

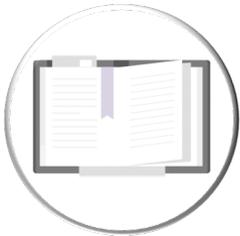
Audit Trends

Tim Lyons, CPA, CGMA

2024 Auditor Conference



Agenda



GASB Updates



Audit Standards
Updates

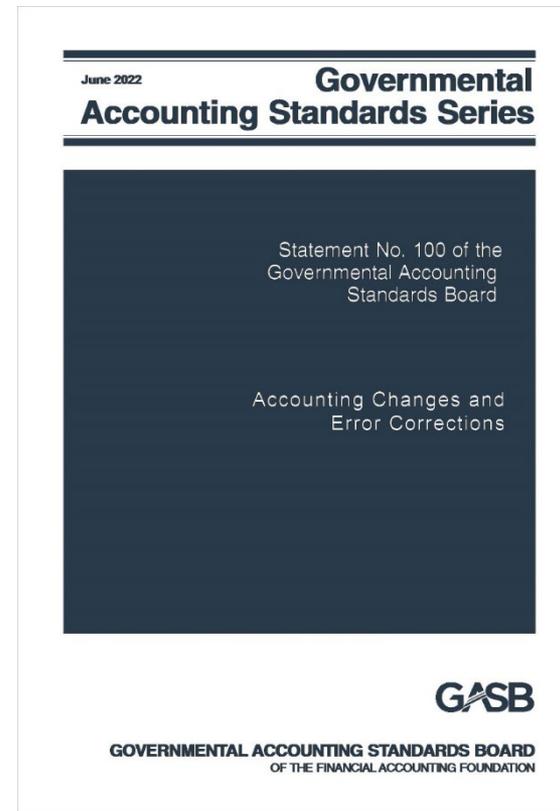


Other

GASB Updates

Accounting Changes and Error Corrections

Statement No. 100



GASB Statement No. 100

Classification

Accounting changes:

Change in accounting principle

Change in accounting estimate

Change to or within the financial reporting entity

Correction of an error in previously issued financial statements

GASB Statement No. 100

- **A change in accounting principle results from either:**
 - A change from one generally accepted accounting principle to another that is justified on the basis that the newly adopted accounting principle is preferable
 - Preferability based on the qualitative characteristics of financial reporting
 - Implementation of new pronouncements

GASB Statement No. 100

- **Accounting Estimates are:**
 - Amounts subject to measurement uncertainty that are recognized or disclosed in basic financial statements
 - Outputs are determined based on inputs such as data, assumptions, and measurement methodologies.

GASB Statement No. 100

- **A change in accounting estimate occurs when the inputs change:**
 - Inputs include data, assumptions, and measurement methodologies
- **Changes in inputs result from:**
 - Change in circumstance
 - New information
 - More experience

GASB Statement No. 100

- **Change to or within the Financial Reporting Entity results from:**
 - Addition/removal of a fund that results from movement of continuing operations within the primary government
 - A change in the fund presentation as major or nonmajor
 - Addition/removal of a component unit
 - Change in presentation of a component unit

GASB Statement No. 100

- **Correction of an error**
 - Mathematical mistakes
 - Misapplication of accounting principles
 - Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date.

GASB Statement No. 100

Change in accounting principle

- Reported retroactively by restating prior periods presented, if practicable
- If not practicable, restate beginning balances of current period

