Year to Year Change |
|-------------|-------------------------------------------|-----------------|-----------------|---------------------|
| 1 | Funds in Balance | 94.59% | 94.29% | 0% |
| 2 | Intrafund Activity within Agency | 67.86% | 61.54% | 6% |
| 3 | Interfund Activity with Other Agencies | 41.67% | 54.29% | -13% |
| 4 | Cash Balances | 88.24% | 91.18% | -3% |
| 5 | Treasury Investment Balances | 100.00% | 96.97% | 3% |
| 6 | Beg Fund Balance/Net Assets | 94.44% | 91.43% | 3% |
| 7 | General Revenue | 100.00% | 94.29% | 6% |
| 8 | Capital Assets Depreciation | 100.00% | 100.00% | 0% |
| 9 | Fund Balance Classification | 100.00% | 100.00% | 0% |
| 10 | Net Investments in Capital Assets | 93.33% | 87.50% | 6% |
| 11 | Compensated Absences | 80.00% | 68.57% | 11% |
| 12 | Capital Asset Accounts | 90.63% | 93.75% | -3% |
| 13 | Long-term Debt Accounts | 100.00% | 100.00% | 0% |
| 14 | Analytical Procedures | 75.00% | 82.86% | -8% |
| 15 | Other Guidance | 100.00% | 100.00% | 0% |
| 16 | Fund Questionnaires for New Funds | 100.00% | 100.00% | 0% |
| 17 | SWFS Forms | 80.56% | 45.71% | 35% |
| 18 | Component Unit Financial Statements | 41.67% | 84.21% | -43% |
| 19 | SEFA | 94.29% | 91.18% | 3% |
| 20 | Fraud Certification | 94.44% | 85.71% | 9% |
| 21 | Final Budgeted Revenues | 94.29% | 88.24% | 6% |
| 22 | GASB Implementation Schedule Notification | 100.00% | 100.00% | 0% |
| 23 | Elimination of Revolving Funds | 100.00% | 100.00% | 0% |
| 24 | Interfund Loans | 100.00% | 100.00% | 0% |
| 25 | Compliance with Chapter 280, FL Statutes | 100.00% | 100.00% | 0% |

Compliance Checklist Items – 100% Scores

| Checklist # | Checklist Item | Compliance 2022 | Compliance 2021 | Year to Year Change |
|-------------|-------------------------------------------|-----------------|-----------------|---------------------|
| 8 | Capital Assets Depreciation | 100.00% | 100.00% | 0% |
| 9 | Fund Balance Classification | 100.00% | 100.00% | 0% |
| 13 | Long-term Debt Accounts | 100.00% | 100.00% | 0% |
| 15 | Other Guidance | 100.00% | 100.00% | 0% |
| 16 | Fund Questionnaires for New Funds | 100.00% | 100.00% | 0% |
| 22 | GASB Implementation Schedule Notification | 100.00% | 100.00% | 0% |
| 23 | Elimination of Revolving Funds | 100.00% | 100.00% | 0% |
| 24 | Interfund Loans | 100.00% | 100.00% | 0% |
| 25 | Compliance with Chapter 280, FL Statutes | 100.00% | 100.00% | 0% |

Compliance Checklist Items - Improved

| Checklist # | Checklist Item | Compliance 2022 | Compliance 2021 | Year to Year Change |
|-------------|-----------------------------------|-----------------|-----------------|---------------------|
| 1 | Funds in Balance | 94.59% | 94.29% | 0% |
| 2 | Intrafund Activity within Agency | 67.86% | 61.54% | 6% |
| 5 | Treasury Investment Balances | 100.00% | 96.97% | 3% |
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| 17 | SWFS Forms | 80.56% | 45.71% | 35% |
| 19 | SEFA | 94.29% | 91.18% | 3% |
| 20 | Fraud Certification | 94.44% | 85.71% | 9% |
| 21 | Final Budgeted Revenues | 94.29% | 88.24% | 6% |

Compliance Checklist Items – Decreased

| Checklist # | Checklist Item | Compliance 2022 | Compliance 2021 | Year to Year Change |
|-------------|----------------------------------------|-----------------|-----------------|---------------------|
| 3 | Interfund Activity with Other Agencies | 41.67% | 54.29% | -13% |
| 4 | Cash Balances | 88.24% | 91.18% | -3% |
| 12 | Capital Asset Accounts | 90.63% | 93.75% | -3% |
| 14 | Analytical Procedures | 75.00% | 82.86% | -8% |
| 18 | Component Unit Financial Statements | 41.67% | 84.21% | -43% |

Intra & Inter Fund Checklist Items 2 and 3

INTER & INTRAfund

❖ INTER fund is *journal transfer transactions* between agencies.

(Due to/from, Transfers in/out and Advances to/from

❖ INTRA fund is *journal transfer transactions* within agencies.

(Due to/from, Transfers in/out and Advances to/from

❖ These must balance to -0- (Debits=Credits)

Department of Financial Services - Statewide Financial Statements
Form 3-INTER
163XX, 251XX, 353XX, 451XX, 518XX, 519XX, 652XX, 656XX, 659XX, 752XX, 756XX, 759XX
June 30, 2023

| | A | D | E | F | I | J |
|----|-------|----------|--------|-------|----------|-------|
| | Fund1 | Fund1 GL | Amount | Fund2 | Fund2 GL | Notes |
| 1 | | Fund1 GL | | | #N/A | |
| 2 | | Fund1 GL | | | #N/A | |
| 3 | | Fund1 GL | | | #N/A | |
| 4 | | Fund1 GL | | | #N/A | |
| 5 | | Fund1 GL | | | #N/A | |
| 6 | | Fund1 GL | | | #N/A | |
| 7 | | Fund1 GL | | | #N/A | |
| 8 | | Fund1 GL | | | #N/A | |
| 9 | | Fund1 GL | | | #N/A | |
| 10 | | Fund1 GL | | | #N/A | |
| 11 | | Fund1 GL | | | #N/A | |
| 12 | | Fund1 GL | | | #N/A | |
| 13 | | Fund1 GL | | | #N/A | |
| 14 | | Fund1 GL | | | #N/A | |
| 15 | | Fund1 GL | | | #N/A | |
| 16 | | Fund1 GL | | | #N/A | |
| 17 | | Fund1 GL | | | #N/A | |
| 18 | | Fund1 GL | | | #N/A | |
| 19 | | Fund1 GL | | | #N/A | |
| 20 | | Fund1 GL | | | #N/A | |
| 21 | | Fund1 GL | | | #N/A | |
| 22 | | Fund1 GL | | | #N/A | |
| 23 | | Fund1 GL | | | #N/A | |
| 24 | | Fund1 GL | | | #N/A | |
| 25 | | Fund1 GL | | | #N/A | |
| 26 | | Fund1 GL | | | #N/A | |
| 27 | | Fund1 GL | | | #N/A | |
| 28 | | Fund1 GL | | | #N/A | |
| 29 | | Fund1 GL | | | #N/A | |
| 30 | | Fund1 GL | | | #N/A | |
| 31 | | Fund1 GL | | | #N/A | |
| 32 | | Fund1 GL | | | #N/A | |
| 33 | | Fund1 GL | | | #N/A | |
| 34 | | Fund1 GL | | | #N/A | |
| 35 | | Fund1 GL | | | #N/A | |

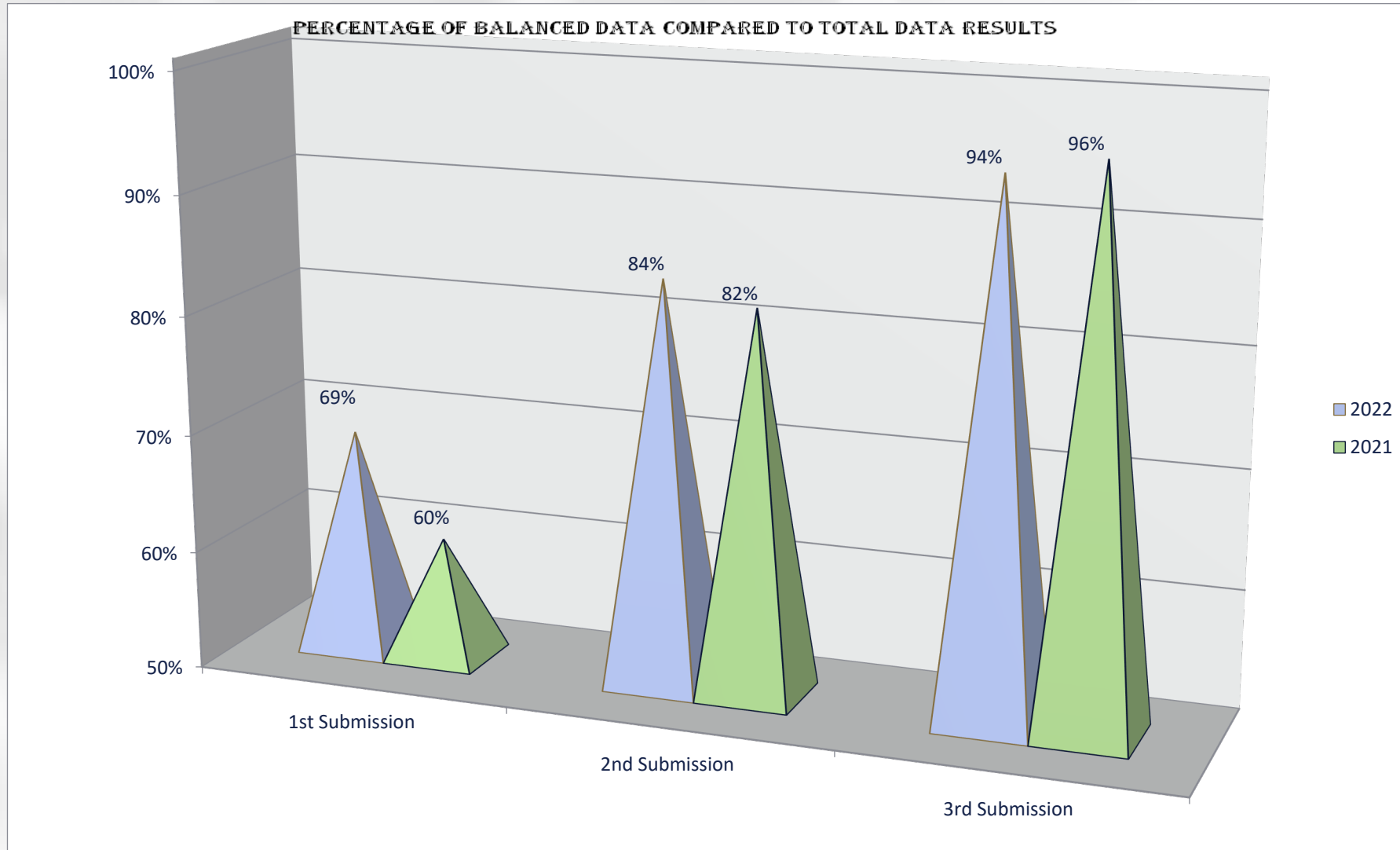
DFS-A1-2091 Form 3 INTERfund
Rev. 6/2023

