



Enhanced Regulatory Reporting

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ENHANCED REGULATORY REPORTING



- Purpose of changes:
 - Be proactive
 - To report similar to certain GAAP requirements
 - Satisfy legislators and bond rating companies
 - Legislation already passed requiring certain units to report financial statements in accordance with GAAP

GAAP REPORTING



- More requirements for units
 - Possibly need to outsource or hire Accountants to comply
- More days to audit
 - Additional audits cost to units

ENHANCED REGULATORY REPORTING



- Added additional unit questions in AFR
 - Does your unit provide other post-employment benefits (OPEB) to employees?
 - Did your unit make interfund transfers during the year?

Memo - Enhanced Regulatory Delays
April 27, 2020



- Audits for the year 2019 will not include the Enhanced Regulatory Basis of Accounting updates scheduled for 2019
- The updates that were implemented for the 2019 AFR (Due March 1, 2020) will still be required for the 2020 AFR (Due March 1, 2021)
- The Enhanced Regulatory Basis of Accounting updates scheduled for the 2020 AFR (Due March 1, 2021) are postponed.

ENHANCED REGULATORY REPORTING



- Changes made to 2019 AFR
- Debt & Capital Assets schedules
 - Include beginning balances, additions, reductions, and ending balances

ENHANCED REGULATORY REPORTING



- Long-Term Debt
 - Presented as a Note to the Financial Statement
 - Will include beginning balances, additions, reductions and ending balances
 - A schedule of principal and interest payments until maturity will be included
 - Notes are considered part of financial statements and an audit opinion will be issued

ENHANCED REGULATORY REPORTING



- Leases
 - Included as a Note to the Financial Statements
 - Note will include description of lease and lease term
 - Schedule of principal and interest payment until maturity

ENHANCED REGULATORY REPORTING



- Additional Note Disclosures
 - Summary of Significant Accounting Policies
 - Interfund Activity
 - Deficit Fund Balance
 - Significant Contingent Liabilities
 - Significant Commitments

ENHANCED REGULATORY REPORTING



- Additional Note Disclosures (Cont.)
 - Pensions
 - Other Postemployment Benefits

ENHANCED REGULATORY REPORTING



- Mock Report

[https://www.in.gov/sboa/files/Mock%20Report 2019 Township.pdf](https://www.in.gov/sboa/files/Mock%20Report%202019%20Township.pdf)

ENHANCED REGULATORY REPORTING



- Capital Asset Activity will be reported as *Supplementary Information* for audit periods ending 12/31/19
 - An audit opinion is not issued on supplementary information
 - An additional year is being provided to get capital asset records in order



What is a capital asset?

- Capital Asset Per GASB 34:

“The term capital asset includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure and all other tangible assets that are used in operations that have initial useful lives beyond a single reporting period.”



Infrastructure

- Long-lived capital assets
- Normally stationary in nature
- Can be preserved for a significant number of years than most capital assets
- Examples – roads, bridges, tunnels, drainage systems

Properly Maintaining Capital Assets



- Construction in Progress

- Where work has not been completed in the current reporting fiscal year

Properly Maintaining Capital Assets



- **MUST** have a capital asset policy
- ***Policy is required to detail the capitalization threshold***
- Capitalization Threshold is a management decision

Properly Maintaining Capital Assets



- Other items to consider
 - Who is responsible for maintaining capital asset ledger
 - Other procedures and internal controls being implemented to ensure person responsible for maintaining capital asset ledger is receiving all information needed to properly maintain capital asset ledger
 - Useful life of the assets (minimum by category, be consistent)
 - How to account for depreciation in the year that it was purchased

Properly Maintaining Capital Assets



- General Form 369
 - Form may be electronically duplicated or may utilize another format **as long as the information (and function) that is required on the prescribed form is maintained**

Capital Asset Ledger



General Form No. 369 (Rev. 2019)

CAPITAL ASSETS LEDGER

FUND _____

DEPARTMENT OR BUILDING _____

Date of Purchase	Description of Asset	Serial Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Capital Asset	Amount Received on Disposal or Trade in	Types of Capital Assets						Total Capital Assets	
								Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery Equipment & Vehicles	Construction in Progress		Books and Other
1															
2															
3															
4															
5															
6															
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SAMPLE

Don't Know Historical Cost?



Don't Know Historical Cost



1. Develop an inventory of all capital assets owned
2. Obtain an estimate of the replacement costs
3. Determine the year of acquisition
4. Multiply the estimated replacement cost by the factor for the year of acquisition from the Table of Cost Indexes (September 2019 Bulletin)
<https://www.in.gov/sboa/files/2019%20September%20School%20Bulletin.pdf>

Properly Maintaining Capital Assets



- The Beginning Balance of each type of Capital Asset, Additions, Reductions, and Ending Balance should be maintained on the prescribed form and be used to support the amounts entered into Gateway

Training Videos



SBOA YouTube Channel

<https://www.youtube.com/channel/UC62Ozm0wY81GZHipK2UrjLA>

Capital Asset Video

https://www.youtube.com/watch?v=oPIbqV1J9jo&list=PLQEiiW5bsE_rWath2jl4ep66WZ773xtJ2&index=6&t=0s

Depreciation



- An accounting method of allocating the cost of a tangible or physical asset (Buildings, Equipment, Infrastructure, other) over the life of the asset.
- Represents how much of an asset's value has been used up.

Enhanced Regulatory Reporting



- Accumulated Depreciation will be included as part of the capital asset note disclosure in the 2020 financial statements

What Assets can be depreciated?



- Depreciable Assets
 - Buildings
 - Improvements other than Buildings
 - Machinery, Equipment, & Vehicles

What Assets do not depreciate?



- Non-depreciable Assets
 - Land – assumed to have unlimited useful life
 - Construction in Progress – Asset has to be placed in Service

Depreciation Calculation



$$\frac{\text{Asset value(Historical Cost)}}{\text{Estimated Useful Life}} = \text{Yearly Amount of Depreciation}$$

*****Accumulated Depreciation is the total depreciation to date**

Maintain Documentation



- Must maintain a documented basis for:
 - Asset Valuation
 - Estimated Useful Lives

Capital Asset Note (Draft)



Note X. Capital Assets

General Government Assets	Beginning Balance 01/01/20	Additions	Reductions	Ending Balance 12/31/20
Capital assets not being depreciated				
Land	1,371,633	500,000	49,682	1,821,951
Construction in progress	75,000	25,000	-	100,000
Total capital assets not being depreciated	<u>1,446,633</u>	<u>525,000</u>	<u>49,682</u>	<u>1,921,951</u>
Capital assets being depreciated				
Infrastructure	1,591,231	352,789	256,251	1,687,769
Buildings	25,348,431	3,500,000	1,750,000	27,098,431
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	9,476,302	2,000,000	1,260,350	10,215,952
Total capital assets being depreciated	<u>36,415,964</u>	<u>5,852,789</u>	<u>3,266,601</u>	<u>39,002,152</u>
Less: Accumulated depreciation				
Infrastructure	106,612	23,637	17,169	113,080
Buildings	1,698,345	234,500	117,250	1,815,595
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	634,912	134,000	84,443	684,469
Total accumulated depreciation	<u>2,439,870</u>	<u>392,137</u>	<u>218,862</u>	<u>2,613,144</u>
Net capital assets being depreciated	<u>\$ 33,976,094</u>	<u>\$ 5,460,652</u>	<u>\$ 3,047,739</u>	<u>\$ 36,389,008</u>