Change in accounting estimate

- Reported prospectively
- Recognized in current-period flows

Change to/within the reporting entity

- Reported by adjusting current period beginning balances

Error correction

- Reported retroactively by restating prior periods presented

GASB Statement No. 100

Disclosures

	12/31/20X1 As Previously Reported	Change to or within the Financial Reporting Entity (A)	Change to or within the Financial Reporting Entity (B)	Error Correction (C)	12/31/20X1 As Restated
Government-Wide					
Governmental Activities	\$ 768,033	\$ -	\$ -	\$ 71,312	\$ 839,345
Business-Type Activities	543,163	(2,184)	-	-	540,979
Total Primary Government	\$ 1,311,196	\$ (2,184)	\$ -	\$ 71,312	\$ 1,380,324
Governmental Funds					
Major Funds:					
General Fund	\$ 631,607	\$ -	\$ -	\$ -	\$ 631,607
Fund A	100,922	-	-	-	100,922
Nonmajor Funds	40,486	-	-	-	40,486
Total Governmental Funds	\$ 773,015	\$ -	\$ -	\$ -	\$ 773,015
Proprietary Funds					
Major Funds:					
Enterprise Fund C	\$ 418,910	\$ -	\$ -	\$ -	\$ 418,910
Enterprise Fund D	74,831	(2,184)	-	-	72,647
Nonmajor Funds	49,422	-	-	-	49,422
Total Proprietary Funds	\$ 543,163	\$ (2,184)	\$ -	\$ -	\$ 540,979
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	\$ 3,071,227	\$ -	\$ -	\$ -	\$ 3,071,227
Discretely Presented Component Units					
ABC Authority	\$ 1,696	\$ -	\$ -	\$ -	\$ 1,696
QRS Foundation	-	2,184	-	-	2,184
XYZ Foundation	-	-	1,500	-	1,500
Nonmajor Component Units	2,730	-	-	-	2,730
Total Discretely Presented Component Units	\$ 4,426	\$ 2,184	\$ 1,500	\$ -	\$ 8,110

GASB Statement No. 100

Disclosures

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances

Funds	Government-Wide		Component Units	
	Governmental Activities	Business-Type Activities	QRS Foundation	XYZ Foundation
Enterprise Fund D				
\$ 74,831	\$ 768,033	\$ 543,163	\$ -	\$ -
(2,184)	-	(2,184)	2,184	-
-	-	-	-	1,500
-	71,312	-	-	-
\$ 72,647	\$ 839,345	\$ 540,979	\$ 2,184	\$ 1,500

31/X1, as previously reported

Change from blended to discrete presentation

Addition of discretely presented component unit

Error correction

31/X1, as restated

GASB Statement No. 100

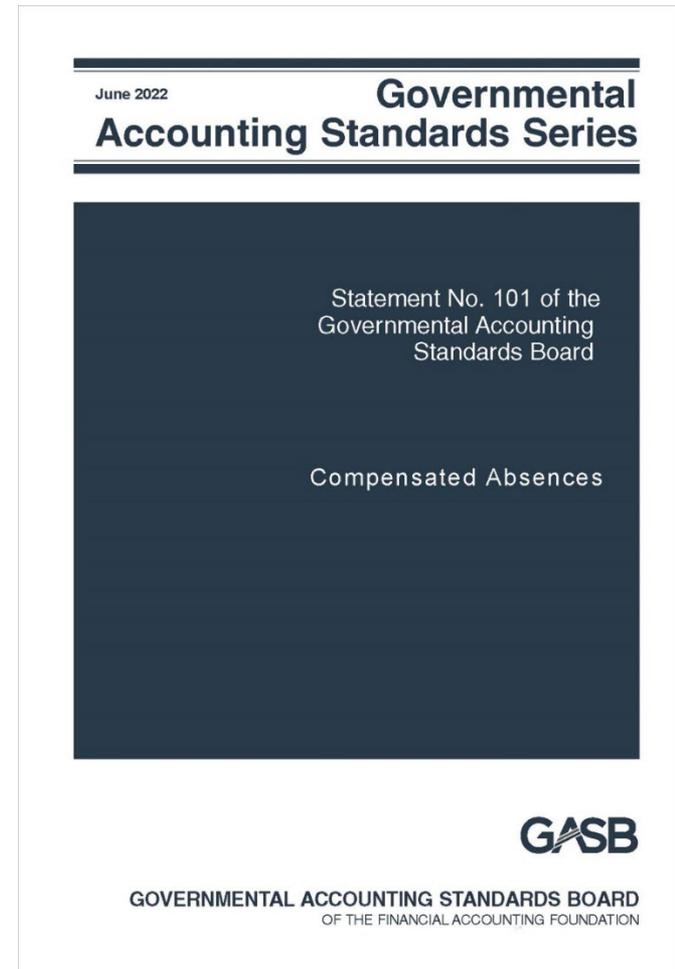
- **Audit Considerations**

- Major funds and materiality?
- If not calculating as a major fund (as defined by GASB Statement No. 34), is the fund really “particularly important to financial statement users” or are we just trying to avoid GASB 100 impacts?