INTERfund

You can be in balance with your trial balance, but still be out of balance on the Fund1 Fund2 Agreement Report. **Both must be in balance.**

| 2021 | | | |
|----------------|----------------------|---------------------------------|--------------------|
| | Total number of rows | Total rows of data not balanced | % of Balanced Data |
| 1st Submission | 4071 | 1622 | 60% |
| 2nd Submission | 4199 | 747 | 82% |
| 3rd Submission | 4404 | 185 | 96% |
| | | | |

| 2022 | | | |
|----------------|----------------------|---------------------------------|--------------------|
| | Total number of rows | Total rows of data not balanced | % of Balanced Data |
| 1st Submission | 3718 | 1163 | 69% |
| 2nd Submission | 4054 | 650 | 84% |
| 3rd Submission | 4235 | 243 | 94% |
| | | | |



INTRAfund

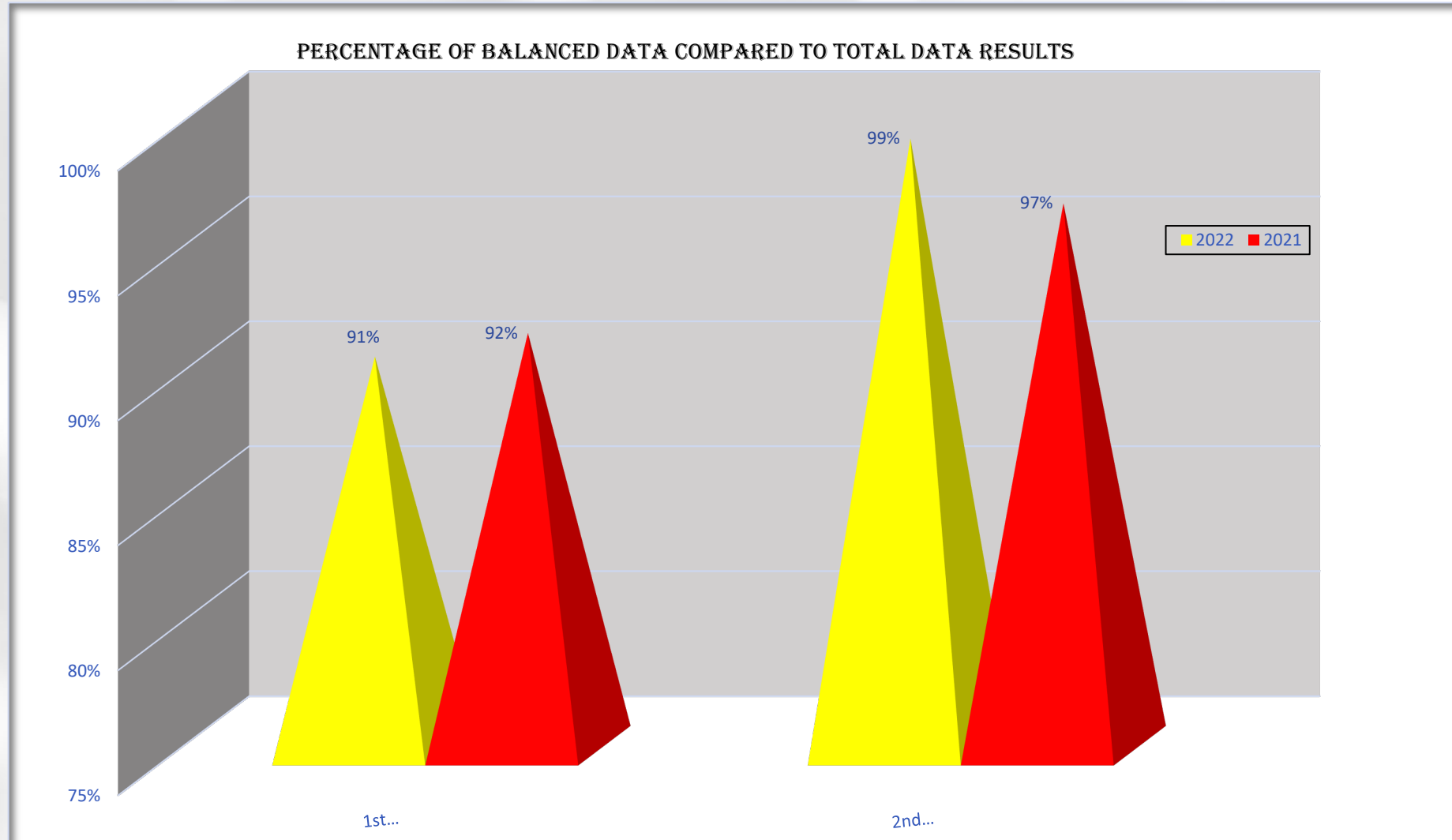
You can be in balance with your trial balance, but still be out of balance on the Fund1 Fund2 Agreement Report. **Both must be in balance.**

2021

| | Total number of rows | Total rows of data not balanced | % of Balanced Data |
|-----------------------|----------------------|---------------------------------|--------------------|
| 1st Submission | 1308 | 111 | 92% |
| 2nd Submission | 1276 | 42 | 97% |

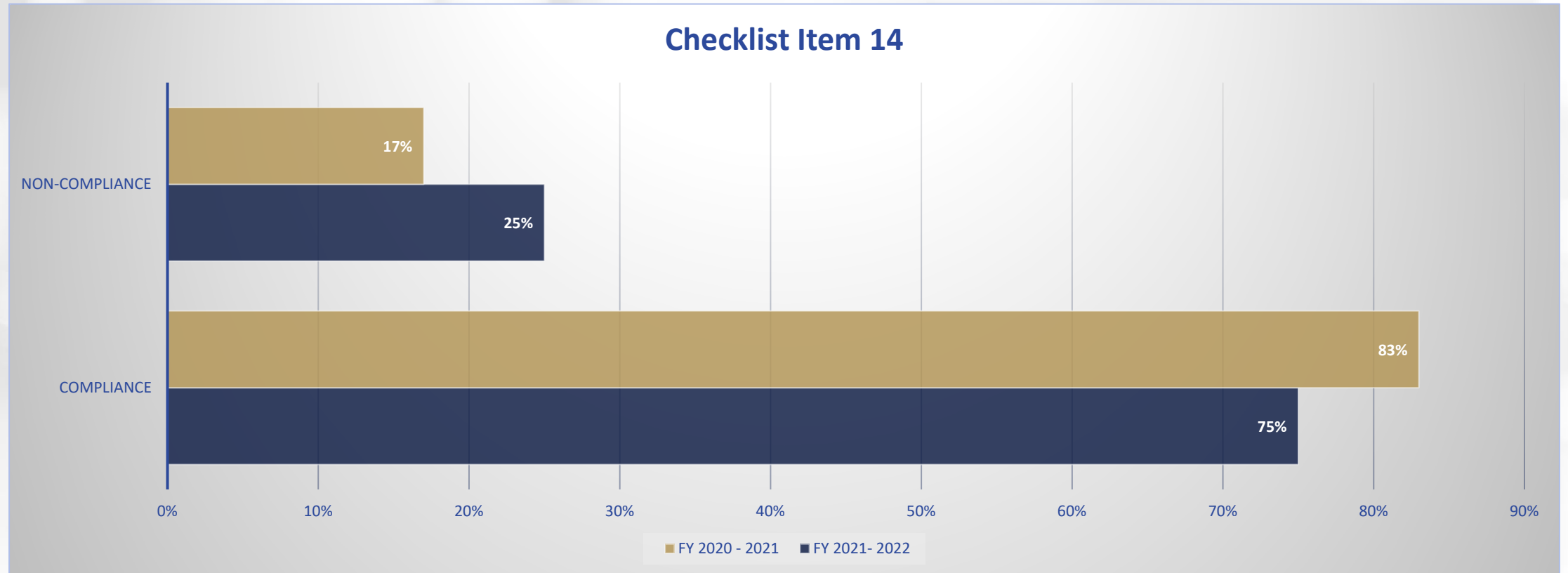
2022

| | Total number of rows | Total rows of data not balanced | % of Balanced Data |
|-----------------------|----------------------|---------------------------------|--------------------|
| 1st Submission | 1506 | 142 | 91% |
| 2nd Submission | 1565 | 11 | 99% |

