

- GASB 62 Codification of Pre 1989 FASB Statements .
- Performance Audits
- Q & A

# **Organization Management Workshop** 2011 :: Hyatt Regency Jersey City :: Je **SAS 118 Other Information in Documents Containing Audited Financial Statements**

- Issued 2/2010
- Supersedes SAS No. 8 & portions of No. 29
- Effective for YB on/after 12/15/10
- Effect on SLGs preparing a CAFR Statistical section
  - Transmittal letter

# **Organization Management Workshop**

#### **SAS 118 Other Information in Documents Containing Audited Financial Statements**

April 10-12, 2011 :: Hyatt Regency Jersey City :: Jersey City,

Definitions

- Other information
- Financial & nonfinancial Included in a document with audited FS & audit report thereon, excluding RSI
- Inconsistency
- Other information conflicts with audited FS .
- Material inconsistencies raise doubt re: Audit conclusions drawn from previously obtained evidence
   Basis for audit opinion
- Misstatement of fact
- Other information unrelated to FS matters incorrectly stated or presented
- May undermine credibility of document containing FS

#### **Organization Management Workshop** IO-12, 2011 :: Hyatt Regency Jersey City :: Jersey City,

#### **SAS 118 Other Information in Documents Containing Audited Financial Statements**

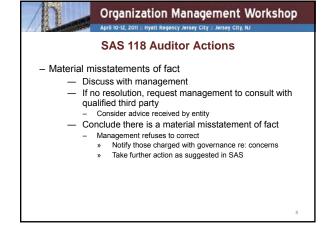
- Auditor requirements
  - Read other information identify any material inconsistencies with audited FS
  - Arrange to obtain prior to report release date
  - Communicate with those charged with
  - governance
  - Auditor responsibility
  - Any procedures performed
  - Results of procedures

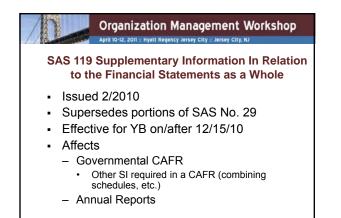
#### **Organization Management Workshop** 0-12, 2011 :: Hyatt Regency Jersey City :: Jersey City, M **SAS 118 Auditor Actions** Material inconsistencies - pre - Material inconsistencies report release after report release Revision to FS needed Revision to FS needed - Management refuses to revise = Apply AU 561 (Subsequent revise opinion Discovery of Facts) Revision to other information

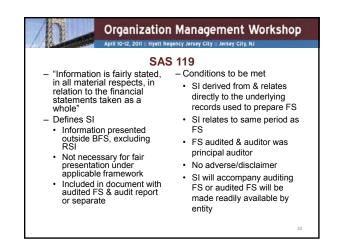
- needed
- Management refuses to revise = communicate to those charged with governance
- » Include explanatory
- paragraph in audit report
- » Withhold audit report OR
- Withdraw if possible under applicable law or regulation
- Revision to other information needed
- Management agrees to revise = take action specified in SAS Management refuses to

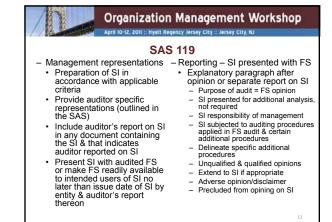
revise = notify those charged with governance & may need to contact legal

counsel



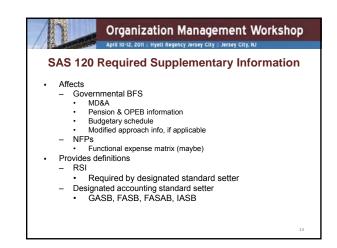






|  | Management Workshop<br>ency Jersey City :: Jersey City, NJ   |
|--|--|
| SAS - Reporting – SI not<br>presented with FS - Separate report on SI - Same requirements as<br>when SI presented with<br>auditing FS - Date of report no earlier<br>than date required SI<br>procedures completed<br>- Additional reference to<br>- Report on FS<br>- Date of report<br>- Nature of opinion<br>- Any report modifications | <ul> <li>119</li> <li>Reporting – SI materially misstated in relation to FS as a whole</li> <li>Discuss with management</li> <li>Propose appropriate revision of SI</li> <li>Management refuses to revise</li> <li>Modify opinion on SI &amp; describe misstatement OR SI</li> <li>Withhold separate report on SI</li> </ul> |
|  | 12   |

