



# Master the ACFR How You Can Avoid Errors & Streamline Your Reporting Process

2026 Public Sector Seminar

**forv/s**  
**mazars**

# Agenda

1. Overall Annual Comprehensive Financial Report (ACFR) Process
2. Common Errors Noted When Reviewing ACFRs and How to Avoid Them
3. Overview and Demo of The Reporting Solution
4. Questions and Answers

# Overall ACFR Preparation Process

- Overall view of annual financial results of state, county, municipality, school district, or other governmental entity (stand-alone enterprise funds, employee retirement systems, colleges and universities, etc.)
- Must contain three overall sections
  1. Introductory Section
  2. Financial Section
  3. Statistical Section

# Introductory Section

- Table of Contents
- Letter of Transmittal
- GFOA Certificate of Achievement (if applicable)
- Organizational Chart
- List of Principal Officials
- Other material deemed appropriate by management (optional)

# Letter of Transmittal

## Common Errors

- Incorrect date
- Redundant information
- Outdated terminology

## How to Avoid

- The date should be no earlier than the date of the independent auditor's report
- Refrain from duplicating information in MD&A and Notes to Financial Statements
- Reference unmodified opinion rather than unqualified

# Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI) and related notes
- Supplementary Information
  - Combining & Individual Fund Statements & Schedules
  - Other Supplementary Information

# Management's Discussion & Analysis (MD&A)

- Must include ONLY the following items:
  - Overview of the financial statements
  - Financial summary
  - Detailed analysis
  - Significant capital asset and long-term financing activity
  - Current known facts, decisions, or conditions

# Management's Discussion & Analysis (MD&A)

## Common Errors

- Quantifying the \$ and % variances without explaining the “Why?”
- Not explaining significant changes in major funds and government-wide
- Lack of two- or three-year comparative data
- Amounts do not agree with the amounts reported elsewhere within the ACFR
- Not including currently known facts, decisions and conditions significantly affecting financial position or results of operations

## How to Avoid

- Analysis of the underlying reasons for the significant changes
- Significant changes in fund balances of major funds and net position of government-wide should be explained
- MD&A should include one year more than the BFS
  - Comparative BFS means 3-year MD&A
- Complete MD&A numbers last and review for any “late” entries
- Everything occurring between fiscal year end and the date of the auditor’s opinion should be considered—focus on things that have actually happened

# Basic Financial Statements (Component of Financial Section)

- Government-wide financial statements
- Fund financial statements (as applicable)
  - Governmental fund financial statements
  - Proprietary fund financial statements
  - Fiduciary fund financial statements
- Notes to the basic financial statements
  - Summary of significant accounting policies (SSAP)
  - Other note disclosures

# Pensions/OPEB Reporting on Statement of Net Position – Net or Gross?

## Common Errors

- Deferred Inflows/Outflows presented incorrectly as net and/or gross
- Netting the net pension liability and the net pension asset on the statement of net position when a government participates in multiple pensions.
- Current portion of OPEB liability

## How to Avoid

- Inflows/Outflows
  - Present Gross:
    - Differences between expected and actual economic experience
    - Changes in actuarial assumptions
    - Changes in proportionate share
  - Present Net:
    - Differences between projected and actual investment earnings
- Each pension plan should be kept separate, so as not to understate the liability or assets

# Net Investment in Capital Assets

## Common Errors

- Calculation often consists of only net capital assets less capital related debt
- Incorrect terminology – Invested in Capital Assets, Net of Related Debt

## How to Avoid

- Calculation should also include:
  - Right to use assets and lease liabilities
  - Deferred gains/losses on refunding
  - Retainage payable
  - Construction accounts payable
- Exclude from calculation:
  - Interfund loans
  - Noncapital accrued liabilities
  - Accrued interest payable

# Major Fund Reporting

## Common Errors

- Not reporting a major fund when it meets the criteria for major fund status
- Not clearly identifying which funds are major
- Not updating the major fund determination on an annual basis as well as before issuance, to ensure status hasn't changed
- Not including deferred inflows and deferred outflows when calculating major funds

