



R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

**Long Island Village Clerks and
Treasurers Association
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R.S. ABRAMS & CO., LLP

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Are You Ready for Your Audit?



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Role of the Auditor vs. Accounting Consultant

- ▶ The auditor's primary role is expressing an opinion that the financials are not materially misstated.
- ▶ The auditor is required to be independent per *Government Auditing Standards*.
- ▶ The outside accounting consultant provides accounting related services not permitted to be performed by the auditor per *Government Auditing Standards*

Role of the Auditor vs. Accounting Consultant

- ▶ Important to outline the scope of services to be performed by the accounting consultant as each Village has different needs and expectations.
- ▶ Services may include financial statement preparation, AUD preparation, CAFR preparation, reconciliations, preparation of year end audit schedules and fund balance projections.

Planning for the Audit

- ▶ Provide auditors with all significant activities/transactions that will have an impact on the risk assessment or the audit itself.
- ▶ Prepare all planning documents and update for any changes per auditing standards.

Planning for the Audit

- ▶ Update and send Village an audit request list and schedule interim and year end dates.
- ▶ The Village should read through the audit request and forward audit request list to relevant staff.

Planning for the Audit

- ▶ Provide auditors with new or closed bank accounts, debt and/or attorney information necessary for confirmations.
- ▶ Prepare audit confirmations incorporating any new changes.

Planning for the Audit

- ▶ Provide auditors with copies of OSC audits, OPEB actuary reports, capital asset appraisal, GASB 68 information, self insurance financial reports and information for tax abatements.
- ▶ Coordinate with other firms or individuals performing other services (i.e. financial statement preparation, maintenance of depreciation records).

Planning for the Audit

- ▶ Schedule tentative Audit Committee and Board Meeting dates to present the results of the audit to ensure timely filing.

General Information

- ▶ Board minutes
- ▶ New contracts (look for changes in benefits)
- ▶ New bonds or BANs
- ▶ Long-term leases
- ▶ Journal entries

General Fund

- ▶ Bank reconciliations and Treasurer's report should be reconciled to the general ledger for all funds, justice court and imprest bank accounts.
- ▶ Inter fund receivables, payables and transfers should be reconciled and verified not greater than 1 year old.
- ▶ Receivables for taxes, tax sale certificates, water bills, sewer bills, cable franchises, cell tower rentals and gross receipts tax should be recorded.

General Fund

- ▶ Old encumbrances and blanket encumbrances should be closed out prior to rollover.
- ▶ Ensure proper cut-off for recording payables and receivables in the proper period.
- ▶ Liabilities and encumbrances should be properly classified.

General Fund

- ▶ Due to ERS should be calculated using current rates and include retirement incentives and compared to estimated bills.
- ▶ Due to ERS actual salaries for April and May x rate.
- ▶ Retro-pay should be accrued for expired contracts.

General Fund

- ▶ Fund balance should be properly classified in accordance with GASB Statement No. 54.
- ▶ Reserve activity should be properly recorded and approved (i.e. use, funding, allocation of interest).
- ▶ Board approved budget transfers and revisions should be recorded after Board approval.

Capital Fund

- ▶ Bond Anticipation Notes – Properly record premium and interest, and pay down.
- ▶ Energy performance and installment purchase debt – record current year activity.

Capital Fund

- ▶ Funding sources should be tracked by project for proper fund balance classification (i.e. restricted or assigned).
- ▶ Review the individual projects to determine that expenditures have been charged appropriately.

Debt Service Fund

- ▶ Record debt refunding and obtain all required documents (i.e. official statement and sources and uses statement).
- ▶ Record interest earned and unneeded authorizations from capital fund.
- ▶ Record inter fund transfer from general fund and debt service payments where applicable.

Capital Assets

- ▶ Verify outside capital asset inventory and depreciation is accurate and timely prior to audit.
- ▶ Reconcile equipment additions and building additions to capital outlay.
- ▶ Verify construction in progress is properly recorded (reconcile to capital fund expenditures).
- ▶ Depreciation should be allocated by function/program.