# Organization Management Workshop April 10-12, 2011 : Hystit Requirely Jersey City : Jersey City, RJ SAS 120 Required Supplementary Information Issued 2/2010 Supersedes SAS No. 52 Effective for YB on/after 12/15/10



# Organization Management Workshop April 10-12, 2011 – Repeater Versey City :: Jersey City, NJ SAS 120 Required Supplementary Information Required audit procedures Management inquiries re: methods of preparation Compare info for consistency with Management response

- Audited FS
- Other knowledge obtained during audit
- Obtain specific written management representations

# Organization Management Workshop

#### **SAS 120 Required Supplementary Information**

- Specific written management representations
  - Responsible for RSI
  - RSI measured & presented in accordance with prescribed guidelines
  - Any changes in methods of measurement or presentation & reasons
  - Significant assumptions/interpretations

# **Organization Management Workshop**

-12, 2011 :: Hyatt Regency Jersey City :: Jersey City, N.

15

#### **SAS 120 Required Supplementary Information**

Required reporting

- Explanatory paragraph AFTER opinion
  - RSI required to supplement BFS & by whom
  - RSI included & specific required procedures applied
  - If RSI is omitted in whole or part
  - When some RSI presented within guidelines
  - Identified material departures from prescribed guidelines
  - Unable to complete required procedures
  - Unresolved doubts re: whether RSI conforms to
- prescribed guidelines – No opinion on or assurance given

# Organization Management Workshop

GASB 53 Accounting and Financial Reporting for Derivative Instruments

- Issued June 2008
- Effective for financial statements for periods beginning after June 15, 2009
- Applicable to all state & local governments that enter into derivative transactions, as derivatives are defined in statement

#### **Organization Management Workshop** April 10-12, 2011 ::: Hyatt Regency Jersey City ::: Jersey City,

## How does it impact you?

- Prior to GASB 53, these derivatives were reported as a footnote disclosure.
- The first impact will be new assets or liabilities on your statement of net assets. There is the possibility of having to report investment revenue or loss, depending on whether the derivative meets the definition of a hedge under GASB 53, or is an investment instrument.
- The GASB 53 testing requirements present an additional workload.

 The fair value of the derivatives is primarily driven by the level of underlying market rates.

With the relatively low level of interest rates compared to when these transactions were first executed, most governments will assume additional liabilities on their statement of net assets after adopting GASB 53, some amounts which could be material. If a derivative is a hedge, it will be offset by a corresponding deferred outflow.

Organization Management Workshop

# IO-12, 2011 ::: Hyatt Regency Jersey City ::: J

# GASB 53 Core Concepts

- Report the fair value of a derivative on the statement of net assets (balance sheet).
- All hedges must be evaluated for effectiveness
- Recognize changes in the fair value of the derivative either:

a) on the balance sheet or statement of net assets, as deferred inflows or deferred outflows if the derivative passes its effectiveness test; OR b) as investment revenue/loss (i.e., gain or loss through statement of revenues, expenses, changes in fund net assets, as appropriate) if the derivative fails, or is not a hedge.



- · Clarifies certain parts of fund definitions
- Effective date YB 6/15/10
- · New categories based on relatively strength of control constraints
  - Nonspendable Fund Balance
  - Restricted Fund Balance
  - Committed Fund Balance
  - Assigned Fund Balance
  - Unassigned Fund Balance

### **Organization Management Workshop** 2011 :: Hyatt Regency Jersey City : **GASB 54 Fund Balance** Nonspendable Can not be spent because EITHER · Not in spendable form Not expected to be converted to cash (e.g., inventories, prepaids)

- - Other (e.g., LT loans & notes receivable, property acquired for resale)
  - Legally/contractually required to be maintained intact
- Permanent fund corpus
- Restricted
- External parties, constitution, enabling legislation Committed
- Government constraint using its highest level decision-making authority (e.g., ordinance)
- Intended for specific use by government
- Unassigned No constraints - general fund only

| 1            | Organization Management Workshop<br>April 10-12, 2011 -: Hyatt Regency Jersey City -: Jersey City :: J  |
|--------------|---|
|              | GASB 54 Encumbrances  |
| ~            | If the encumbering process meets the definition and<br>criteria for committed fund balance, then<br>encumbering an assigned or unassigned amount<br>could result in the amount being reported as<br>committed; however, it would be reported with other<br>amounts committed to the same or similar purposes,<br>not as "committed for encumbrances." |
| $\checkmark$ | If a government has significant encumbrances, it<br>should disclose them under the standards for<br>significant commitments.  |