## How to Avoid

- Major Fund Reporting – must present fund as major if it meets both the 10% & 5% tests
- Include deferred outflows with assets and deferred inflows with liabilities
- Do not include transfers with revenues and expenses/expenditures
- Threshold applies to final numbers reported in fund financial statements
- Reapply test every year
- Can present calculated non-major funds as major (only when noting that this fund has been designated as major or that it is a non-major fund)

# Statistical Section

Multi-year tables presenting:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic & economic information
- Operating information

# Statistical Section

- Debt Capacity schedules should include premiums/discounts
- Debt Service as a Percentage of Noncapital Expenditures should use the capital outlay amount from the modified accrual/accrual reconciliation
- Include all governmental activities' debt for the direct debt in the direct and overlapping debt statistical table
- Ratio of general bonded debt per capita should focus on net bonded debt rather than total bonded debt
- Debt not to be repaid with general government resources should not be included in the net general obligation debt schedule
- Identify all sources for information not contained in the financial statements, notes, or RSI

# Internal Consistency

- Data consistency throughout report – Amounts should be easily traceable from one statement/schedule to the next
  - MD&A to basic financial statements
  - Fund financial statement reconciliations to GW financial statements
  - Net position/fund balance across all basic financial statements
  - Cash flows to operating statement
  - Notes to financial statements to basic financial statements
  - RSI to basic financial statements
  - Supplementary information to basic financial statements
  - Statistical financial trend data to basic financial statements

# Common Reporting Deficiencies

- Outdated Terminology

<b>Incorrect Term</b>	<b>Correct Term</b>
Market value	Fair value
Prior period adjustment	Accounting changes and error corrections
Agency fund	Custodial fund
Fixed assets	Capital assets
Fund equity/Net assets	Fund balance/Net position
Capital leases	Leases
Leased assets	Lease assets
Capitalized leases	Financed purchase

# Common Reporting Deficiencies

- Intangible Right-to-Use Assets are Capital Assets
  - The caption for intangible right-to-use assets (such as lease assets, PPP assets, subscription assets) should either be indented under the caption for capital assets or be identified as capital assets in the same manner as the other 'capital assets, net of accumulated depreciation' and 'capital assets not being depreciated.' The intangible right-to-use assets should be presented in a way that makes it clear that they are capital assets.

# Common Reporting Deficiencies

- Restricted assets but no restricted net position
- Net Pension/OPEB assets are restricted
  - Should not include any deferrals
- Issuance of debt in the financial statements does not agree to disclosures
- It is unclear why a decrease in accumulated depreciation/amortization would not accompany a decrease in the amount reported for a given class of depreciable capital assets.

# Overview of The Reporting Solution (TRS)

Streamlining the Process

Web-based software that allows for multiple users to prepare an Annual Comprehensive Financial Report (ACFR) at once

Streamlines production by linking the financial statements to other areas of the ACFR such as MD&A, notes, etc.

Automatic changes & updates are made in real time for all users to see

# Overview of The Reporting Solution (TRS)



# Advantages of Utilizing The Reporting Solution (TRS)



Uses purpose-built software for creating financial statements rather than spreadsheets






Increases collaboration since multiple users can work on the report at once



Designed to streamline government financial reporting making it easy to learn

# Advantages of Utilizing The Reporting Solution (TRS)

-  Streamlines production by linking the financial statements to other parts of the ACFR or Annual Financial Report (MD&A, notes, stats, etc.) along with updates made in real time
-  Access to support team who is knowledgeable of TRS & has worked on hundreds of ACFRs, Annual Financial Reports, etc.
-  Creates efficiency gains with the overall audit process, including a project management tool to keep track of report progress & allows for assignments & due dates

# Demo of The Reporting Solution (TRS)





Questions?

# Contact

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