



SBOA Update

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- Backlogged Audits Eliminated!
- Allows SBOA to:
 - Audit schools in a more timely manner
 - Implement Remote auditing techniques
 - Additional Compliance Testing

Example Compliance Areas



- Curricular Materials Rental
 - Bad Debt policies and procedures
- Prepaid School Lunch
 - Bad Debt policies and procedures
 - 2019 February School Bulletin required procedures

SBOA - Federal Audit Specialists



- Currently a Pilot Program
- “Federal Specialists”
 - Likely smaller Audit Teams
 - Federal Audit and Financial Audit
- Separate reports for (1) Financial and (2) Federal Audits
 - (3) Compliance reports will still be issued



Changes in SBOA Audits

Staff Funds



- Our prior audit position disallowed **staff funds to be accounted for in the extracurricular records**. We have recently revised our opinion and we will **not take exception** to an extracurricular account established for staff funds.
- This change in position **does not affect our position on outside organizations**, such as booster groups, parent teacher organizations etc... There should not be any outside organizations' funds accounted for in the extracurricular records.
- IC 20-41-1-7 states in part: "The treasurer has charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ."

Regulatory Basis Reporting



- Updates to the Regulatory Format
 - Elements of GAAP Reporting
 - Note Disclosures
 - Financial Statement
- **New Regulatory basis updates: 6/30/2020**
(AFR due by 8/29/2020)

Statement of Receipts, Disbursements,
and Cash Balances



- Combining Schedule **removed** from
“Other Information – Unaudited”

Regulatory Basis – Debt Schedule



- Current Schedule of Leases and Debt
 - Ending Balance
 - Principal and interest due within 1 year

SCHEDULE OF LEASES AND DEBT June 30, 2018

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	General Obligation Bonds of 2014	\$ 9,110,000	\$ 655,738
Tax anticipation warrants	Temporary Loans	9,000,000	9,215,220

Future Debt Schedule



	Debt Class	Description or Purpose	Beginning Principal	Additions	Reductions	Ending Principal Balance as of December 31, 201X	Principal and Interest Due in 201X
Governmental Activities							
Other Enterprise							
Other Enterprise							
Other Enterprise							

Additional Disclosures Required



- Changes in long-term debt
 - Beginning and ending balances
 - Activity during the year
 - Payment due in next year
- Debt service requirements to maturity
 - Payments for the next five years
 - *Payments in five-year increments until maturity*
 - DLGF amortization schedule

Additional Disclosures Required



- General Description of Leasing Arrangements
 - Including lease term
- Principal and Interest Requirements to Maturity
 - Debt Management Report Amortization Schedule
- Interfund Transfers
- Deficit Fund Balances
- Pensions and OPEB
- Other Note Disclosures

Note Disclosure – Long-term Debt

Note X. Long-term Debt

A. Changes in Long-term Debt

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	Beginning Balance 1/1/2019	Additions	Reductions	Ending Balance 12/31/19	Due Within One Year
<u>Town (non-Utility)</u>					
Revenue Bonds	\$ 605,000	\$ 72,756	\$ 92,756	\$ 585,000	\$ 42,526
Other Bonds	3,573,795	201,621	111,054	3,664,362	30,000
 <u>Water Utility</u>					
Notes and Loans Payable	<u>2,812,824</u>	<u>1,500,000</u>	<u>1,673,000</u>	<u>2,639,824</u>	<u>278,718</u>
 <u>Wastewater Utility</u>					
Revenue Bonds	<u>2,750,000</u>	<u>3,000,000</u>	<u>3,137,000</u>	<u>2,613,000</u>	<u>191,560</u>
Totals	<u>\$ 9,741,619</u>	<u>\$ 4,774,377</u>	<u>\$ 5,013,810</u>	<u>\$ 9,502,186</u>	<u>\$ 542,804</u>

Checklist – Long-term Debt



- Identify long-term debt by major class
- Identify each major class by activity
- Determine the beginning balance of each debt class by activity
- Determine additions and reductions in long-term debt balances
- Determine the ending balance of each debt class by activity
- Determine the portion of each long-term debt type due within one year
- Complete Debt Management Report information
- Update Debt Management Report as needed