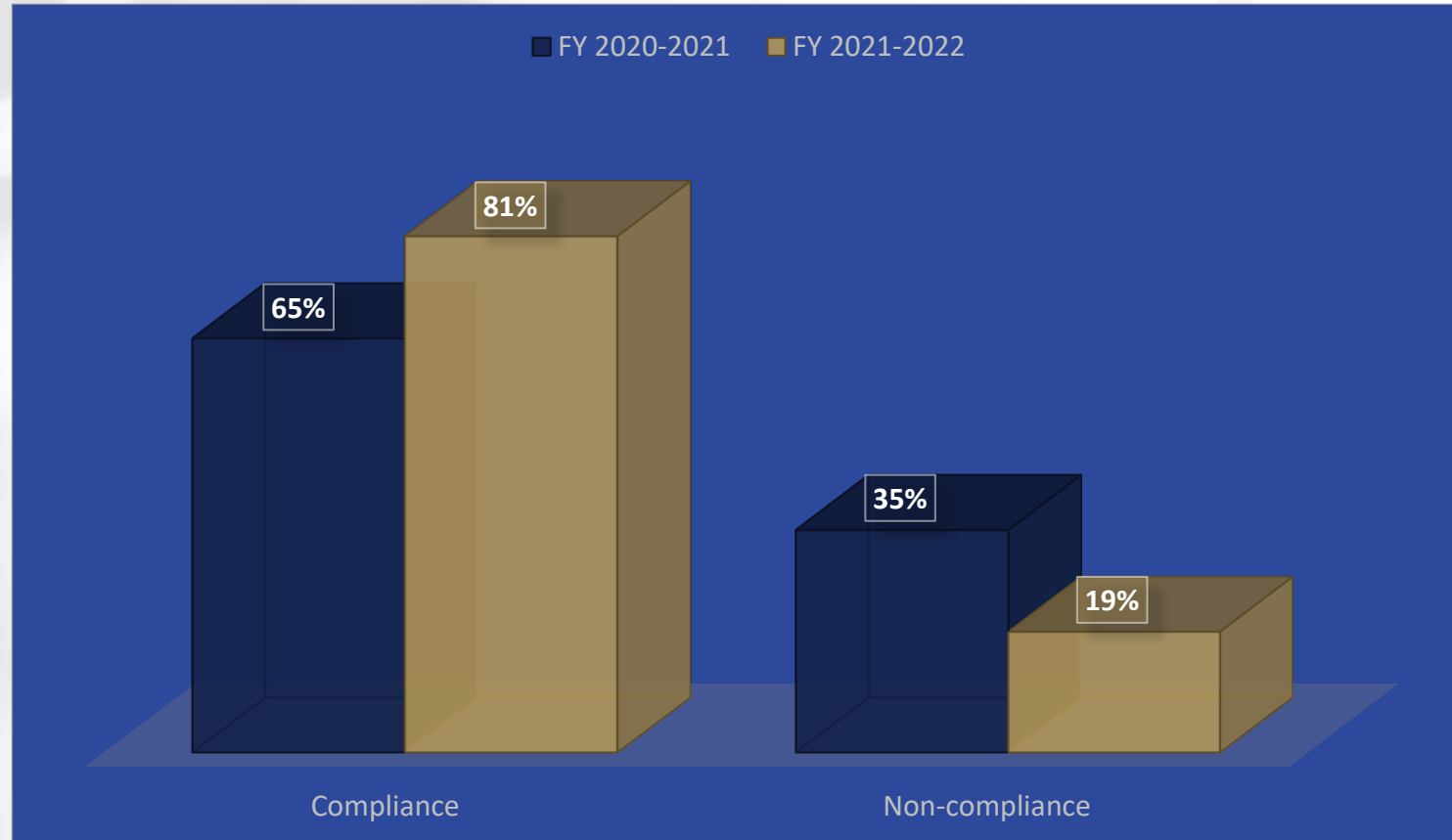


Checklist Item 14 – Analytical Reports

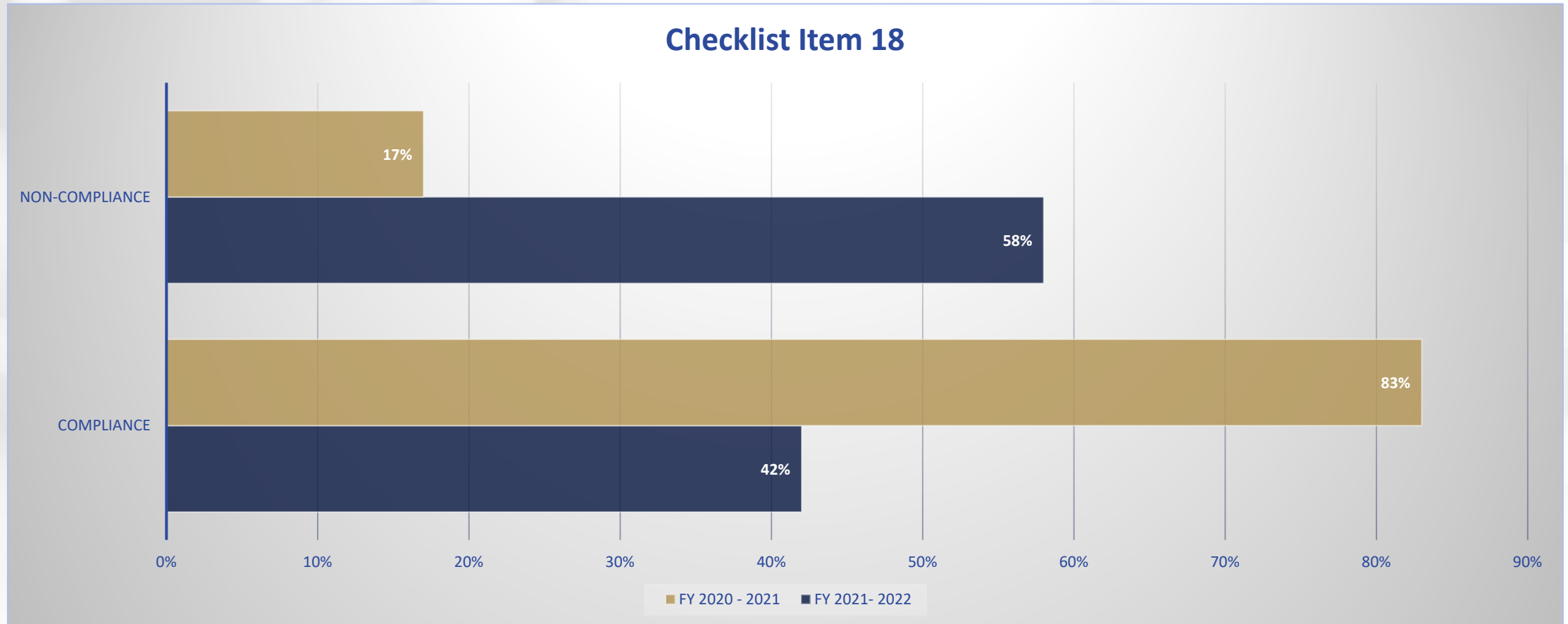
Atypical GL Report
Equity Constraints vs Total Ending Equity Report
Invalid GL Report



Checklist Item 17 – SWFS Forms



Checklist Item 18 – Component Units



Suggestion on Ways to Improve Your Statistics

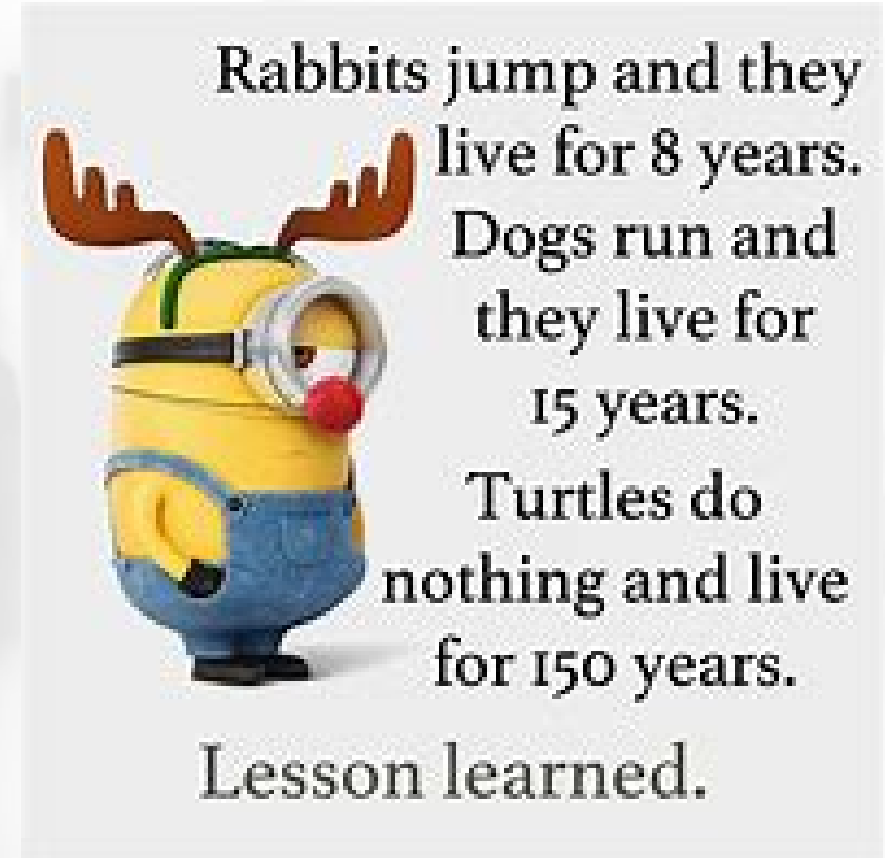
- Develop your own checklist of year-end entries required. This helps ensure the recording of all year-end entries (receivables, payables, etc.)
 - Compare CY vs PY entries to ensure keyed correctly and amounts appear reasonable
 - Reconcile your JT transactions quarterly for both INTER and/or INTRAFund to eliminate reconciling all data for the year, if you don't already do so (Checklists 2 & 3.)
- Use Analytical Reports provided in WTB
 - “Within” Checklist 14 (*e.g. Atypical GL Report, Invalid GL Report, GL Balance Analytics – CY vs PY, No Change in GL Balance Report, Equity Constraints vs Total Ending Equity*)
 - “After” the numbered checklist items (*e.g. Deficit Ending Equity Report, Ending Equity in Agency Funds Report, Equity Comparison Report – CY vs PY, SWGF to Agency GAAFR Fund Comparison*) to assist you in making adjustments, as required, prior to closing.
- Ensure forms that are GL related agree with your trial balance when submitted

GASB 87 – *Leases* Lessons Learned



Lessons Learned

Timing is
Everything



Lessons Learned

Thresholds
are essential



Leases Threshold

Right to Use Leased Assets (RTULA)
Thresholds have been proposed and a CFO Memorandum will be published shortly.