GASB Updates

Compensated Absences

Statement No. 101



GASB Statement No. 101

Scope and Applicability

A compensated absence is

- Leave for which employees may receive one or more:
 - Cash payments when the leave is used for time off
 - Other cash payments, such as payment for unused leave upon termination of employment
 - Noncash settlement, such as conversion to postemployment benefits

Examples:

- Vacation and sick leave
- Paid time off (PTO)
- Holidays
- Parental leave
- Certain types of sabbatical leave

GASB Statement No. 101

Recognition Criteria

Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

Leave accumulates

- Can be carried forward from reporting period when earned to a future reporting period when it will be used or otherwise paid or settled

Leave is *more likely than not* to be used for time off or otherwise paid or settled

- Likelihood of more than 50 percent

GASB Statement No. 101

Exceptions

Leave more likely than not to be settled through conversion to DB postemployment benefits

- Excluded from liability

Leave that is dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period

- Recognized when leave commences (parental leave, military leave, jury duty as common examples)

Unlimited leave and holiday leave taken on a specific date

- Recognize liability when used

GASB Statement No. 101

- **Audit Considerations**

- Types of leave offered by clients?
- How are clients evaluating “more likely than not to be paid or otherwise settled?”
- Historical usage patterns / data?

GASB Updates

Certain Risk Disclosures

Statement No. 102

DECEMBER 2023

Governmental Accounting Standards Series

Statement No. 102 of the
Governmental Accounting
Standards Board

Certain Risk Disclosures

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

GASB Statement No. 102

Concentrations and Constraints

Concentrations: lack of diversity in an aspect of a significant inflow or outflow of resources

- For example, the composition of (1) employers, (2) industries, (3) inflows of resources, (4) workforce covered by collective bargaining agreements, (5) providers of financial resources, and (6) suppliers of material, labor, or services

Constraints: limitations imposed by an external party or the government's highest level of decision authority

- For example, (1) limitations on raising revenue, (2) limitations on spending, (3) limitations on the incurrence of debt, and (4) mandated spending

Concentrations and constraints limit a government's ability to acquire resources or control spending.

GASB Statement No. 102

Disclosure Criteria

Disclosures would be required when a government determines that:

- A concentration or constraint **is known** to the government **prior to the issuance** of financial statements
- The concentration or constraint makes the reporting unit vulnerable to the **risk of a substantial impact**
- An **event or events** associated with the concentration or constraint **that could cause** the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statement are issued.

GASB Statement No. 102

Disclosure Criteria

Description of the concentration or constraint

If they have occurred, description of each event associated with the concentration or constraint that could cause a substantial impact

Description of actions taken by the government to mitigate the risk

Other Big GASB Projects

Disclosure & Classification of Capital Assets

- Status: Exposure draft comment period ended January 5, 2024
- “Capital Assets Held for Sale” is the main requirement in the proposal.

FRM Reexamination

- Removed fund F/S proposals
- No other major updates; March 2024?

Going Concern Uncertainty & SFS

- Reexamination of Statement 56
- PV document scheduled for Dec. 2024.

Revenue and Expense Recognition

- Exposure draft scheduled to be considered for issuance in March 2025.

Audit Standards Updates

SAS 142 – Audit Evidence

- Growing use of technology
- Remote testing, use of various methods to provide documentation for testing, etc.

SAS 143 – Accounting Estimates

- Focus on internal controls over inputs
- Retrospective reviews

SAS 144 – Use of Specialists

- Common examples for gov't include actuaries, landfill engineers, etc.

SAS 145 – Understanding the Entity and its Environment

- Continued focus on significant risks
- RMM = inherent risk if not testing controls.

