

READING AND UNDERSTANDING THE DISTRICT'S ANNUAL AUDIT REPORT

MISSISSIPPI ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

WINTER 2017 CONFERENCE

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OBJECTIVE

- To outline the District's Audit Report
- To identify where to find each report
- To describe each report's uses
- To bring awareness of the Consolidated Annual Financial Report (CAFR)

AGENDA

- Auditor Responsibilities
- Management Responsibilities
 - Walk-through each component of financial report
- What is a CAFR
- Why should I prepare a CAFR
- How to prepare a CARF

AUDITOR RESPONSIBILITIES

- The auditor is to **express an opinion** on the truth and fairness of **your** financial statements
- Provide an independent auditor report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed with Governmental Auditing Standards
- Provide an independent auditor report on compliance for each major federal program and report on internal control over compliance
- Provide a report on compliance with state laws and regulations
- Provide Schedule of Findings and Questioned Costs

MANAGEMENT RESPONSIBILITIES

- Management Discussion and Analysis (MD&A)
- Basic Financial Statements
 - Government-Wide Statements
 - Major Fund Statements
 - Notes
- Required Supplementary Information
- Supplementary Information
- Auditee's corrective action plan (if applicable)

MANAGEMENT DISCUSSION AND ANALYSIS

MD&A

- Explains to the reader what they're about to read
- Easily readable summary of the financial statements
- Objective analysis of the financial activities during the fiscal year
- Analyzes material variances
- Highlights important financial issues
- Indicate any changes that were adopted and reflected in the report
- Significant differences between the original and final amended budget &
- Between the final amended budget and actual amounts
- May include a description of major initiatives within the district

THE BASICS

- Fund Types
 - Governmental-Modified Accrual
 - General
 - Special Revenue
 - Capital Projects
 - Debt Service
 - Permanent (7211)
 - Proprietary-Full Accrual
 - Internal Service
 - Enterprise
 - Fiduciary-Full Accrual

BASIC FINANCIAL STATEMENTS- GOVERNMENT-WIDE STATEMENTS

- GASB 34 Statements
- Provide a comprehensive look about your entire school district
- Statement of Net Position (Exhibit A) is used to:
 - Identify the District's Assets, Liabilities and Net Position on June 30th
 - Determine if the District's fiscal status is improving or declining
 - Assess your district's ability to cover its costs and to continue financing services in the future
 - Find out what resources the District can use to provide new services or programs
 - Distinguish between governmental activities and business-type activities

BASIC FINANCIAL STATEMENTS- GOVERNMENT-WIDE STATEMENTS

- Statement of Activities (Exhibit B) is used to:
 - Learn where the District's resources come from
 - Find out what it costs to provide education services
 - Identify unusual sources of funding
 - Discover if sufficient resources were raised during the year to cover costs
- Expenses
- Program Revenues
 - Charges for Services
 - Operating Grants and Contributions
- General Revenues

BASIC FINANCIAL STATEMENTS- FUND FINANCIAL STATEMENTS

- Divided into three sections
 - Governmental Fund Financial Statements used to:
 - Determine the District's short-term financing needs
 - Assess the District's ability to balance inflows of resources with outflows to pay for services
 - Only major funds reported
 - Proprietary Fund Financial Statements used to:
 - Analyze activities the district may operate like a business
 - Fiduciary Fund Financial Statements used to:
 - Provide information about resources the District manages or holds on behalf of others

BASIC FINANCIAL STATEMENTS- FUND FINANCIAL STATEMENTS-GOVERNMENTAL

- Balance Sheet (Exhibit C)
 - Assets
 - Liabilities
 - Fund Balances
 - Non-spendable, restricted, assigned and un-assigned
- Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1)
- Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds (Exhibit D)
 - Revenues
 - Expenditures
 - Other financing sources or uses
 - Change in Fund Balance
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds to the Statement of Activities (Exhibit D-1)

