

Annual Report and Audit Preparation

There are no secrets to success.
It is the result of preparation, hard work,
and learning from failure.

Colin Powell

Deadline for filing:

- ▶ 150 days after the close of the fiscal year
- ▶ 2020 annual report deadline
 - ▶ Sunday, May 30, 2021

The annual report tells a story

- ▶ Tells reader what happened in your county in that year.
- ▶ It is critical that the transactions are reported correctly so that the story is told correctly
 - ▶ Example - 573.70 County Fairs
575.40 Fairgrounds and Convention Centers
What activity are you reporting?

When does the annual report process begin?

- ▶ January 1, 2020 (yes I meant 2020)

Review transactions often

- ▶ Have a regular review process - don't wait until the end of the year to try to review transactions.
 - ▶ Waiting and then trying to review an entire year greatly increases the likelihood that you will miss something.
 - ▶ Some transactions can't be corrected easily after year end - monthly or even weekly review can catch issues early while they can be easily corrected.
 - ▶ Example:
- ▶ Some corrections will need commissioner approval - resolutions

Reviewing Transactions

Weekly Accounts Payable - check vouchers and support

- ▶ Is this being paid from the correct fund
- ▶ Is this the correct vendor/address
- ▶ Is there a credit on the account? (indicating that if this is paid again there will be a credit issued)

Read Commissioners Minutes - ask for clarification on any transactions that will be difficult to report.

Monthly treasurer reports - look at revenues deposited and bars being used. Especially important to review are grant funds and miscellaneous revenues

- ▶ Misc. revenue - ask questions - are there revenues that should be reported elsewhere

Catch issues before they become issues

- ▶ Throughout the year be aware of how transactions are being completed.
- ▶ Use the perspective of:
 - ▶ How am I going to report this transaction on the annual report?
 - ▶ Cash basis - how is the bank impacted - is there bank activity?
 - ▶ Cash basis accounting - always think about the bank
 - ▶ Reconciling items

Keep notes and records aka: Workpapers

▶ Keep notes and documentation on unique transactions

- ▶ A recent MRSC training suggested keeping a log book for non routine transactions
- ▶ Example: School District paid the “entire” \$23,000 election bill, rather than their \$4,200. Check was received and deposited with treasurer. Error was recognized and refund was issued by treasurer’s check. Treasurer reduced revenues in the election cost BARS.
- ▶ Problem: The entire \$23,000 flowed through the bank, as did the treasurer’s refund check. When reconciling to the bank, the auditors would see a discrepancy between the revenue and the bank deposit, and also between the checks/expenditures clearing the bank and the expenditures on the c4
- ▶ Solution - workpapers and support to explain this unique transaction to the auditors.

Reporting - what is new - what has changed?

- ▶ Training is critical - Don't skip training because you think you have heard it before. Seek training every year.
 - ▶ MRSC - Annual Report Preparation - 2 hours daily for 4 days - goes through entire annual report. Discusses how to, changes, and common errors and misstatements
 - ▶ SAO - BARS classes and reporting training - watch your email for notices of upcoming training opportunities.
- ▶ “Overview of Significant Changes” - Review this every year - print and keep a copy - keep this with your workpapers so that you can show the SAO that you reviewed it prior to preparing and submitting your annual report.

Roles and Responsibilities

- ▶ “Who does What?”
 - ▶ Communicate with departments to determine:
 - ▶ Who is responsible for completing schedules
 - ▶ What information is needed
 - ▶ Who will provide that information

Don't wait until the last minute to request information from departments. Ask for that information early so that the department has adequate time to prepare their report

Schedule 1

				2019	2020	
0091	106 Emergency Services	3081000	Beginning Cash - Reserved	8,916.75	4,500.57	
0091	106 Emergency Services	3339700	Federal Grant - EMPG	14,713.23	6,551.80	
0091	106 Emergency Services	3339700	Federal Grant HSGP - Sheriff	19,742.43	16,801.17	
0091	106 Emergency Services	3340180	State Grant - EFSEC	27,848.81	15,523.40	
0091	106 Emergency Services	3972560	Operating Transf from ce	52,302.00	108,959.00	152,335.94
0091	106 Emergency Services	5081000	End Cash - Reserved	4,500.57	22,380.02	
0091	106 Emergency Services	5256010	Personnel Services - Wages	74,527.20	76,763.04	
0091	106 Emergency Services	5256020	Benefits	14,270.65	13,788.17	
0091	106 Emergency Services	5256030	Supplies	821.06	6,937.63	
0091	106 Emergency Services	5256040	Other Services & Charges	14,178.87	11,626.51	
0091	106 Emergency Services	5256040	Interfund Services	15,224.87	14,693.72	
0091	106 Emergency Services	5942864	Capital Outlay		6,146.85	152,335.94

Schedule 1 - additional support

Revenue – Treasurer’s GL	
\$147,844.92 total rev	
\$9.55 interf transf	
\$0.00 canc war	
\$147,835.37 revenue	
\$147,835.37 s1 rev	
Disbursements/Expenditures Treasurers GL	
129,367.17 total disbursements	
4,079.59 minus 2019 open	
4,677.89 plus 2020 open	
9.55 minus cancelled warrants	
129,955.92 treasurers disbursements	
129,955.92 s1	
129,955.92 Eden	
Other	
additional transfer from ce - not in original budget - covid	