# **Organization Management Workshop**

-12, 2011 :: Hyatt Regency Jersey City :: Jersey City, I

#### **GASB 54 Fund Balance**

- Reporting negative balances
  - First reduce amounts assigned to other purposes within the fund
  - Any remaining negative residual balance = negative
- UNASSIGNED fund balance Required note disclosures
  - Accounting policies re: classifications when expended for purposes with multiple fund balance classifications Provides default policy if none adopted Use restricted amounts first, then committed, assigned, & unassigned (sequentially) - Information re: rainy day funds

  - Explanation of minimum fund balance requirements
  - Description of processes to commit & assign fund balance \_ Purpose of each SRF - Identify which specific revenues & other
  - resources are authorized to be reported in each

# **Organization Management Workshop** Hyatt Regency Jersey City :: Jersey City, **GASB 57 OPEB Measurements**

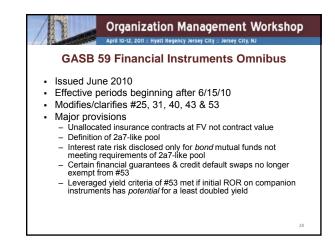
- Issued December 2009
- Effective immediately
  - Certain agent employers can use alternative measurement method
    - Single employer less than 100 members regardless of number members in total plan
- Effective PB after 6/15/11
  - Frequency & timing of measurements

#### Organization Management Workshop Hyatt Regency Jersey City ::

#### **GASB 58 Chapter 9 Bankruptcies**

- Issued December 2009
- Effective periods beginning after 6/15/10
- Retroactive application required all periods presented
- Recognition & measurement of effect of bankruptcy process on assets & liabilities
- Confirmed Plan of Adjustment amounts Gains/losses = extraordinary items •

| Organization Management Worksh<br>April 10-12, 2011 = Hyatt Regency Jersey City = Jersey City, NJ<br>GASB 58 Chapter 9 Bankruptcies |  |  |
|---|--|--|
| Item  | Treatment  |  |
| Accounts payable,<br>notes, debentures and<br>bonds, and related<br>interest payable  | GASB No. 58 requires governments to base<br>remeasurement on the new payment plan. Reductions in<br>future interest payments would result in lower interest<br>costs reported in future periods. Reductions to principal<br>or to accrued interest payable may result in gains<br>reported at the time of the reduction. If the new payment<br>plan does not indicate whether it reduces principal<br>payments or future interest payments that have not been<br>accrued, the debt should be remeasured at the present<br>value of the future payments using the original discount<br>rate, and a gain should be reported at the time of the<br>reduction. |  |
| Leases, pollution<br>remediation liabilities,<br>and liabilities for<br>pension and other<br>postemployment<br>benefit plans        | GASB No. 58 requires remeasurement based on existing<br>authoritative guidance. However, if a banefit plan is<br>rejected in bakwruptcy and becomes general unsecured<br>debt, GASB No. 58 requires the existing liability to be<br>removed and a new approved payment plan to be<br>recognized as a judgment, with a gain or loss recognized<br>for the difference.   |  |

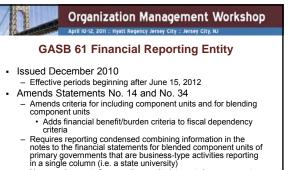


# **Organization Management Workshop**

# April 10-12, 2011 :: Hyatt Regency Jersey City :: Jersey City, N. **GASB 60 Service Concession Arrangements**

Issued December 2010

- Issued December 2010
   Effective periods beginning after December 15, 2011
   Generally, provisions are required to be applied retroactively for all periods presented
  Service concession arrangements include, but are not limited to, arrangements
  in which an operator will
   Design and build a facility and will obtain the right to collect fees from third parties
   Provide significant consideration in exchange for the right to access an existing facility
  and collect fees from third parties for its usage
   Design and build a facility for the transferror, finance construction costs, provide the
  government at the existence of the arrangement.
   Revide a middance and
- Provides guidance on
- Whether the transferor or the operator should report the capital asset in its financial statements,
- When to recognize up-front payments from an operator as revenue How to record any obligations of the transferor to the operator.
- Also provides guidance for governments that are operators in an SCA.