Information for Audit



- Bond Resolutions
- Debt Instruments with Amortization Schedules
- Ledger Balances and activity for each Bond Fund
- Bank Reconciliations
- Claims and Supporting Documentation for payments
- Internal Controls Over Financial Transactions and Reporting

Note Disclosure – Leases

The Town has entered into a lease for three police cars. The lease term began on January 15, 2018, and ends on July 15, 2027. The lease is being paid in semi-annual installments as defined in the schedule of rental payments of the lease agreement.

Principal and interest requirements to maturity as of December 31 2019, are as follows:

Year Ended December 31	Principal	Interest	Total
2020	\$ 29,976	\$ 2,372	\$ 32,348
2021	29,976	1,746	31,722
2022	29,976	1,130	31,106
2023	29,976	490	30,466
2024	29,976	334	30,310
2025-2027	<u>149,880</u>	<u>3,065</u>	<u>152,945</u>
Totals	<u><u>\$ 299,760</u></u>	<u><u>\$ 9,137</u></u>	<u><u>\$ 308,897</u></u>

Checklist – Long-term Debt



- General Description of Lease Arrangements
- Name of Lessor
- Lease Beginning Date
- Lease Ending Date
- Annual Lease Payment
- Complete Debt Management Report information
- Update Debt Management Report as needed



- Lease Agreements
- Claims and Supporting Documentation for payments
- Internal Controls Over Financial Transactions and Reporting

Regulatory Basis - Capital Assets



- Current Schedule of Capital Assets
- Supplementary Information
- Ending Balance Only

SCHEDULE OF CAPITAL ASSETS
June 30, 2018

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 474,850
Buildings	119,135,761
Improvements other than buildings	2,686,339
Machinery, equipment, and vehicles	<u>3,022,741</u>
 Total governmental activities	 <u>125,319,691</u>
 Total capital assets	 \$ <u><u>125,319,691</u></u>



Future Capital Asset Schedule

New: Additions and Reductions

Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

Township Assets	Beginning Balance 01/01/19	Additions	Reductions	Ending Balance 12/31/19
Land	\$ 31,000	\$ 60,000	\$ 10,000	\$ 81,000
Buildings	328,000	375,167	53,167	650,000
Improvements other than Buildings	3,750	56,250	-	60,000
Machinery, Equipment and Vehicles	3,249	-	3,249	-
Total Township Capital Assets	\$ 365,999	\$ 491,417	\$ 66,416	\$ 791,000

Where do we start?



- Gain an understanding of capital asset accounting
- Implement Policies and Procedures
- Maintain Capital Asset Ledger

What is a Capital Asset

(GASB para 19)



- Land
- Infrastructure
- Buildings
- Improvements other than Buildings
- Machinery, Equipment & Vehicles
- Construction in Progress
- Books and Other

**used in operations
and has a useful life
extending beyond a
single reporting period*

Which Capital Assets go on the Schedule?



- Depends upon Capitalization Policy
- Classes of Assets
- Resources

Capitalized Equipment/Software



- Threshold depends on School Policy
 - \$5,000 for federal funds (CFR §200.439)
 - Expenditures for assets with a life greater than 1 year and improvement expenditures that extend the life of the capital asset.
- Object 735 Capitalized Equipment (**including Software**)
 - Software Under Threshold in either 655 (supplies) or 742 (software)
- Object 730 Equipment Under Threshold
- Object 731 Vehicles Under Threshold
- Object 733 Furniture Under Threshold

How is a Capital Asset Valued



- Historical Cost
- Estimated Historical Cost
 - Going Price at time of acquisition
 - Consumer Price Index calculation

ESTABLISHING THE ESTIMATED COST OF CAPITAL ASSETS

When it is not possible to determine the historical cost of capital assets owned by a governmental unit, the following procedure should be followed.