Audit Standards Updates

Client Affiliates

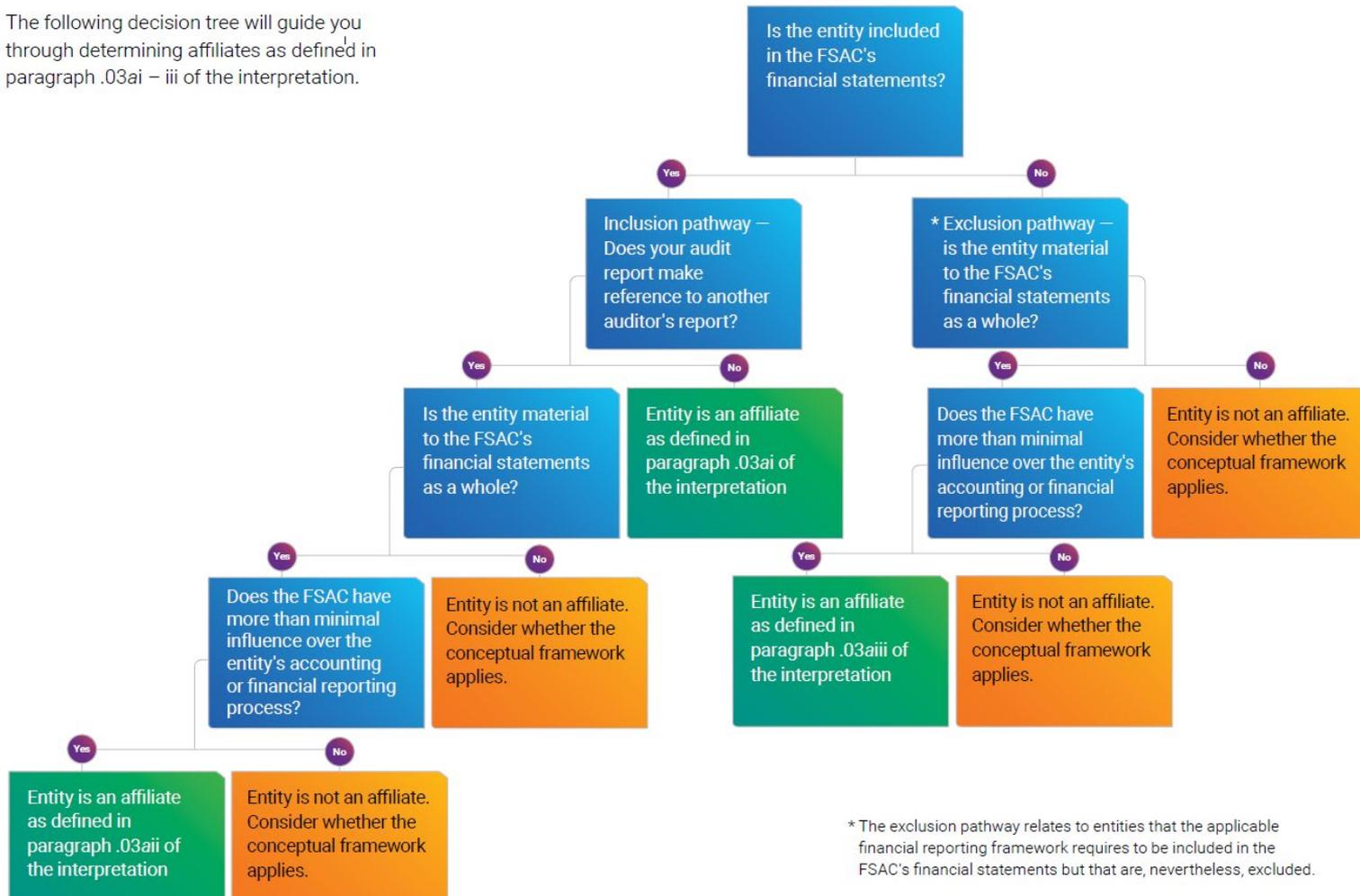
Auditors Must be Independent of client, but also any affiliate of that client.

What is an affiliate?

- Could be component unit (blended or discretely presented)
- Could be investee
- Could be related party
- Others?

Audit Standards Updates

The following decision tree will guide you through determining affiliates as defined in paragraph .03ai – iii of the interpretation.



* The exclusion pathway relates to entities that the applicable financial reporting framework requires to be included in the FSAC's financial statements but that are, nevertheless, excluded.