 New requirements for reporting equity interests in component units

#### **Organization Management Workshop** April 10-12, 2011 :: Hyatt Regency Jersey City ::

#### **GASB 61 Financial Reporting Entity**

- Major amendments
  - Misleading to exclude criterion
  - Inclusion under financial accountability concept
  - Major CU requirements
  - Blending criteria
  - Reporting funds of blended CUs
  - Reporting entity interests in CUs
  - CUs and related organizations with joint venture
  - characteristics
  - Note disclosures

#### Organization Management Workshop

#### GASB 61 Financial Reporting Entity

- Fiscally dependent CU must also create financial benefit/burden to continue as CU
- Clarifies manner for management to include CU not meeting financial accountability criteria
- Blended CUs
   Additional criteria to remain blended
   Required when total CU LTD expected to be repaid entirely/almost entirely with PG
   resources
   Clarifies funds of blended CU virtually same as PG
   Additional reporting guidance if PG a single column BTA
   Clarifies reporting a courts in intercent in locally concerned expendications
- Clarifies reporting of equity interests in legally separate organizations PG required to report interest as asset Asset eliminated in blending process if CU meets blending criteria

#### **Organization Management Workshop** 12, 2011 :: Hyatt Regency Jersey Cit

#### GASB 62 Codification of Pre 11/1989 GAAP

- Issued December 2010
- Effective periods beginning after December 15, 2011 Incorporates guidance previously only found in certain FASB and AICPA pronouncements
- amends or supersedes various GASB statements and NCGA standards and interpretations.
- Supersedes GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting



# **Organization Management Workshop**

#### **Performance Audit Overview**

- Provides assurance or conclusion based on an evaluation of sufficient, appropriate evidence against stated criteria
- Entails objective assessments of:
- Program effectiveness, economy, and efficiency
  - Internal control
  - Compliance
- · Provides independent assessment of performance and management of a program
  - Against objective criteria OR
  - Assessments that provide a prospective focus or that synthesize information on best practices or cross-cutting issues

# Organization Management Workshop

12. 2011 :: Hyatt Regency Jersey City :: Jersey City, h

# **Yellow Book**

- · Principles of transparency and accountability
- · Framework includes competence, integrity, objectivity and independence
- Established by the Comptroller General of the United States (US Government Accountability Office)
- Applies to CPA's, Auditor Generals, Inspector Generals and others in the accountability profession
- General Standards & Field Work Standards .
- Financial Statement Audits, Attestation Engagements and Performance Audits

# **Organization Management Workshop**

# General Standards "Audit Rigor"

April 10-12, 2011 :: Hyatt Regency Jersey City :: Jersey

- Independence
  - Personal Impairment
  - External Impairment
  - Organizational Independence (External & Internal Audit organizations)
  - Impact on Nonaudit Services (3 types of services Safeguards)
  - Overarching Principles
    - · Not step in the shoes of management · Not audit the work of the auditor
- Professional Judgment reasonable care & skepticism
- Competence CPE
- Quality Control and Assurance (Peer Review)

#### Organization Management Workshop April 10-12, 2011 ::: Hyatt Regency Jersey City ::: Jersey City, NJ

# **Example of Audit Objectives**

- Determine if an Entity complies with the deadlines in statutes and rules with respect to work programs and the factors responsible for any failure to meet the deadlines
- Determine if an Entity has implemented processes/ controls that promote the disposition of ROW cases in a reasonably efficient and cost-effective manner

#### Determine if the agreement between the ABC and XYZ specifically provides for the following:

- specific performance period
   three-year record retention period and right to audit
- method of payment
   references to cost principles set forth in CER 48 Chapter 1 Part
- forth in CFR 48, Chapter 1, Part 31 for allowability of individual items of cost; CFR 49, Part 18, for administrative procedures; and OMB Circular 1-110, for nonprofit sub-recipients.

