Enhanced Regulatory Reporting

Jonathan Wineinger – Director of Audit Services – Schools/Townships
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

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
Properly Maintaining Capital Assets

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 or 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.”
Properly Maintaining Capital Assets

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)

<table>
<thead>
<tr>
<th>Date of Purchase</th>
<th>Description of Asset</th>
<th>Serial Number</th>
<th>Location of Asset</th>
<th>Original Cost of Asset</th>
<th>Estimated Life of Asset</th>
<th>Date of Disposal of Capital Asset</th>
<th>Amount Received on Disposal or Trade in</th>
<th>Land</th>
<th>Infrastructure</th>
<th>Buildings</th>
<th>Improvements Other Than Buildings</th>
<th>Machinery, Equipment &amp; Vehicles</th>
<th>Construction in Progress</th>
<th>Books and Other</th>
<th>Total Capital Assets</th>
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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

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/UC62Ozm0wY81GZHlpK2UrjLA

Capital Asset Video
https://www.youtube.com/watch?v=oPlbqV1J9jo&list=PLQEuW5bsE_rWath2jl4ep66WZ773xJ2&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.
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

Asset value (Historical Cost) \times \frac{1}{\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

<table>
<thead>
<tr>
<th>General Government Assets</th>
<th>Beginning Balance 01/01/20</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance 12/31/20</th>
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<tbody>
<tr>
<td><strong>Capital assets not being depreciated</strong></td>
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<tr>
<td>Land</td>
<td>1,371,633</td>
<td>500,000</td>
<td>49,682</td>
<td>1,821,951</td>
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<tr>
<td>Construction in progress</td>
<td>75,000</td>
<td>25,000</td>
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<td>100,000</td>
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<tr>
<td><strong>Total capital assets not being depreciated</strong></td>
<td>1,446,633</td>
<td>525,000</td>
<td>49,682</td>
<td>1,921,951</td>
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<tr>
<td><strong>Capital assets being depreciated</strong></td>
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<tr>
<td>Infrastructure</td>
<td>1,591,231</td>
<td>352,789</td>
<td>256,251</td>
<td>1,687,769</td>
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<tr>
<td>Buildings</td>
<td>25,348,431</td>
<td>3,500,000</td>
<td>1,750,000</td>
<td>27,098,431</td>
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<tr>
<td>Improvements other than Buildings</td>
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<tr>
<td>Machinery, Equipment and Vehicles</td>
<td>9,476,302</td>
<td>2,000,000</td>
<td>1,260,350</td>
<td>10,215,952</td>
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<tr>
<td><strong>Total capital assets being depreciated</strong></td>
<td>36,415,964</td>
<td>5,852,789</td>
<td>3,266,601</td>
<td>39,002,152</td>
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<td><strong>Less: Accumulated depreciation</strong></td>
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<tr>
<td>Infrastructure</td>
<td>106,612</td>
<td>23,637</td>
<td>17,169</td>
<td>113,080</td>
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<tr>
<td>Buildings</td>
<td>1,698,345</td>
<td>234,500</td>
<td>117,250</td>
<td>1,815,595</td>
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<tr>
<td>Improvements other than Buildings</td>
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<tr>
<td>Machinery, Equipment and Vehicles</td>
<td>634,912</td>
<td>134,000</td>
<td>84,443</td>
<td>684,469</td>
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<td><strong>Total accumulated depreciation</strong></td>
<td>2,499,870</td>
<td>392,197</td>
<td>218,862</td>
<td>2,613,144</td>
</tr>
<tr>
<td><strong>Net capital assets being depreciated</strong></td>
<td>$ 33,976,094</td>
<td>$ 5,460,652</td>
<td>$ 3,047,739</td>
<td>$ 36,389,008</td>
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