



We'll get you there.

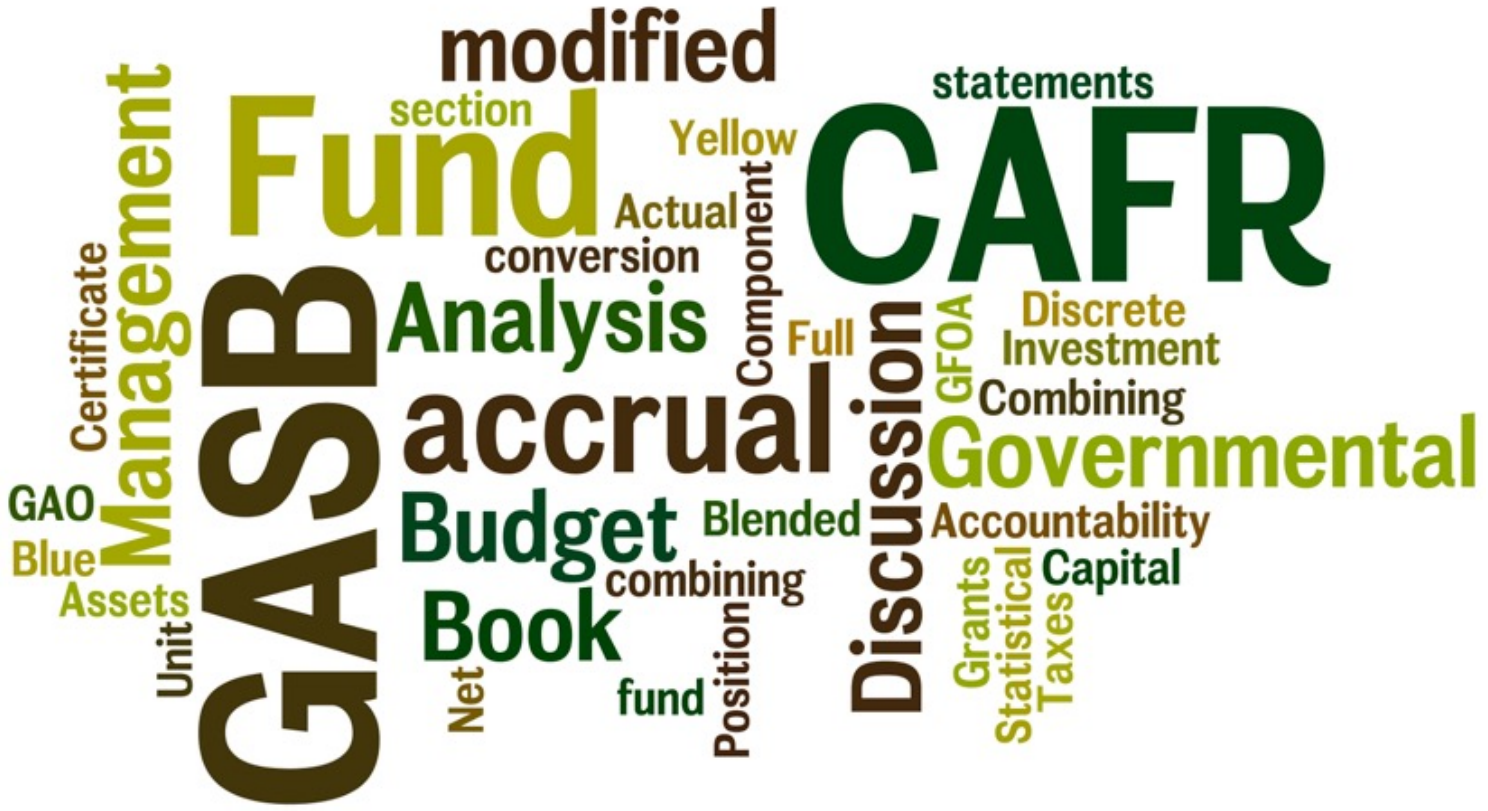
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Financial Statement Review and Audit Preparation



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Introduction

- Amber Drewieske, CPA
 - Principal – Green Bay, WI
 - 15 years of experience with Wisconsin State and Local Governments
 - Interests – Boating, Coaching Youth Basketball, Packers



Learning Objectives

- Discuss differences in accounting and financial reporting for governments and for-profit businesses
- Overview of financial reporting model for governments
- Understand your role in the preparation and review of the annual financial statements
- Discuss basic analysis of governmental financial statements
- Learn how to prepare for an audit of your financial statements





What Do Users Want to Know?

What is important?

- Did the government's ability to provide services improve or decline from the previous year?
- Were the government's current year taxes and other sources of resources sufficient to cover the cost of current year services? Long-term?
- What are the government's spending priorities?
- What sources of revenues support the various programs?
- Has the government obtained and used resources in accordance with its adopted budget?