- The proposed threshold for Leases is \$1,500,000.
 - ✓ Based on the **total contract amount less maintenance and support costs.**
- Effective for all new Leases in FYE 2023 and in future periods.
- Threshold is based on the **liability** not the asset.



Lessons Learned

Enlisting help is acceptable.
However, it should be
coordinated and cooperative
effort.



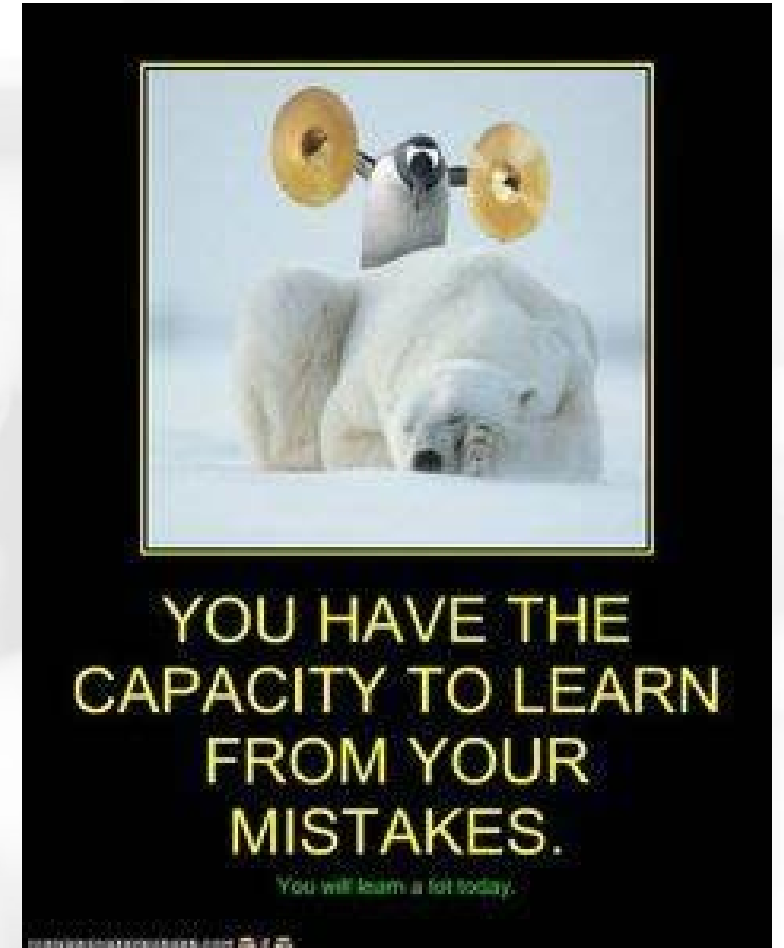
Life Lessons

Because she knows it's safer than a sting ray

Created on ebaunsworld.com

Lessons Learned

- The Short Description cannot be modified, even in future years. Therefore, use a specific description that will continue to be relevant in future fiscal years.
 - It is the Key!



Lessons Learned

- Review the data outputs.
- Make sure the interest rate, number of periods, and payment amounts are accurate.





GASB Implementation 2023

- **Statement No. 91, *Conduit Debt Obligations***
- **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***
- **Statement No. 96, *Subscription-Based Information Technology Arrangements***
- **Statement No. 99, Omnibus 2022**
 - ✓ Requirements of Paragraphs:
 - 18–22 Public Private Partnerships
 - 23–25 Subscription-Based Information Technology Arrangements
- **Statement No. 100, Accounting Changes and Error Corrections**

GASB Statement 91 Conduit Debt

Conduit Debt

- Improved the Standards related to conduit debt obligations by providing a single reporting method for government issuers.
- Effective for periods beginning after December 31, 2021
 - ✓ In the July 1, 2022 through June 30, 2023 fiscal year.

What is Conduit Debt



- A debt instrument
- Issued in the name of a state or local government (the “issuer”)
- For the benefit of a third party (the “third party obligor”) where:
 - ✓ Obligor is primarily liable for the repayment of the debt instrument

Conduit Debt Criteria

1. At least 3 parties involved
 - a. Government Issuer
 - b. 3rd party obligor(s) (borrower)(s)
 - c. Debt holder or trustee
2. Issuer and obligor(s) not part of the same reporting entity
3. Debt not a parity bond or not cross-collateralized
4. Obligor (or its agent) – *not the issuer* - ultimately receives proceeds from debt, and
5. *Obligor – not the issuer – is primarily obligated for the payment of all debt service*



Limited Commitment



- Made by all conduit debt issuers

Include:

- ✓ Maintain tax-exempt status of debt
 - ✓ Use obligor-provided resources, if any, for debt service; and
 - ✓ May also facilitate payments from obligor to debt holders or bond trustees
- Do not obligate issuer to pay any debt service using own resources

Additional Commitments



- Made by some issuers
- Commitment to support debt if obligor is or will be unable to pay debt service

Additional Commitments

- May include:
 - A moral obligation pledge – subject to annual appropriation:
 - Is a non-binding covenant permitting issuer to appropriate funds for debt service, and
 - May maintain a debt service reserve
 - An appropriation pledge – subject to annual appropriation
 - A financial guarantee
 - Note: issuer will follow conduit debt disclosure requirements, not nonexchange financial guarantee disclosure requirements
 - Pledge of issuer's own revenue or assets as collateral



Voluntary Commitments

- Made by some issuers
- Decision to support debt – without having an obligation to do so – if obligor is or will be unable to pay debt service
- May include provisions for issuer to:
 - Voluntarily request an appropriation for debt service payment(s), or
 - Voluntarily make debt service payment(s)

Issuer Liability Recognition

- Conduit Debt
 - ✓ Do Not Recognize
- Liability to Support Debt Service Payment
 - ✓ Recognize when it is more likely than not (likelihood $> 50\%$) that the issuer will support one or more debt service payments for conduit debt.



Evaluate the Likelihood of Supporting Debt Service When?

| Commitments | Evaluate |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Limited and Additional | At Least Annually |
| Limited Only | <ul style="list-style-type: none">• When there is an event or circumstance that causes the issuer to reconsider its willingness or ability to support the debt service payments (through a voluntary commitment);• If evaluation results in reporting a liability for an issue, must evaluate that issue annually thereafter. |

Evaluate the Likelihood of Supporting Debt Service Qualitative Factors

- GASB 91 lists factors that must, at minimum, be considered; may be categorized as:
 1. Obligor's ability to pay debt service
 2. Project's viability to generate revenue to support debt service
 3. Issuer's willingness and ability to pay debt service if obligor cannot
 - ✓ Relevant to:
 - Additional commitments that are subject to appropriation, and
 - Likelihood of voluntary commitments

Associated Arrangements

A (lease-like) arrangement with all the following attributes:

- Construction/acquisition of the capital asset financed by the conduit debt,
- Issuer retains title to the capital asset from inception,
- Payments from obligor cover conduit debt service, and
- Payment schedule coincides with conduit debt service.

Liability to Support Debt Service

- Economic Resources Measurement Focus:
 - Recognize –
 - Liability and a related expense if it is more likely than not (>50%) that issuer will support debt service
 - Measure liability –
 - Discounted PV of best estimate of future payments to support debt
 - if no best estimate, discounted PV of the minimum of a range of estimates
- Current Financial Resources Measurement Focus:
 - Recognize –
 - Fund liability and related expenditure to extent that a payment to support conduit debt obligation is more likely than not and is due and payable

Accounting for Associated Arrangements

- If associated arrangement meets definition of a Service Concession Arrangement, follow that guidance.
- Otherwise, accounting is different for each of (3) classifications of associated arrangements, depending on:
 - Whether issuer relinquishes title to asset at end of arrangement, and
 - Whether obligor has exclusive use of all or only a portion of the capital asset during term of arrangement.

Categories of Associated Arrangements

1. Issuer Relinquishes Title
 - Issuer relinquishes title at end of arrangement
 - No recognition
2. Issuer retains title & obligor has use of entire asset during arrangement
 - The obligor has exclusive use of the entire asset until the end of arrangement
 - The issuer does not relinquish title at the end of the arrangement
 - Recognize: At end of arrangement, recognize asset at acquisition value
3. Issuer retains title & obligor has use exclusive use of only portions of the asset until the end of the arrangement
 - The obligor has exclusive use of only portions of the asset until the end of arrangement
 - The issuer does not relinquish title at the end of the arrangement
 - Recognize: At beginning of arrangement, recognize entire asset, do not recognize liability or receivable; record deferred inflow at acquisition value; amortize deferred inflow and recognize revenue over life of arrangement

Note Disclosures – All Issuers

General descriptions by the issuer:

- Conduit debt obligations
- Limited commitment(s)
- Voluntary commitment(s)
- Additional commitments, if any, including:
 - Legal authority and limits for extending the commitment(s)
 - Length of time of commitment(s)
 - Arrangements for recovering payments from obligors, if any
- Aggregate outstanding principal of all conduit debt obligations by type of commitments (limited commitments only, additional commitments by type, voluntary commitments by type)

Additional Disclosures – Issuers Reporting Liabilities to Support Debt

- Brief description of timing of recognition and measurement of liability, including:
 - Beginning balances
 - Increases, including initial recognition and adjustments increasing estimates
 - Decreases, including payments and adjustments decreasing estimates, and
 - Ending balances
- Cumulative payments made on recognized liability
- Amounts expected to be recovered, if any

Conduit Debt Obligations

SFRS Steps to Implementation

1. Survey agencies and component units to identify Conduit Debt Arrangements
2. New GLs for Conduit Debt Payable –
 - 341XX – Conduit Debt Payable, Current
 - 441XX – Conduit Debt Payable, Non-Current
3. New GLs for Conduit Debt Interest Payable –
 - 328XX – Conduit Debt Interest Payable, Current
 - 428XX – Conduit Debt Interest Payable, Non-Current
4. Develop a form to capture note disclosure required information.

Conduit Debt Obligations

What can you do to prepare?

