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 Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27
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 Fair Value Measurement and Application
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
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 3rd 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
"It's safe to come out - the auditors have gone."