Develop an inventory of all capital assets which are significant for which records of the historical costs are not available. Obtain an estimate of the replacement costs of these assets. Through inquiry determine the year or approximate year of acquisition. Then multiply the estimated replacement cost by the factor for the year of acquisition from the Table of Cost Indexes. The resulting amount will be the estimated cost of the asset.

In some cases estimated replacement cost can be obtained from insurance policies; however, if estimated replacement costs are not available from insurance policies, you should obtain or make an estimate of the replacement costs.

If the replacement cost is estimated to be \$76,000.00 and the asset was constructed about 1930, then the estimated cost of the asset should be reported as \$5,320.00.

$$\$76,000.00 \times .07 = \$5,320.00$$

TABLE OF COST INDEXES
1922 to 2017

<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>
2017	1.00	1993	.59	1969	.15	1945	.07
2016	.98	1992	.57	1968	.14	1944	.07
2015	.97	1991	.56	1967	.14	1943	.07
2014	.97	1990	.53	1966	.13	1942	.07
2013	.95	1989	.51	1965	.13	1941	.06
2012	.94	1988	.48	1964	.13	1940	.06
2011	.92	1987	.46	1963	.12	1939	.06
2010	.89	1986	.45	1962	.12	1938	.06
2009	.88	1985	.44	1961	.12	1937	.06

Checklist – Capital Assets



- Establish Capitalization Policy
- Maintain Capital Assets Ledger (prescribed form)
- Identify Capital Assets by Activity
- Identify Capital Assets by Major Class
- Confirm Beginning Balance for 2019
- Report Additions to Capital Assets
- Report Reductions in Capital Assets
- Compare Ending Balance to Capital Assets Ledger
- Document Basis for Valuation and Estimated Useful Life
- Establish Internal Controls

Information for Audit



- Capitalization Policy
- Capital Assets Ledger
- Supporting Documentation
- Documented Basis for Asset Valuation
- Documented Basis for Estimated Useful Lives
- Internal Controls

Resources



- *Bulletin and Uniform Compliance Guidelines*
 - *Establishing the Estimated Cost of Capital Assets, March 2014, pg. 14*
- *Accounting and Uniform Compliance Guidelines Manual*
- *SBOA Best practices; www.in.gov/sboa*
- *Government Accounting Standards Board, GASB 34, www.gasb.org*
- *Government Finance Officers Association, www.gfoa.org*
 - *Estimated Useful Lives of Capital Assets*
 - *Capitalization Thresholds for Capital Assets*
 - *Control Over Items that are not Capitalized*
 - *Accounting for Capital Assets: A Guide for State and Local Governments, Stephen J. Gauthier.*

Recap – 2019 Regulatory Format Updates



- Financial Statement

- Statement of Receipt, Disbursements and Cash and Investments – Regulatory Basis

- Supplementary Information

- Schedule of Capital Assets
- Schedule of Payables and Receivables (*removed*)
- Schedule of Debt and Leases (*removed*)
- Schedule Receipts, Disbursements, and
- Cash and Investment Balances (*removed*)

- Note Disclosures

- Supplementary Information
- Long Term Debt
- Leases
- Interfund Transfers
- Deficit Balances
- Pensions and OPEB
- Significant Contingent Liabilities
- Significant Commitments
- Subsequent Events

Gateway Annual Financial Report (AFR)



- Schools will be **required to upload financial information in the AFR**
 - We are currently working with the vendors to make this as easy as possible.
 - Ability to upload financial information from system generated files
- SBOA will no longer use form 9 information to generate financial statements
 - Dates for Gateway Changes:
 - **New Regulatory basis updates: 6/30/2020** (due by 8/29/2020)
 - **Financial Information to be uploaded: 6/30/2021** (due by 8/29/2021)

Reasoning for AFR changes



- This would fix several issues
 - Timing of audits
 - Form 9 information will not be sufficient to generate financial statements in the new Regulatory format
 - Avoid findings due to form 9 information being locked with no ability to change figures.
 - Changes could be made in Gateway prior to audit team arriving
- SBOA form 13 – Approval of Financial Statements before audit

Website Resources



<https://www.in.gov/sboa/>



Questions?