- Inventory all conduit debt issued
 - Are there any recorded as debt on the financial statements?
 - Identify any commitments or associated asset arrangements that exist
- Establish a process to:
 - Add issues as they occur
 - Annually evaluate commitments (if any)
 - Obtain the year-end principal balance on all outstanding issues for disclosure purposes

GASB Statements 94 PPPs & 96 SBITAs Introduction

How are Leases, PPPs, and SBITAs alike?

- The terms are defined the same for a lease, PPP, and subscription.
 - ✓ The terms starts with the noncancelable period.
 - ✓ The term includes options to extend and to terminate.
 - ✓ The term excludes cancelable periods.
- Recognition and measurement are basically the same.
- Contracts with multiple components, account for the lease and non-lease components as separate contracts and the multiple underlying assets as separate lease components.
 - ✓ Allocate the contract price to different components.
- Modifications and terminations are treated the same.

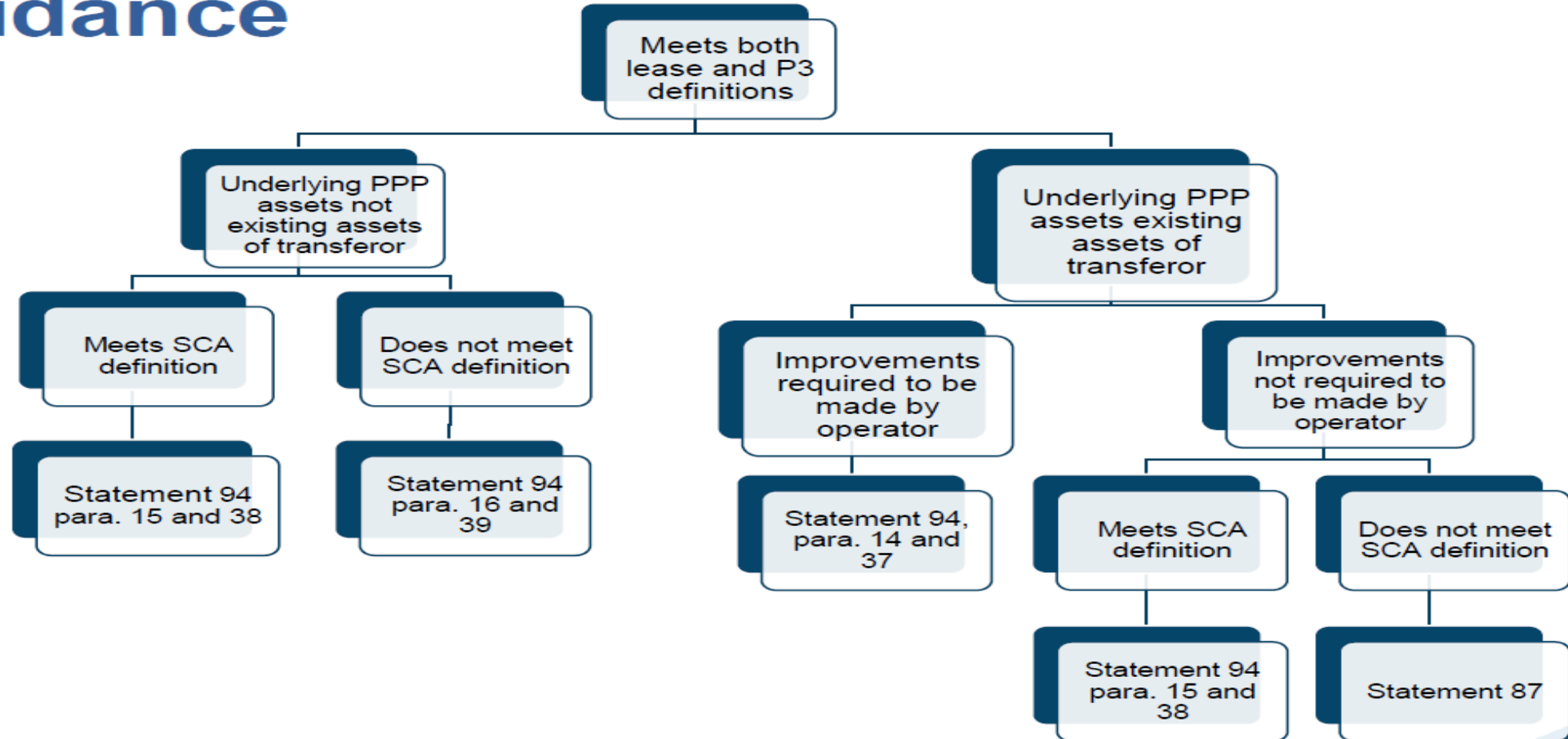


How are Leases, P3s, and SBITAs alike?

- Lease-a **contract** that **conveys control of the right** to use another entity's nonfinancial asset (the **underlying asset**) as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.
- PPP-arrangement in which a government (the transferor) **contracts** with an operator [governmental or nongovernmental] to provide public services by **conveying control of the right** to operate a nonfinancial asset, such as infrastructure or other capital asset (the **underlying PPP asset**), for a **period of time** in an **exchange or exchange-like transaction**.
- SBITA-a **contract** that **conveys control of the right** to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the **underlying IT assets**) as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.



Recognition and Measurement Guidance



GASB Statement 94 Public Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements

GASB 94 – PPPs and APA



- GASB 60, Service Concession Arrangements is superseded
 - Brings SCA guidance forward and aligns with GASB 87 – Leases
- Establishes/refines GAAP for:
 - Private-public partnerships (PPP)
 - Service Concession Arrangements are PPPs
 - Public-public partnerships
 - Availability payment arrangements



GASB 94 – PPPs & APA

Definitions

Availability Payment Arrangement

Arrangement in which a government compensates an operator for services including designing, constructing, financing, maintaining, or operating a non-financial asset for a period of time in an exchange or exchange-like transaction. Could result in a transfer of asset or just an outflow of resources.

Public-Private Partnership (PPP)

Arrangement in which a government (the transferor) contracts with an operator (a nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset (such as infrastructure) or other capital asset (the underlying PPP asset) for a period of time in an exchange or exchange-like transaction.



GASB 94 – PPPs & APA

Definitions

Public-Public Partnership

Same as a PPP but with another government.

Service Concession Arrangement

P3 where an operator collects and is compensated from fees from third parties, the government transferor, determines or has the ability to modify or approve services provided, who the services are provided to and finally, the government has a significant residual interest in the underlying PPP asset at the end of the arrangement.

GASB 94 – PPPs & APA



Examples

| | |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Availability Payment Arrangement | Design – build – finance – operate a transit system. Corporation collects all fares for the period and remit to government. Government pays fixed payments based on the physical condition of the asset or achievement of certain performance measures. |
| Public-Private Partnership (PPP) | Tollway operating agreement between a state and a bank (that may or may not meet the definition of a service concession arrangement) |
| Public-Public Partnership | Tollway operating agreement between a state and a government authority (that may or may not meet the definition of a service concession arrangement) |
| Service Concession Arrangement | Municipal golf course and pool solely open to citizens of the municipality operated by a private operator, but with oversight by the municipality. |

GASB 94 – PPPs & APA



Service Concession Arrangements

- Retained definition from GASB Statement 60 – Service Concession Arrangements
 - Except for public services do not have to relate the primary function of underlying asset
- Retained general approach from GASB Statement 60 – Service Concession Arrangements

GASB 94 – PPPs & APA

New of Improved Underlying PPP Assets - Service Concession Arrangements

- Transferor
 - Recognize underlying asset at acquisition value when placed in service
- Operator
 - Recognize intangible Right-to-Use Asset



GASB 94 – PPPs & APA

New or Improved Underlying Assets, Non SCA

- Transferor:
 - Recognize a receivable at the operator's estimated carrying value at date of future transfer and additional deferred inflow.
- Operator:
 - Recognize a deferred outflow and a liability for future transfer.



GASB 94 – PPPs & APA

Availability Payment Arrangements



- Government contracts with another entity to operate or maintain the government's nonfinancial asset
- Entity receives payments from the government based on the asset's availability for use
- Asset's availability may be based on the physical condition of the asset or the achievement of certain performance measures
- May include design, finance, construction, or service components
 - Design, construction, financing components and ownership transfers – financed purchase
 - Service components – outflows of the period

GASB 94 – PPPs & APA



Initial Reporting

| | Assets | Liability | Deferred Inflow |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Transferor | Receivable (generally includes same items operator's liability. Continue to report the underlying asset) | N/A | Equal to receivable plus any payments received up front that related to a future period |
| Operator | Intangible right to use asset (right to use underlying asset) value of liability plus prepayments and initial direct costs that are ancillary to place asset in use | Present value of future payments (include fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.) | N/A |

GASB 94 – PPPs & APA



Subsequent Reporting

| | Assets | Liability | Deferred Inflow |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------|
| Transferor | <p>Depreciate asset (unless indefinite life or required to be returned in its original or enhanced condition)</p> <p>Reduce receivable by payments (less amount needed to cover accrued interest)</p> | N/A | Recognize revenue over the term in a systematic and rational manner |
| Operator | Amortize the intangible asset over shorter of useful life or term | Reduce by payments (less amount for interest expense) | N/A |

GASB 94 – PPPs & APA

Modifications



- Both parties – account for an amendment resulting in a modification to the contract as a separate contract (separate from the most recent contract before the modification) if the following conditions are met:
 - The modification adds one or more underlying assets that were not included in the original contract
 - The increase in payments for the additional asset does not appear to be unreasonable based on the terms of the amended contract and professional judgment

GASB 94 – PPPs & APA

Terminations

- When the Operator's right to use the underlying asset decreases – partial or full termination
 - Transferor
 - Reduces the carrying value of the receivable and related deferred inflow of resources
 - Recognizes a gain or loss for the difference
 - Operator
 - Reduces the carrying values of the asset and liability
 - Recognizes a gain or loss for the difference



GASB 94 – PPP & APA

SFRS Steps to Implementation

1. Survey agencies and component units to identify PPPs and APAs.
2. Develop method to gather PPP and APA information required for Financial Reporting. (Workiva)
3. Train agencies.
4. Update ACFR Statements and Note Disclosures.

GASB 94 – PPP and APA

What can you do to prepare?