.....and more review 😊

0091	115	County Road	3340370	Rural Arterial Program (RAP)	\$85,051
0091	115	County Road	3340420	State Grant from Department of Commerce	\$102,561
0091	115	County Road	3340372	County Arterial Preservation Program (CAPP)	\$697,948
0091	115	County Road	3360075	Multimodal Transportation - Counties	\$199,477
0091	115	County Road	3360089	Motor Vehicle Fuel Tax - County Roads	\$3,985,945
0091	115	County Road	3418100	Data/Word Processing, Printing, Duplicating and IT Services	\$253
0091	115	County Road	3418200	Engineering Services	\$713
0091	115	County Road	3441000	Roads/Streets Maintenance/Repair/Construction Services	\$70,795
0091	115	County Road	3441000	Roads/Streets Maintenance/Repair/Construction Services	\$5,224
0091	115	County Road	3611100	Investment Earnings	\$19,377
0091	115	County Road	3699100	Miscellaneous Other	\$42,672
0091	116	Auditor's O & M	3083100	Restricted Cash and Investments - Beginning	\$24,753
0091	116	Auditor's O & M	3360411	Centennial Document Preservation	\$49,155
0091	116	Auditor's O & M	3412700	Recording Surcharge - Local Homeless Housing	\$1,574
0091	116	Auditor's O & M	3412100	Auditors' Filing and Recording Services	\$28
0091	116	Auditor's O & M	3413600	Auditor's Historical Document Preservation and Modernization Surcharge	\$6,174

Tie Out

- ▶ Slang:

In auditing, to check source documents to ensure that the statements on the balancesheet are correct (or to check the balance sheet against the source documents).

- ▶ In other words, **to tie out means to implement the means of auditing the accuracy of documents.**

What do I need to tie out?

- ▶ Everything!
- ▶ Here are just a few of the many areas that need to be tied out:
 - ▶ The expenditures/revenues on your c4/c5 need to tie out to your year end financial statement.
 - ▶ The debt service note needs to tie to the schedule 9 & all need to tie to your c4
 - ▶ The balances on your c4 that are reserved/restricted need to tie to note 1G. “Reserved Portion of Ending Cash and Investments”
 - ▶ I tie Note 2 expenditures to my c4. I have never received solid guidance that this is necessary, but my audit team always looks at it.
 - ▶ Note 9 Pension Plans - DRS Liability - tie to schedule 9
 - ▶ What am I forgetting?? I am sure we all have horror stories of things we forgot to cross check/double check/tie out!
 - ▶ The point is to always be prepared to back up any of your figures - check and double check your work and schedules and be prepared to back it up!
 - ▶ And of course your financial statements and reports need to tie to your bank statements.....

And if you think that all of this is a bit too much to handle - be grateful you report cash because you could be:

GAAP!

Annual Report and Audit Process - GAAP

Grace Jimenez & Suzette Smith, Lewis County Auditor's Office

Preparation - Reviewing revenue transactions

Focus is on:

- ▶ Timing - Revenues are recognized as soon as they are both measurable and available
- ▶ Classification - Accurate? Or “we’ve always coded it that way”
- ▶ Trends - Anticipate questions that will arise during audit. Create your own trending report
- ▶ Document reasoning for unusual classifications at the time of deposit (special/extraordinary items, BARS not normally used, etc.)

Preparation - Revenue Analysis

[Revenue Analysis_Presentation.xlsx](#)

Preparation - Expenditure reporting

- ▶ When was the liability incurred?
- ▶ Communicate early with staff in charge of payables. Education at this level helps ensure expenditures are reported in the correct period.
- ▶ Make sure all staff is aware of the recognition period and what to do once it has ended.



What do I need to tie out?

- ▶ Everything! (Agreed!)
- ▶ Here are just a few of the many areas that need to be tied out:
 - ▶ Fund-level financial statements flow information to the Statement of Cash Flows
 - ▶ Creating a revenue analysis helps sort data by function which can then flow to Statement of Activities.
 - ▶ Be sure bottom line revenue numbers match when comparing totals by function to totals by source (Statement of Activities vs fund-level Operating Statement)
 - ▶ Before filing, print the statements out! Lay them next to each other and compare the data. Does it make sense? Some issues are difficult to see when we are buried in Excel. A physical print/review helps!

What do I need to tie out?

- ▶ Pension and OPEB GASBS - less is NOT more...
 - ▶ Document source of **all** numbers included in the Notes
 - ▶ Create easy to follow documentation - the clearer your work papers are, the fewer questions the auditor should have
 - ▶ Make sure the total from all proprietary fund-level financials adds up to the government-wide
 - ▶ Ex. Does the total OPEB liability from the balance sheets match up to the total presented on the Statement of Net Position? AND does this amount tie to the Notes?

The Audit Process - Lessons Learned...

- ▶ Electronic work paper files - Organize files in a way that will be easy to send to SAO (example Excel/Word doc for each conversion entry). Fewer physical binder reviews.
- ▶ If external data/documents are used, save the source. Example: Actuarial valuations for OPEB - Print emails to pdf and include in electronic WPs. Need documentation of discussions/decisions.
- ▶ Documenting work paper review electronically - due to increase in telecommuting, no physical review/sign off of printed WPs.

[Review Notes_Presentation.xlsx](#)

Questions?