Long Term Liabilities – Compensated Absences

- ▶ Classify amount due and payable within one year on Village-wide financials.
- ▶ Calculate based on December 2008 OSC Accounting Bulletin – Consider using tiered approach based on age and years of service and likelihood of retiring from Village.
- ▶ Include associated benefits (i.e. FICA and ERS).

Long Term Liabilities – ERS Net Pension Liability

- ▶ Requires recognition on a government –wide basis of the net pension liability (or asset), which is the present value of projected benefit payments less the amount of the pension plan’s funding in accordance with GASB Statement 68.
- ▶ Requires additional note disclosures and required supplementary information.
- ▶ No effect on the fund statements.

Long Term Liabilities – ERS Net Pension Liability

- ▶ ERS will prepare the applicable schedules for each Village. Village will need to log on to the employer web portal to access the information.

Long Term Liabilities – OPEB

- ▶ Verify outside actuary report will be received before the audit. Provide the actuary with current year premiums paid.
- ▶ OPEB calculation should be broken down by fund and function (i.e. public safety, transportation, general government).
- ▶ Verify full appraisal is done every 2 years.
- ▶ Have census data ready for auditors.
- ▶ Review reports for accuracy (i.e. current plan parameters, reasonable interest rate, method).

Long Term Liabilities – Claims Payable

- ▶ Verify outside actuary report will be received before the audit to calculate IBNR claims payable.
- ▶ Classify claims due and payable in one year on financials.
- ▶ Verify third party administrator will provide report for unpaid claims.

Long Term Debt – Bonds

- ▶ Compile amortization schedules and official statements for new and refunded debt.
- ▶ Obtain sources and uses statement for refunded debt.
- ▶ Add new debt, remove old debt and amortize any gain or loss on refunding.



New York State Office of the Comptroller's Audits

Top Ten Internal Control Deficiencies Cited in the NYS OSC Reports

- 10.) Travel Expenditures
- 9.) Treasurer's Function
- 8). Board Oversight
- 7.) Information Technology
- 6.) Claims Auditing/Processing

Top Ten Internal Control Deficiencies Cited in the NYS OSC Reports

- 5.) Cash Receipts
- 4.) Purchasing/Procurement
- 3.) Credit Cards
- 2.) Budgeting
- 1.) Financing Operations/Management



Common Reporting Deficiencies

CAFR Program



MD&A

- ▶ GASB 34 requires “An *analysis* of balances and transactions of *individual major funds*.”
 - Reasons for significant changes in fund balance/fund net position – not just dollar amount or percentage of changes
 - Any restrictions, commitments, or other limitations significantly affect fund resources for future use
- ▶ Missing the analysis
- ▶ Not addressing all major funds with significant changes in fund balance/net position

MD&A

- ▶ Deferred outflows and inflows are separate elements
- ▶ Governments combining deferred outflows with assets and deferred inflows with liabilities in condensed statement of net position.

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	100	85
Capital asset, net	90	88
Total Assets	<u>190</u>	<u>173</u>
Deferred outflows of resources	<u>50</u>	<u>48</u>
Liabilities		
Current and other liabilities	45	46
Long-term liabilities	60	55
Total Liabilities	<u>105</u>	<u>101</u>
Deferred inflows of resources	<u>44</u>	<u>40</u>

MD&A

- ▶ Condensed statement of activities
 - Need to include the ending net position
- ▶ Amounts in MD&A should agree with amounts reported in financial statements

Calculation of net investment in capital assets

- ▶ Should Include
 - All the capital assets (e.g., land and construction in progress, intangibles)
 - Capital related debt
 - Deferred amounts from refundings in the calculation
- ▶ Should exclude unspent debt proceeds
 - The liability related to the unspent portion of a debt issuance should be included in the same component of net position as the unspent proceeds