Inventory and determine if your agency has any PPPs, SCAs or APAs

GASB Statement 96 Subscription-Based Information Technology Arrangements (SBITAs)

GASB 96 – SBITA

Definition of a SBITA:

A contract that conveys control of the right to use hardware, software, or a combination of both, including IT infrastructure, as specified in the contract for a period of time in an exchange or exchange-like transaction.



GASB 96 – SBITA

All SBITAs meet definition of lease

Depends on what the underlying asset is:

- IT software alone –Statement 96
- IT software in combination with tangible capital assets:
 - Software component is insignificant compared to cost of underlying tangible capital asset –Statement 87
 - Otherwise –Statement 96

Excluded from Statement 96:

- Governments acting as SBITA vendors
- Contracts that meet the definition of a PPP in Statement 94
- Perpetual software licenses



GASB 96 - SBITA

Subscription Term Begins

- Begins when the initial implementation stage is completed
- At this point, the subscription liability or asset is recognized
- Payments made before are prepayments
- If multiple phases are to be implemented, the term begins when the first module (or set of modules) is implemented



GASB 96 - SBITA

Subscription Term Ends

- Start with the noncancelable period
- Plus, periods covered by options to:
 - Extend, if reasonably certain of being exercised
 - Terminate, if reasonably certain of not being exercised
- Excludes cancelable periods
 - Periods for which subscriber/lessee and lessor both have option to extend or terminate (such as rolling month to month subscriptions)
- Fiscal funding (appropriations) and cancellation clauses are ignored unless reasonably certain of being exercised



GASB 96 - SBITA

Short-Term SBITAs

- At beginning of lease/SBITA, maximum possible term under the contract is 12 months or less
 - Includes all one-party options to extend
 - Excludes cancellable periods
- Recognition:
 - Recognize expenses/expenditures based on the terms of the contract
 - Do not recognize assets or liabilities associated with the right to use the underlying asset



GASB 96 – SBITA

Recognizing Implementation Costs

- Preliminary stage of project – Expense
- Initial implementation stage – capitalize unless it is a short-term SBITA
- Operational stage – Expense
- Additional implementation stage – capitalize
- Training costs are always expensed



GASB 96 – SBITAs

Initial Reporting

| Assets | Liability | Deferred Inflow |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Intangible right to use asset (right to use underlying asset) value of liability plus prepayments and initial direct costs that are ancillary to place asset in use | Present value of future payments (include fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.) | N/A |



GASB 96 - SBITAs

Subsequent Reporting

| Assets | Liability | Deferred Inflow |
|-------------------------------------------------------------------|-------------------------------------------------------|-----------------|
| Amortize the intangible asset over shorter of useful life or term | Reduce by payments (less amount for interest expense) | N/A |





GASB 96 - SBITAs

Modifications

- Both parties – account for an amendment resulting in a modification to the contract as a separate contract (separate from the most recent contract before the modification) if the following conditions are met:
 - The modification adds one or more underlying assets that were not included in the original contract
 - The increase in payments for the additional asset does not appear to be unreasonable based on the terms of the amended contract and professional judgment

GASB 96 - SBITAs

Terminations

- When the SBITA's right to use the underlying asset decreases – partial or full termination
 - SBITA
 - Reduces the carrying values of the asset and liability
 - Recognizes a gain or loss for the difference



GASB 96 – SBITAs

SFRS Steps to Implementation

1. Survey agencies and component units to identify SBITAs
2. Contracted with Consultants and Workiva to provide the GASB 96 Lite Tool
 - Training June 30, 2023
 - Agencies will be provided the adjustments after completion of the Surveys to process prior to Agency Closing.
3. Identify a threshold
 - Currently, a threshold of \$1.5 million has been proposed. A CFO Memorandum will be issued when the threshold is official.
4. Update ACFR Statements and Note Disclosures

GASB 96 - SBITAs

What can you do to prepare?

- Review the Inventory prepared and submitted to assist with the determination of a Threshold
 - Complete a thorough review with all offices to ensure all SBITAs are identified
 - Attend the training on June 30, 2023, via GoToMeeting
 - Identify who needs access to Workiva to complete the Survey
 - Invite and encourage ANYONE that is participating in gathering, identifying or completing the GASB 96 Survey to the Training on June 30, 2023

GASB Statement 99 - *Omnibus 2022*

Paragraphs:

18–22 Public Private Partnerships and
23–25 Subscription-Based Information Technology Arrangements

GASB Statement 99 - Omnibus 2022

Paragraphs: 18–22 Public Private Partnerships

These paragraphs are implemented simultaneously with the Implementation of GASB 94 – Public Private Partnerships discussed earlier.



GASB Statement 99 - Omnibus 2022

Paragraphs: 23–25 Subscription-Based Information Technology Arrangements



- These paragraphs are implemented simultaneously with the Implementation of GASB 96 – Subscription-Based Information Technology Arrangements.

GASB Statement 100

Accounting Changes and Error Corrections

June 2022

GASB 100 – Accounting Changes and Error Corrections

Overview

- June 2022 GASB issued Statement No. 100, Accounting Changes and Error Corrections
- Effective fiscal years beginning after June 15, 2023
 - Early adoption encouraged
 - Florida is implementing in the July 1, 2022, through June 30, 2023, fiscal year.



GASB 100 – Accounting Changes and Error Corrections

Overview

- New requirements and clarifications for three types of accounting changes and the correction of errors affect:

| Reporting (Recognition and Display) | Disclosures | Required Supplementary Information | (Other) Supplementary Information |
|-------------------------------------------|-------------|------------------------------------------|-----------------------------------------|
|-------------------------------------------|-------------|------------------------------------------|-----------------------------------------|

- Scope excludes first-time adoption of GAAP financial reporting framework
- No more prior period adjustments



GASB 100 – Accounting Changes and Error Corrections

Classification

- Accounting Changes
 - Change in accounting principle
 - Change in accounting estimate
 - Change to or within the financial reporting entity
- Correction of an error in previously issued financial statements



GASB 100 – Accounting Changes and Error Corrections

Change in Accounting Principle

- A change in accounting principle results from either:
 - A **change** from one generally accepted accounting principle to another that is justified on the basis that the newly adopted accounting principle is preferable
 - Preferability based on the qualitative characteristics of financial reporting
- Implementation of new pronouncements



GASB 100 – Accounting Changes and Error Corrections

Accounting Estimates

- Accounting estimates are:
 - Amounts subject to measurement uncertainty that are recognized or disclosed in basic financial statements
 - Outputs determined based on inputs such as data, assumptions, and measurement methodologies



GASB 100 – Accounting Changes and Error Corrections

Change in Accounting Estimate

- A *change* in accounting estimate occurs when the inputs change
 - Inputs include data, assumptions, and measurement methodologies
- Changes in inputs result from:
 - Change in circumstance
 - New information
 - More experience
- Change in measurement methodology should be justified on the basis that new methodology is preferable
 - Based on qualitative characteristics of financial reporting



GASB 100 – Accounting Changes and Error Corrections

Change to or within the Financial Reporting Entity

- A change to or within the financial reporting entity results from:
 - Addition/removal of a fund that results from movement of continuing operations within the primary government, including its blended component units
 - A change in the fund presentation as major or nonmajor
 - Addition/removal of a component unit (except for acquisitions, mergers, and transfers of operations, and Statement 90 component units)
 - Change in presentation (blended or discrete) of a component unit



GASB 100 – Accounting Changes and Error Corrections

Correction of an Error

- An error results from:
 - Mathematical mistakes
 - Misapplication of accounting principles
 - Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date
 - Facts that could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date



GASB 100 – Accounting Changes and Error Corrections



Accounting for Accounting Changes and Error Corrections

| | |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Change in Accounting Principle | <ul style="list-style-type: none"> • Reported retroactively by restating prior periods presented, if practicable • If not practicable, restate beginning balances of current period |
| Change in Accounting Estimate | <ul style="list-style-type: none"> • Reported prospectively • Recognized in current-period flows |
| Change to/within the Reporting Entity | <ul style="list-style-type: none"> • Reported by adjusting current period beginning balances |
| Error Correction | <ul style="list-style-type: none"> • Reported retroactively by restating prior periods presented |

GASB 100 – Accounting Changes and Error Corrections

Face of the financial statements

- Aggregate amount of all restatements for accounting changes and error corrections on a year's beginning position
- For each reporting unit included in the basic financial statements



GASB 100 – Accounting Changes and Error Corrections

Face of the financial statements

| | General Fund | Fund A | Nonmajor funds | Total governmental funds |
|------------------------------------------------|---------------------|---------------------|---------------------|--------------------------------|
| Net change in fund balance | \$ (417,862) | \$ 253,329 | \$ (61,423) | \$ (225,956) |
| Beginning fund balance, as previously reported | \$ 2,542,547 | \$ 1,242,722 | \$ 1,523,248 | \$ 5,308,517 |
| Change to or within financial reporting entity | - | - | 249,262 | 249,262 |
| Error correction | (229,422) | - | - | (229,422) |
| Beginning fund balance, as restated | \$ 2,313,125 | \$ 1,242,722 | \$ 1,772,510 | \$ 5,328,357 |
| Ending fund balance | <u>\$ 1,895,263</u> | <u>\$ 1,496,051</u> | <u>\$ 1,711,087</u> | <u>\$ 5,102,401</u> |

GASB 100 – Accounting Changes and Error Corrections

Note Disclosures

- Summary disclosure, in a tabular form, of effects on beginning position of the earliest period adjusted or restated for each
 - Change in accounting principle (including implementations of new pronouncements),
 - Change to or within the financial reporting entity, and
 - Error correction
- Individual disclosures as well for each type of accounting change and for error corrections



