

# 2016 GASB Updates & Audit Issues

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# Overview

- Topics to be discussed:
  - GASB 68 Pension-Update
  - GASB 72 Investment Disclosures
  - Audit Prep
    - ✖ Uniform Guidance
    - ✖ PERS/TRS
    - ✖ Fund Balance Allocations
    - ✖ Health Funds
    - ✖ Payroll Liabilities

# GASB 68



**GASB 68 Accounting and Financial Reporting for Pensions  
—an amendment of GASB Statement No. 27**

# GASB 68

## What to Expect

- **Improved/faster reporting** from State of Alaska
- **Change in valuation method** of liability and associated balances from actual contributions to actuarial method (present value of future contributions)
  - **Valuation** is based on projected contributions between 2017-2039
  - **Result of the change** increase the employer's portion of the liability and reduces the State's portion.

Remember: Pension audit is 1 year behind financial statement audit!

# GASB 72



## **GASB 72 Fair Value Measurement and Application**

# GASB 72

## What to Expect

- **New, detailed disclosures** relating to fair value measurement
- **Assign components of investment** into 1 of 3 levels of measurement:
  - **Levels 1 & 2** are based on observable inputs, valuation based on a market value such as publically traded stocks, bonds and mutual funds
  - **Level 3** are unobservable, or supported by little to no market activity, based on best estimates or hypothetical assumptions

See Exhibit A

# Audit Prep: Federal Single Audit

## What is New?

- **Federal Single Audit** now referred to as the Uniform Guidance
- **Threshold increased** from \$500,000 to \$750,000
  - **Major program type A** is now considered to be \$750,000 in expenditures, up from \$300,000
  - **Major program type B** is now considered to be \$187,500 (typically), up from \$100,000
- **New compliance supplement** issued August 2016
  - **Most significant changes** expected related to:
    - ✖ **Written policies** and procedures related to procurement
    - ✖ **Updated matrix of clusters**
    - ✖ **Clarified language** in allowable cost sections

# Audit Prep: PERS & TRS

## Common Issues

- **Allocation of on-behalf**
    - **Allocation** should be based on where employees pay is coded (fund and function)
  - **Preparation of covered wages**
    - **Separate between** Defined Contribution participations and Defined Benefit participants
- See Exhibit B**
- **Confirmation**
    - **Confirming contributions** with the State of Alaska Dept of Administration is recommended
      - ✖ Both FY15 and FY16 if not confirmed in FY15
      - ✖ Contact for confirmation: Tamara Criddle, [tamara.criddle@alaska.gov](mailto:tamara.criddle@alaska.gov)

# Audit Prep: Fund Balance

## Common Issues

- **AS 14.17.505 Fund Balance**
  - Preparation as part of audit prep is recommended  
**See Exhibit C-1**
- **Allocation of Fund Balances** according to GASB 54
  - Preparation as part of audit prep is recommended
    - Nonspendable
    - Restricted
    - Committed
    - Assigned
    - Unassigned

**See Exhibit C-2**

# Audit Prep: Health Funds

## Common Issues

- **Ending liability or balance**
  - **Based on estimates**-provide support for estimate
    - ✖ I.E. copies of quarterly (or other regular interval payments) payments for which the estimate is based
  - **Based on actual**-provide 3<sup>rd</sup> party statement or confirmation
- **Other important documents:**
  - **Stop loss coverage/payments**
  - **Schedule of contributions**
    - ✖ 3 year analysis recommended

# Audit Prep: Payroll Liabilities

## Common Issues

- **Accrued Payroll**
  - **Based on estimates**-provide support for estimate or copy of subsequent payments
    - ✖ Provide support for irregular accruals such as obligations under contracts applicable to fiscal year but provided after year end
  - **Based on actual**-provide copy of subsequent payments
- **Accrued Leave**
  - **Schedule** including employee identification, accrual rate, current pay rate, available hours
    - ✖ If any employee has exceeded maximum accrual according to District policy, provide approval or other exception documentation
  - **Schedule** reconciling beginning balance, earned, used, and ending balance

# Questions?

