

**SBOA GAAP
EFFICIENCY TEAM**

**INDIANA
COUNTY
AUDITORS'
ASSOCIATION**

**OCTOBER 26,
2023**

GET Talking with GAAP

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Financial Statement Approvals

State Examiner Directive 2021-2

- Annual uploads consist of financial statements, including note disclosures, MD&A, RSI, and supporting documentation.
- ACFR financial uploads-to Gateway due 90 days after fiscal year end to allow sufficient time for an on time GFOA submission. (April 1)
- GAAP financial uploads to Gateway due within 5 months after year end. (May 31)
- GAAP financial statements and other information must be complete and reconciled.

Financial Statement Processes that Require the County Auditor Approvals

- Approval and documentation of the outside contractor's firm of compiled GAAP financial statements provided to the unit.
- Approval and documentation of the financial statements uploaded to Gateway for both the AFR and GAAP presentations.
- Approval and documentation of accrual entries and adjusting entries to GAAP financial statements.
- Approval and documentation of estimations made by outside contracted firms, such as inventory, land, roads, salaries, budgets...

Audit Suggestions for Your Next GAAP Audit

- Use your prior audit knowledge – prepare audit files for the auditors with current audit documentation based on the prior audit requests
- Use your influence to push your outside contracted compilers to prepare the GAAP statements as early as possible to assist with the audit timeliness.
- File the GAAP complete financial statement package as early as possible to allow the SBOA/contractors to plan for the appropriate teams and allot the appropriate time to complete the audits timely.

GASBS 91

Conduit Debt

Definition:

A debt instrument issued in name of the government (issuer) for the benefit of a third party who is primarily responsible for the repayment.

Requirements:

- At least three parties: Issuer, obligor, trustee
- Issuer and obligor not in the same financial statements
- Not a parity bond or cross-collateralized with issuer's other debt
- Obligor receives the proceeds
- Obligor primarily responsible for repayment

Types of Commitments:

- Limited – Issuer has no financial obligation
- Additional – Issuer agrees to a financial guarantee, pledge of own assets as security, or other commitment
- Voluntary – Issuer voluntarily decides to make payment(s)

Financial Statement Recognition:

Limited – None

Additional or Voluntary – Liability and expense/expenditure *if more likely than not* issuer will make payments

Economic Resources Measurement:

Present value of future outflows

Current Financial Resources Measurement:

Liability and expenditure to the extent the liability is expected to be liquidated with available financial resources

Required Note Disclosures

- Description of debt
- Description of commitment
- Aggregate outstanding principal

If liability is recognized, also disclose:

- Beginning balance
- Increases and decreases including initial recognition, payments, and adjustments
- Cumulative amounts of payments made
- Amounts expected to be recovered, if any

St. Joseph County:

The County has issued Economic Development Revenue Bonds to provide financial assistance to educational and not-for-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, there were several series of conduit debt obligations outstanding in the amount of \$78,505,000.

Description of Debit
←→

Description of County's Commitment
←→

Principle Balance
←→

Monroe County:

The primary government has issued Redevelopment Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans ... Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, there were two series of Redevelopment Revenue Bonds outstanding with an aggregate principal amount payable of \$10,675,000

**SAS 143
AUDITING
ACCOUNTING
ESTIMATES
AND RELATED
DISCLOSURES**

Estimates

Overview – SAS 143 Auditing Accounting Estimates and Related Disclosures

- Standards issued by the AICPA effective for reporting periods ending on or after December 15, 2023.
- AU-C section 315 requires auditors to identify the risks of material misstatement and assess the risk when a unit is using an accounting estimate, the complexity, subjectivity, and estimate uncertainty.
- AU-C section 330 requires auditors to test how management made the accounting estimate.
- AU-C section 500 requires auditors to evaluate the appropriateness and sufficiency of audit evidence
- AU-C section 540 requires auditors to evaluate, based on the audit procedures performed and the audit evidence obtained, whether the accounting estimates and related disclosures are reasonable...or are misstated.

Audit Documentation Requests Related to Accounting Estimates Included in Financial Statements

- SBOA Form 9 – obtains an understanding of the entity's accounting estimates.
- SBOA Form 7 – obtains an understanding of the entity's internal controls over accounting estimates (3rd parties)
- When the unit used the work of a management specialist, the specialist's work must be auditable.
- Management must have documentation to demonstrate the understanding of the estimation and estimation uncertainty and address estimation uncertainty by developing related disclosures

Examples of Estimates that were not Auditable

- Land valuation calculation support requested from a third-party specialist: "additional support could be actual Bills of Sale...*however, we do stand by our professional judgment that land is better valued in the range of \$30,000 than at some higher amount reflected in the landwatch.com data set.*"
- Road valuation estimation is based upon a third-party specialist survey of area units' costs that is updated periodically.
- Street light Replacement Costs of \$150,000 - an analysis was provided but no supporting documentation that could be audited
- Sewer Underground Infrastructure valuation - no historical costs were provided; the estimates of the infrastructure were based on amounts supplied by contractors at the time the county takes over the maintenance.

**GASBS
96 & 99**

Subscription
Based Information
Technology
Arrangements
(SBITAs)

Definition

A contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (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.

Possible SBITAs:

- Zoom
- Microsoft 365
- DocuSign
- Skyward
- Canvas
- Other Software as a Service (SaaS) platforms



Subscription
term

Implementation
stages

Exclusion for
short-term
SBITAs

GASBS 96



Accounting for SBITAs

Similar to Leases (GASB 87)

- Recognize an asset and liability
- Recognition commences with subscription term
- Measure liability at present value of future subscription payments
- Account for interest expense and amortization expense
- Group associated activities into stages:
 - Preliminary project stage
 - Initial implementation stage
 - Operation and additional implementation stage
- Required note disclosures

SBOA MEMO

“GAAP REPORTING OF
LOCAL INCOME TAX”

JULY 12, 2023

LIT Receivable

July 2023 Memo Recommendation:

15% of audit year certified distributions
+ Following year supplemental distribution

= LIT Receivable

Formula to calculate supplemental distribution

Example: 2023 Supplemental Distribution

2021 Trust Balance
Less 15% of 2023 Certified Distributions
Less 2022 Special Distributions
= 2023 LIT Supplemental

GAAP Efficiency Team (GET)

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