GASB 100 – Accounting Changes and Error Corrections

Note Illustration

| | 12/31/20X1 As previously reported | Change in accounting principle | Change to or within the financial reporting entity | Error correction | 12/31/20X1 As restated |
|---------------------------------------------------|-----------------------------------------|--------------------------------------|----------------------------------------------------------------|---------------------|---------------------------|
| Government-wide | | | | | |
| Governmental activities | \$ 1,760,045 | \$ - | \$ 249,262 | \$ (453,222) | \$ 1,556,085 |
| Business-type activities | 5,633,353 | (414,785) | - | - | 5,218,568 |
| Total government-wide | <u>\$ 7,393,398</u> | <u>\$ (414,785)</u> | <u>\$ 249,262</u> | <u>\$ (453,222)</u> | <u>\$ 6,774,653</u> |
| Governmental funds | | | | | |
| Major funds: | | | | | |
| General Fund | \$ 2,542,547 | \$ - | \$ - | \$ (229,422) | \$ 2,313,125 |
| Fund A | 1,242,722 | - | - | - | 1,242,722 |
| Nonmajor funds | 1,523,248 | - | 249,262 | - | 1,772,510 |
| Total governmental funds | <u>\$ 5,308,517</u> | <u>\$ -</u> | <u>\$ 249,262</u> | <u>\$ (229,422)</u> | <u>\$ 5,328,357</u> |
| Proprietary funds | | | | | |
| Major funds: | | | | | |
| Enterprise Fund C | \$ 2,324,876 | \$ (192,248) | \$ - | \$ - | \$ 2,132,628 |
| Enterprise Fund D | 3,254,254 | (213,325) | - | - | 3,040,929 |
| Nonmajor funds | 54,223 | (9,212) | - | - | 45,011 |
| Total proprietary funds | <u>\$ 5,633,353</u> | <u>\$ (414,785)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,218,568</u> |
| Discretely presented component units | | | | | |
| ABC Utility | \$ 249,262 | \$ - | \$ (249,262) | \$ - | \$ - |
| RST Foundation | 781,833 | - | - | - | 781,833 |
| XYZ Foundation | 9,782,586 | - | - | - | 9,782,586 |
| Total discretely presented component units | <u>\$ 10,813,681</u> | <u>\$ -</u> | <u>\$ (249,262)</u> | <u>\$ -</u> | <u>\$ 10,564,419</u> |

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Disclosures Continued

| Change in Accounting Principle | Changes in Accounting Estimates | Changes To or Within the Reporting Entity | Correction of Errors |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Nature of change, including <ul style="list-style-type: none"> Financial statement line items affected Identification of new GASB pronouncement, if applicable Reason new principle is preferable (except if result of new GASB pronouncement) For comparative financial statements, reason it is not practicable to restate prior periods, if applicable | <ul style="list-style-type: none"> Nature of change, including financial statement line items affected For changes in measurement methodology <ul style="list-style-type: none"> Reason for change Reason new methodology is preferable (except if result of new GASB pronouncement) | <ul style="list-style-type: none"> Nature of change Reason for change <ul style="list-style-type: none"> EXCEPT: Disclosure of reason <i>not required</i> if change is solely the result of funds meeting or not meeting quantitative thresholds for major funds | <ul style="list-style-type: none"> Nature of change, including <ul style="list-style-type: none"> Periods affected Financial statement line items affected For single period statements, effect on prior periods' <i>beginning position</i> For comparative financial statements, effect on change in net position, fund balance, or fund net position, as applicable |

GASB 100 – Accounting Changes and Error Corrections



Reclassifications in Financial Statements

- Changes in accounting principles that do not affect beginning position but require reclassification
 - Reclassify for all prior periods presented in comparative financial statements, if practicable
 - Disclose nature of change
- Error corrections that do not affect beginning position but require reclassification
 - Reclassify for all prior periods presented in comparative financial statements
 - Disclose nature of change

GASB 100 – Accounting Changes and Error Corrections

RSI and SI

- The Statement addresses how to present in RSI and SI information that is affected by an accounting change or error correction.
 - Periods earlier than those presented in basic financial statements should not be restated for changes in accounting principles.
 - Periods earlier than those presented in basic financial statements should be restated for error corrections, if practicable.



GASB 100 -Accounting Changes and Error Corrections

SFRS Steps to Implementation

1. Update processes to report accounting changes and error corrections.
2. Update ACFR Statements and Note Disclosures.



QUESTIONS?

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GASB Statement 99 Omnibus 2022

Paragraphs 4 through 10

Objective

- Enhance comparability in accounting and financial reporting
- Improve the consistency of authoritative literature by addressing
 - Practice issues that have been identified during implementation, and application of certain GASB Statements
 - Accounting and financial reporting for financial guarantees.

Scope and Applicability of this Statement

- Establishes or amends accounting and financial reporting requirements for specific issues related to
 - Financial guarantees (paragraphs 4-7)
 - Derivative instruments (paragraph 8)
 - Termination of Hedge Accounting (paragraphs 9-10)
- The requirements apply to the financial statements of all state and local governments.

Effective Date and Transition

The requirements for financial guarantees (paragraphs 4-7), derivative instruments (paragraph 8), and the termination of hedge accounting (paragraphs 9-10) are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- In Florida, these paragraphs are effective for fiscal year July 1, 2023, through June 30, 2024.

Financial Guarantees

Omnibus 2022 clarifies items related to financial guarantees within the scope of Governmental Accounting Standard Board (GASB) Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

- An exchange and exchange-like financial guarantees is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, that requires the guarantor to indemnify a third-party obligation holder under specified conditions, in an exchange or exchange-like transaction.
- Note: The difference between exchange and exchange-like transactions is a matter of degree. In contrast to a “pure” exchange transaction, an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition.

Financial Guarantees

Guarantees excluded from the accounting and reporting requirements outlined in Omnibus 2022:

- Special assessment debt within GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments*
- Financial guarantee contracts within the scope of GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*
- Guarantees related to conduit debt obligations within the scope of Statement No. 91 - *Conduit Debt Obligations*

Financial Guarantees

GASB 99 DOES apply the liability recognition, liability measurement, and disclosure requirements of paragraphs 7-10 and 13 in GASB 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees* apply to governments that extend exchange or exchange-like financial guarantees.

Financial Guarantees

GASB 99 DOES NOT dictate expense classification or recognition guidance for the consideration received in an exchange or exchange-like financial guarantee transaction of paragraphs 9 and 10 in GASB 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees* to classify expenses in the same manner as grants or financial assistance payments.

Financial Guarantees

A government that extends an exchange or exchange-like financial guarantee should apply the provisions of paragraphs 14 and 15 of GASB 70 - *Accounting and Financial Reporting for Nonexchange Financial* Guarantees regarding disclosure requirements of the financial guarantee transaction.

Financial Guarantees

The following items by type of guarantee should be disclosed regardless of the likelihood of the payment being required:

1. A description of the financial guarantee identifying:
 - a) The legal authority and limits for extending the guarantees and types of obligations guaranteed
 - b) The relationship of the government to the issuer or issuers of the obligations that are guaranteed
 - c) The length of time of the guarantee
 - d) Arrangements for recovering payments from the issuer or issuers of the obligations that are guaranteed
2. The total amount of the guarantees extended that are outstanding at the reporting date.

Financial Guarantees

A government that recognized a nonexchange financial guarantee liability or has made payments during the reporting period on nonexchange financial guarantees extended should disclose the following:

1. A brief description of the timing of recognition and measurement of the liabilities and information about the changes in recognized guaranteed liabilities:
 - a) Beginning-of-period balances
 - b) Increases, including initial recognition and adjustments increasing estimates
 - c) Guarantee payments made and adjustments decreasing estimates
 - d) End-of-period balances
2. Cumulative amounts of indemnification payments that have been made on guarantees extended that are outstanding at the reporting date
3. Amounts expected to be recovered from indemnification payments that have been made through the reporting date.

If the cumulative amount disclosed as paid by the government related to a guarantee does not equal the total amounts actually paid on the guarantee because the cumulative amount was determined prospectively at transition, the government should disclose the dates over which the cumulative amount was determined.

Derivative Instruments That Are Neither Investment Derivative Instruments nor Hedging Derivative Instruments

Derivative instruments that are within the scope of GASB Statement 53 – *Accounting and Financial Reporting for Derivative Instruments* but do not meet the definition of an investment derivative instrument or a hedging derivative instrument should be classified as an “other derivative instrument”.

Derivative Instruments That Are Neither Investment Derivative Instruments nor Hedging Derivative Instruments

Reporting requirements for “other derivative instruments”:

- Change in fair value should be reported on flow statement separately from investment revenues
- Disclosures should be distinguished from hedging derivative instruments and investment derivative instruments
- Disclose fair value of derivative instruments that were reclassified from hedging derivative instruments

Termination of Hedge Accounting

If a termination occurs as described in paragraphs 22a-22d of GASB Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments*, the balance of the deferred outflow of resources or deferred inflows of resources should be reported on the resource flows statement separately from the investment revenue and should be captioned “increase (decrease) upon hedge termination”.

If the termination event is the occurrence of the hedged expected transaction that results in a financial instrument and the government is re-exposed to the hedged risk, the balance of the deferred outflow of resources or deferred inflow of resources should be reported on the resource flows statement separately from the investment revenue classification.

Agencies and Component Units

The provisions of GASB Statement No. 99 will affect all state agencies and their component units.

Agencies and component units will need to do the following:

- If extended, evaluate the exchange and exchange-like transactions and financial guarantees.
- Review the clarification of what applies in paragraphs 6 & 7 – Guarantees related to special assessment debt within the scope of Statement No. 6.
- Review their disclosures related to nonmonetary transactions.
- Review their Derivative Instruments that are neither Investment Derivative Instruments nor Hedging Derivative Instruments and the Termination of Hedge Accounting to ensure they are reported properly.



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GASB Statement 101 Compensated Absences

June 2022

Compensated Absences - Objective

Replaces Governmental Accounting Standards Board (GASB)
Statement No. 16 – *Accounting for Compensated Absences*

- Aligns the recognition and measurement guidance for compensated absences under a unified model.
- Provides additional guidance for certain types of leave.

Compensated Absences – Effective Date and Transition

- Effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
 - State of Florida will implement early during the fiscal year ending June 30, 2024.
- Changes should be reported as a change in accounting principle.