Core Differences between FASB and GASB

FASB

- Focus on Economic Events (Financial performance)
- Long-term and short-term reporting the same

GASB

- Budget-Focused (Accountability)
- Current Resources (cash or near cash)
- Total Economic Resources



Fund Financial Statements

Governmental fund category

- General fund
 - Fund 10 – General fund
 - Fund 27 – Special education fund
- Special revenue funds
 - Fund 21 – Special revenue fund
 - Fund 23 – TEACH fund
 - Fund 29 – Other special revenue funds
 - Fund 50 – Food service fund
 - Fund 80 – Community service fund
 - Fund 99 – Other package and cooperative program fund
- Debt service funds
 - Fund 38 – Non-referendum
 - Fund 39 – Referendum approved
- Capital projects funds
 - Fund 41 – Capital expansion fund
 - Fund 46 – Long-term capital improvement trust fund
 - Fund 49 – Other capital projects fund
- Permanent funds



Fund Financial Statements

- **Proprietary fund category**
 - Enterprise funds
 - Fund 50 – Food service
 - Internal service funds
- **Fiduciary fund category**
 - Pension (and other employee benefits) trust funds
 - Fund 73- pension and other employee benefit trust fund
 - Investment trust funds
 - Fund 76 – Investment Trust fund
 - Private-purpose trust funds
 - Fund 72- Private purpose trust fund
 - Custodial funds
 - Fund 60 – Custodial fund



Governmental Funds – Measurement Focus (Current)

Emphasizes the acquisition and use of expendable available financial resources and related current liabilities

Includes primarily current (short-term) financial assets and related liabilities

- Cash
- Items converted to cash in due course (receivables, investments)
- Items that avoid the need for a near-term cash outlay – prepaids and supplies inventory

Excludes capital assets and long-term obligations



Proprietary Funds – Measurement Focus (Economic)

All economic resources (current and noncurrent, financial and nonfinancial)

Includes long-term items

- Capital Assets
- Long-term Debt

Similar to a business



Governmental Funds – Basis of Accounting

Modified accrual basis

- Revenues recognized when they are measurable and available
 - Available - collectible soon enough after year end to be available to pay current liabilities – 60 day rule
 - If not yet available, receivable is offset by a deferred inflow of resources and revenue is recognized when it becomes available
- Expenditures are recognized when a liability has been incurred and is payable from currently expendable financial resource
 - Debt service expenditures recognized when due
 - Certain accrued liabilities (i.e. compensated absences)



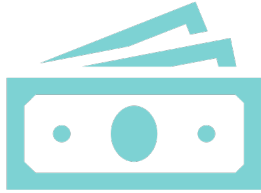
Proprietary Funds – Basis of Accounting

Accrual basis

- Transactions are recognized when they occur, regardless of when cash is received or disbursed
 - Revenues when services or goods provided
 - Expenses when liability is incurred
- Similar to business



Fund Equity/Net Position



Governmental Funds

Fund Balance

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

Proprietary Funds

Net Position

- Net investment in capital assets
- Restricted
- Unrestricted

Government-wide Financial Statements

Considers whether sufficient resources exist to cover the cost of providing services in the long-term

Economic resources flows measurement focus

- Capital assets
- Long-term debt
- Leases
- Pension
- Other postemployment benefits

Accrual basis of accounting



Management's Responsibility for Financial Statements



Read the financial statements



Tie key numbers to the general ledger



Agree note information to the financial statements



Ultimately take responsibility for the financial statements and audit process



Ask questions



Financial Statement Review

- What is important?
- Reconciliations
 - Why are reconciliations necessary?
 - How do I know when to prepare reconciliations?
 - Who should prepare?
 - How do they benefit me?
- Decision making
- Budgeting



Interaction Time!

What is audit prep?

When do you start audit prep?

What does your audit prep entail?



Preparation



PREPARED BY CLIENT LISTS
(PBC LIST)



PREPARING THROUGHOUT
THE YEAR



BENEFITS/CONSEQUENCES



QUESTIONS

Resources for Preparation



DPI

WUFAR

Website

Direct connections



Colleagues



Auditors



Prepared by client list (PBC list)

- Allocate the requests to appropriate personnel (understand your teams)
- Prioritize
 - What will the auditors need in order to start fieldwork
 - Ask questions, have the auditors prioritize the list instead of guessing
- Request examples
- Be prepared for additional requests
- More information is better
 - Be sure to include supporting documentation up front, if possible
 - Number the items
- Dedicated time (efficiency)



Preparing throughout the year

- Workflow matrix

5	Description	Person Responsible	Reviewer	Frequency					Cycle Days (actual day/date of the month/year)	Completion and Review/Approval			
				Daily/Weekly	Monthly	Quarterly	Annual	Various		Preparer Initials	Prepared Date	Reviewer Initials	Review Date
3	Cash and Investments												
3	Reconciliations												
0	Pooled cash				X		X						
1	List any additional individual cash reconciliations				X		X						
2	Scholarship accounts				X		X						
3	Investments												
4	Collateral update					X	X						
5	Review outstanding check listings for items significantly aged and determine resolution						X		1-Oct				
6	Review and sign off of bank recs				X		X						

- Contact your auditor

- Prioritize

- Balance audit needs and organization needs
- Organization
- Time management (i.e. prepaids do not need to be reviewed monthly)
- Delegate



Benefits



Reduced fieldwork
time



Deadlines met



Less stress and
questions



Timely reporting to
funding agencies



More timely audit
observations to apply
to current year



Consequences



Fieldwork delay



Missed deadlines



Added stress



Fines or delays in funding



Increased likelihood for audit findings/adjustments



Additional billings



Questions?



Thank you!

Amber Drewieske, CPA

Principal

920-455-4138

amber.drewieske@claconnect.com



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