Calculation of net investment in capital assets

	Capital assets, net of accumulated depreciation	\$ 100,000.00
	Less outstanding amounts of:	
Debt used to acquire, construct or improve capital assets	Bonds	\$ (50,000.00)
	Mortgages	\$ (10,000.00)
	Notes	\$ (15,000.00)
	Other borrowings/liabilities	\$ (20,000.00)
	Deferred inflows of resources related to refunding capital debt	\$ (450.00)
	Add deferred outflows of resources related to refunding capital debt	\$ 250.00
	Plus unspent bond proceeds	\$ 10,000.00
	Net investment in capital assets	<u>\$ 14,800.00</u>

Other financing sources and uses

- ▶ Only items defined by GASB can be other financing sources
 - Governments including other items in the governmental funds statement of revenues, expenditures, and changes in fund balances

Other Financing Sources	Other Financing Uses
1. Issuances of long-term debt	1. Original issue discount on debt
2. Inception of a capital lease	2. Payments to advance refunding escrow agent
3. Sales of capital assets	3. Transfers out
4. Insurance recoveries	
5. Transfers in	

Other financing sources and uses

- ▶ Amounts of long-term debt issuances in the governmental funds statement of revenues, expenditures, and changes in fund balances

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Amounts of the related additions to long-term debt disclosed in the notes to the financial statements

Fund balance

- ▶ Only the *general fund* should report non-spendable fund balance for
 - long-term loans and notes receivable
 - long-term interfund receivables
 - Property held for resale
- ▶ Only the *general fund* should report *positive* unassigned fund balance

Component unit disclosure

- ▶ Need to describe why a component unit is discretely presented – *both* factors need to be disclosed
 - Fiscal dependence + Financial benefit or burden relationship
 - Board appointment + Financial benefit or burden relationship
 - Board appointment + Ability to impose will

Component unit disclosures

- ▶ Need to describe why a component unit is blended
 - Substantively the same governing body + financial benefit or burden
 - Substantively the same governing body + operational responsibility
 - Service or benefit (almost) exclusively to the primary government
 - Total debt repayable (almost) entirely from resources of the primary government
 - Primary government is sole corporate member of not-for-profit corporation

Governments will not report the second factor for same governing body

Pension Disclosures

- ▶ Need to disclose the primary government's pension note disclosures separately from the discretely presented component unit's notes disclosures
- ▶ Description of the plan: disclosure whether the pension plan is a single-employer, or cost-sharing multiple-employer defined benefit plan
- ▶ Separate disclosures for each plan

Pension Disclosures

- ▶ Disclose the amounts of the deferred outflows and inflows of resources for each plan

- *Totals should equal amounts in basic statements*

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 152,300.00
Changes in Assumptions	\$ 130,251.00	
Earnings on pension plan investments	\$ 2,450,100.00	
Contributions made subsequent to the measurement date	\$ 458,622.00	
	\$ 3,038,973.00	\$ 152,300.00

- Schedule of the net amount of deferred outflows and inflows of resources separately for each plan that will be recognized in the employer's pension expense for each of the subsequent five years, and, at a minimum, in the aggregate for subsequent years.
 - *Should not include amount of contributions made subsequent to measurement date*

2019	\$	303,510
2020	\$	303,510
2021	\$	303,510
2022	\$	303,510
Thereafter	\$	755,811
Total	\$	2,428,051

Pension Disclosures

- ▶ Contributions made subsequent to measurement date
 - Need to disclose the amount
 - It is not part of expense in subsequent years
 - Disclose that it will be recognized as a reduction of the net pension liability in the subsequent fiscal year

Required Supplementary Information

- ▶ GASB 68 requires schedule of employer contributions
 - Information should be as of the *most recent fiscal year end*, not measurement date

	2017	2016	2015	2014
Actuarially determined contribution	\$ 79,713	\$ 86,607	\$ 89,828	\$ 91,963
Contributions in relation to the actuarially determined contribution	\$ 79,713	\$ 86,607	\$ 89,828	\$ 91,963
Contribution Deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 449,293	\$ 436,424	\$ 416,243	\$ 407,812
Contributions as a percentage of covered payroll	17.74%	19.84%	21.58%	22.55%



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Questions ???



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