Compensated Absences - Scope and Applicability

Compensated absences are defined as:

- Leave for which employees may receive:
 - a) Cash payments when the leave is used for time off
 - b) Other cash payments, such as payment for unused leave upon termination of employment
 - c) Noncash settlement, such as conversion to postemployment benefits

Compensated Absences - Scope and Applicability

Examples of Compensated Absences

- Vacation and sick leave
- Paid time off (PTO)
- Parental leave
- Holidays
- Certain types of sabbatical leave

Compensated Absences – General Recognition

- Leave that results from services already provided
 - Employee has met the requirements necessary to earn the leave
- Leave accumulates
 - Leave may be carried forward from period leave is earned to future reporting periods when it will be used, paid or settled
- Leave is more likely than not to be used, paid or settled
 - >50% likelihood

Compensated Absences – Exceptions to General Recognition

- Leave more likely than not to be settled through conversion to defined benefit postemployment benefits is excluded from liability recognition.
- Leave dependent upon the occurrence of a sporadic event that effects a small portion of employees in any reporting period is recognized when the leave commences.
 - Examples are jury duty, parental and military leave
- Unlimited leave and holiday leave taken on a specific date is recognized as a liability when used.

Compensated Absences – Measurement

Pay rate

- Normally, use the employee's rate of pay at the financial reporting date
- However, if it is more likely than not the rate of pay will be different when paid use the pay rate that will be used when paid

Salary-related payments

- Directly and incrementally related
- Defined Contribution or Other Postemployment Benefits recognized as related leave is earned – not pension or OPEB liability
- Defined Benefit pension or OPEB excluded

Compensated Absences – Leave Used but Not Paid

**Liability for amount
of cash payment or
noncash settlement**

**Include applicable
salary-related
payments**

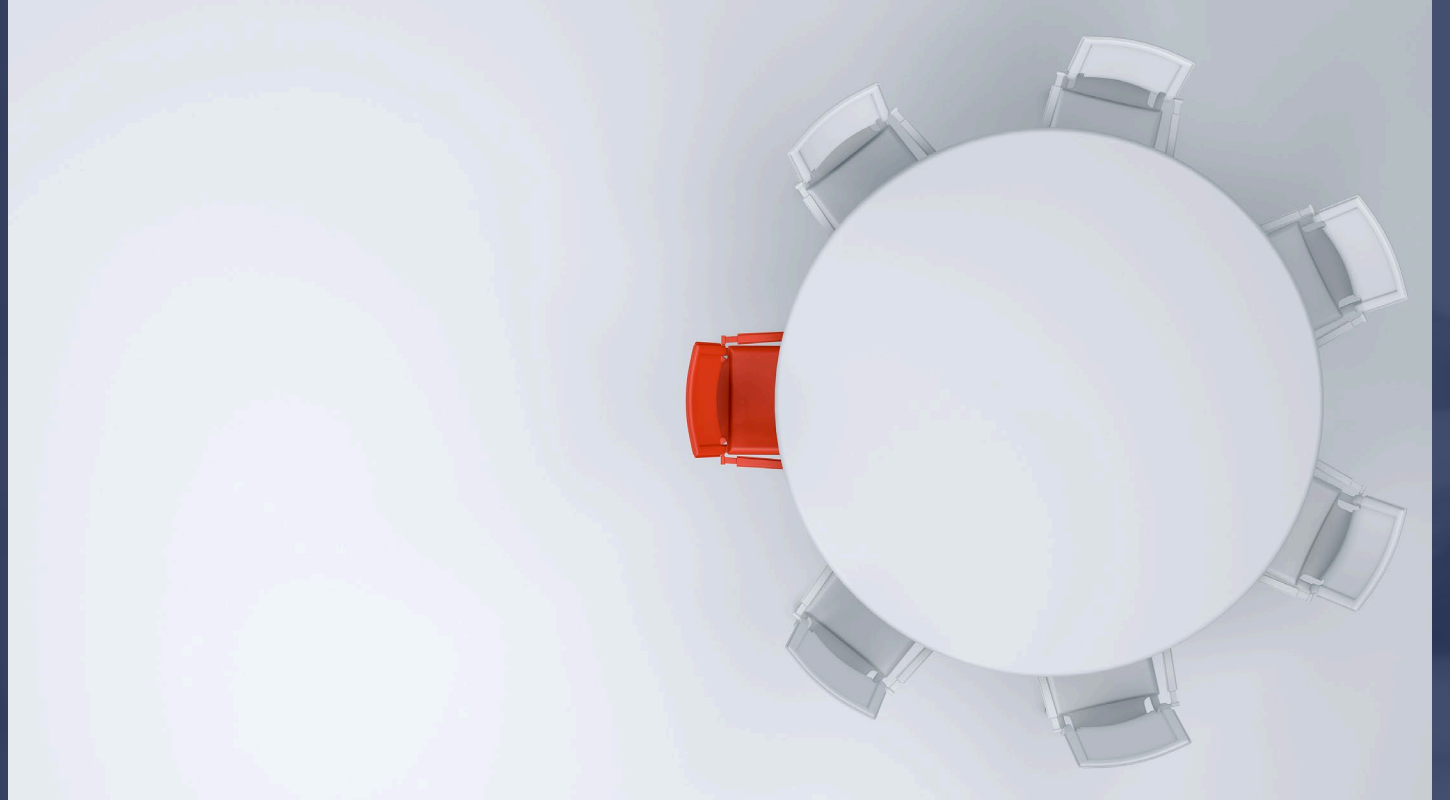
Compensated Absences – Note Disclosures

- No new note disclosures required
- Exceptions to the current long-term liability disclosures for compensated absences:
 - Option to present net increase or decrease if presented as “net”
 - Not required to disclose governmental fund used to liquidate the liability



Questions?

GASB Implementation Roundtable



GASB Implementations

FYE 2019

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements



GASB Implementations

FYE 2020

- Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance



GASB Implementations

FYE 2021

- Statement No. 84, Fiduciary Activities
- Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61



GASB Implementations

FYE 2021

- Statement No. 93, Replacement of Interbank Offered Rates All except for the following paragraphs:
 - 1.11b - LIBOR is not an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt.
 - 2.13 and 14 – Lease Modifications



GASB Implementations

FYE 2021

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

- Paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and
- Paragraph 5 of this Statement



GASB Implementations

FYE 2022

- Statement No. 87, Leases
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 92, Omnibus 2020



GASB Implementations

FYE 2022

- Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB; Paragraph 4 as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans; and paragraph 5 of this Statement were implemented for the fiscal year ending June 30, 2021.
- GASB Statement No. 99, Omnibus 2022; Requirements of Paragraphs: 11–17, 26 - 32



Implementation Discussion

12 GASBs Implemented
in 4 years

- Let's Discuss
 - ❑ What were the successes?
 - ❑ What caused struggles?
 - ❑ How were obstacles overcome?
 - ❑ Moving forward.



Take a break.
You deserve it!





Financial Reporting Best Practices Roundtable

Financial Reporting Best Practices Discussion



1. FYE Audit Adjustments

- Checklist Item 6: Current year beginning fund balance and net position amounts have been adjusted, as appropriate, to last year's audited ending fund balance and net position amounts for all funds by agency closing date.
- SFRS sends each agency the Year End Reports and this year an Excel File "Spring Adjustments" was provided

Financial Reporting Best Practices Discussion

FYE Audit Adjustments

1. How is compliance achieved?
 2. Are there processes used at your agency to accomplish this task?
-



Financial Reporting Best Practices Discussion



2. Year-end Accruals

- All prior year receivables and payables should be reversed.
- Current year receivables need to identified, calculated and recorded accurately.

Financial Reporting Best Practices Discussion

Year-end Accruals

1. How do you identify receivables and payables?
2. What processes are used to record the receivables and payables?



Financial Reporting Best Practices Discussion



3. Preparing for Agency Closing

- Compliance with 16 Checklist items is expected by Agency Closing.

Item 1

Items 4 -10

Items 12 – 15

Item 18

Item 21

Items 23 – 24

The Statewide Guidance Document is available to provide an understanding of the compliance requirement for each checklist item.

Financial Reporting Best Practices Discussion

Preparing for Agency Closing

1. Does your agency have a closing checklist, task list or procedures?
 2. What tools and/or processes are used to ensure the closing is manageable and a success?
-



Financial Reporting Best Practices Discussion



4. Analytic Review

- Checklist item 14:
Analytical procedures were performed for all funds to identify invalid GLs, atypical general ledger balances, inconsistent GL usage from prior year, etc. by agency closing date.

Financial Reporting Best Practices Discussion

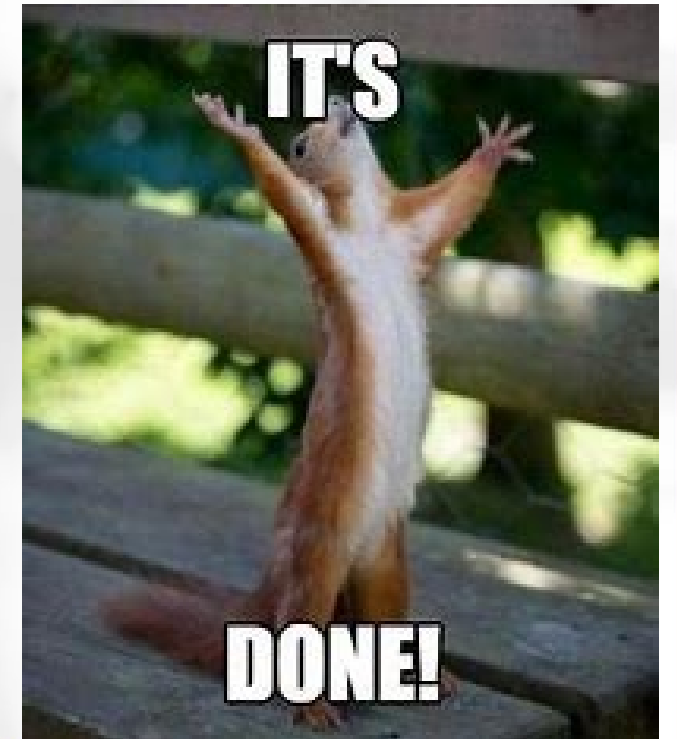
Analytical Review

1. How is compliance achieved?
 2. Are there processes used at your agency to accomplish this task?
-



State of Florida's 2023 *Financial Reporting Workshop*

Thank you for attending!



DEPARTMENT OF FINANCIAL SERVICES



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