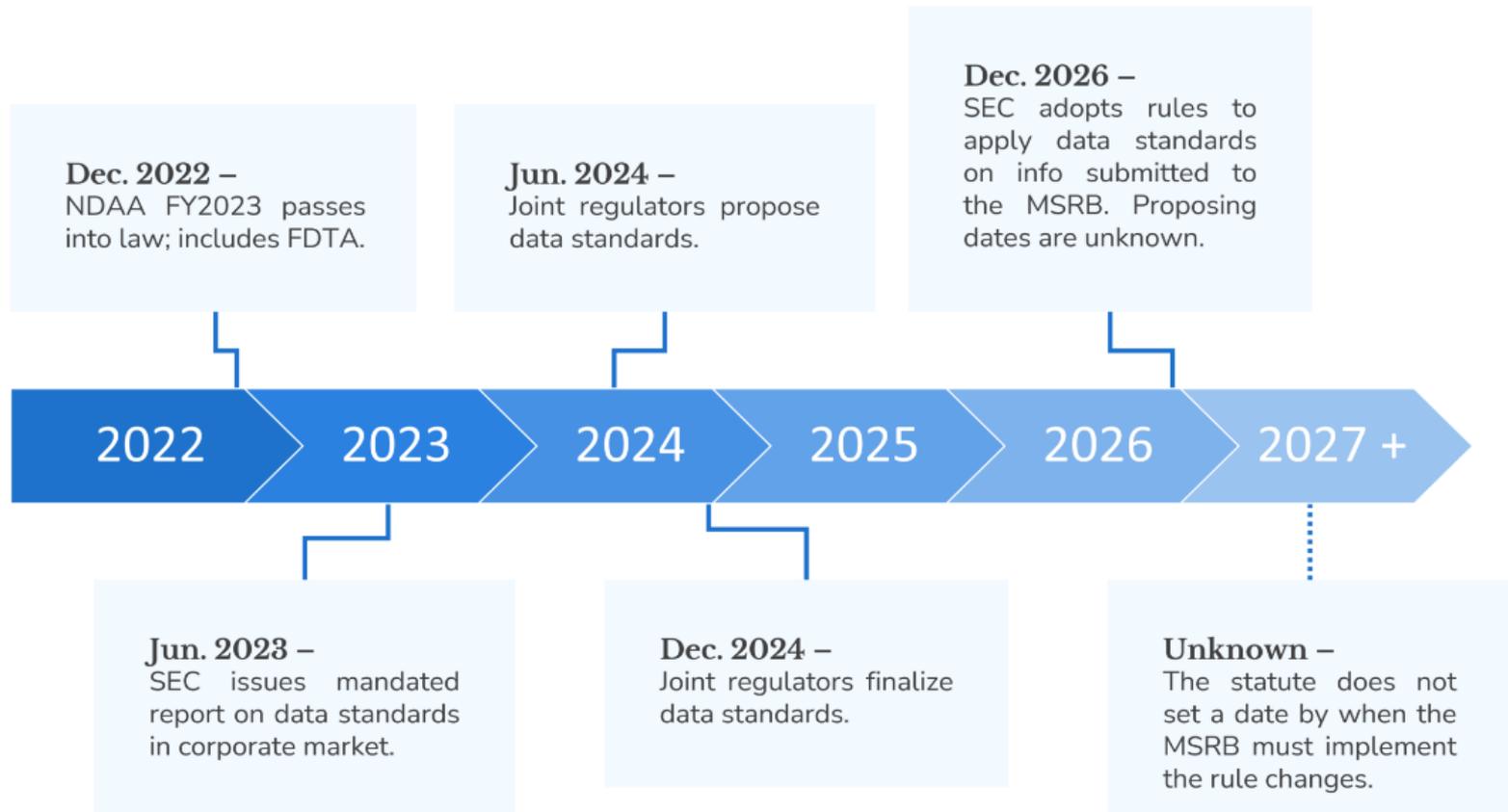
Audit Standards Updates

The following decision tree will guide you through determining affiliates as defined in paragraph .03aiv of the interpretation. In this context, an "investor" includes the FSAC or an affiliate of the FSAC as defined in paragraph .03ai of the interpretation.



Other Updates

Financial Data Transparency Act



Other Updates

[North Carolina General Statutes](#)

- **GS 159-29 – Fidelity Bonds**
- **GS 159-24 – Appointment of Finance Officer**
- **GS 159-12/13 – Annual Budget Process**
- **GS 159-28 – Pre-Audit**

QUESTIONS?



tlyons@mjcpa.com



770.880.9854



www.mjcpa.com