FUND BALANCE SHEET RECONCILIATION

- Start with Total Fund Balances
- + Net Capital Assets and any other long term assets
- - Liabilities due in one year
- - Long term liabilities such as
 - General Obligation Bonds
 - Notes
 - Compensated Absences
 - Capital Leases
 - Accrued Interest
- - Net pension liability
- + Deferred outflows
- - Deferred inflows
- End at the Net Position found on Exhibit A

FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES RECONCILIATION

- Start with Change in Fund Balance
- + Capital Assets acquired in current year
- - Current Year Depreciation expense
- +/- Disposal of assets
- + Expenditures recorded in the funds, but recorded as deferred outflows in Exhibit B
- - Revenues recorded in the funds, but recorded as deferred inflows in Exhibit B
- + Repayment of principal payments
- - accrued interest
- +/- change in inventory
- +/- change in compensated absences payable
- +/- Bond Discounts or Premiums
- - Proceeds of long-term debt

BASIC FINANCIAL STATEMENTS- FUND FINANCIAL STATEMENTS-PROPRIETARY

- Statement of Net Position Proprietary Funds
- Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds
- Statement of Cash Flows Proprietary Funds

BASIC FINANCIAL STATEMENTS- FUND FINANCIAL STATEMENTS-FIDUCIARY

- Statement of Net Position Fiduciary Funds (Exhibit E)
- Statement of Changes in Net Position Fiduciary Funds (Exhibit F)
- Statement 84
 - Released January 2017
 - Guidance on identifying fiduciary activities, accounting for them and reporting
 - Establish specific criteria for identifying activities
 - Clarifying whether and how business-type activities should report their fiduciary activities
 - Effective for periods beginning after December 15, 2018 (July 2019/FY20)

BASIC FINANCIAL STATEMENTS- NOTES TO THE BASIC FINANCIAL STATEMENTS

- Summary of Significant Accounting Policies
 - may include accounting principle change and restatement
- Cash, Cash Equivalents and Investments
- Capital Assets
- Long Term Liabilities
- Detailed Reconciliations
- Other Commitments
- Inter-fund Transfers
- Restricted Assets

REQUIRED SUPPLEMENTARY INFORMATION RSI

- Help users understand specific information in greater detail
- Budgetary Comparison Schedules for the District's Major Funds
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions
- Notes to the RSI

SUPPLEMENTARY INFORMATION

- Schedule of Expenditures of Federal Awards (SEFA)
- Schedule of Instructional, Administrative and Other Expenditures Governmental Funds
- You may also provide:
 - Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund Only
 - Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds

REEXAMINATION OF GASB STATEMENT 34

- Objective
 - To enhance the effectiveness of the model in providing information that is essential for decision-making
 - To address certain application issues
- Status
 - Invitation to comment phase from January – March 2017
 - Consider approval of final Statement – November 2021
- Go to GASB.org for more information

WHAT IS A CAFR?

- A CAFR is a set of governmental financial statements providing a thorough and detailed presentation of a government's financial condition that complies with accounting requirements promulgated by the Governmental Accounting Standards Board (GASB)

WHY SHOULD I PREPARE A CAFR?

- To demonstrate your school system is effectively and prudently managing the funds entrusted to you
- Encourage your staff to do high quality work
- To validate your commitment to fiscal integrity
- High quality financial reporting to stakeholders
- To share information above and beyond what GAAP requires
- Facilitate bond rating and continuing disclosure requirements
- Proves that management and governing boards take their relationship with investors seriously

WHY SHOULD I PREPARE A CAFR?

- To showcase your district's budget and accomplishments
- To showcase your district's academic, programmatic and athletic accomplishments
- Inform the community of past voter-approved initiatives as well as the upcoming initiatives
- Educates your community on ad valorem calculations
- Assist with statutory reporting
- Summarize the most requested information
- Provide information to parents and the community in plain language

WHY SHOULD I PREPARE A CAFR?

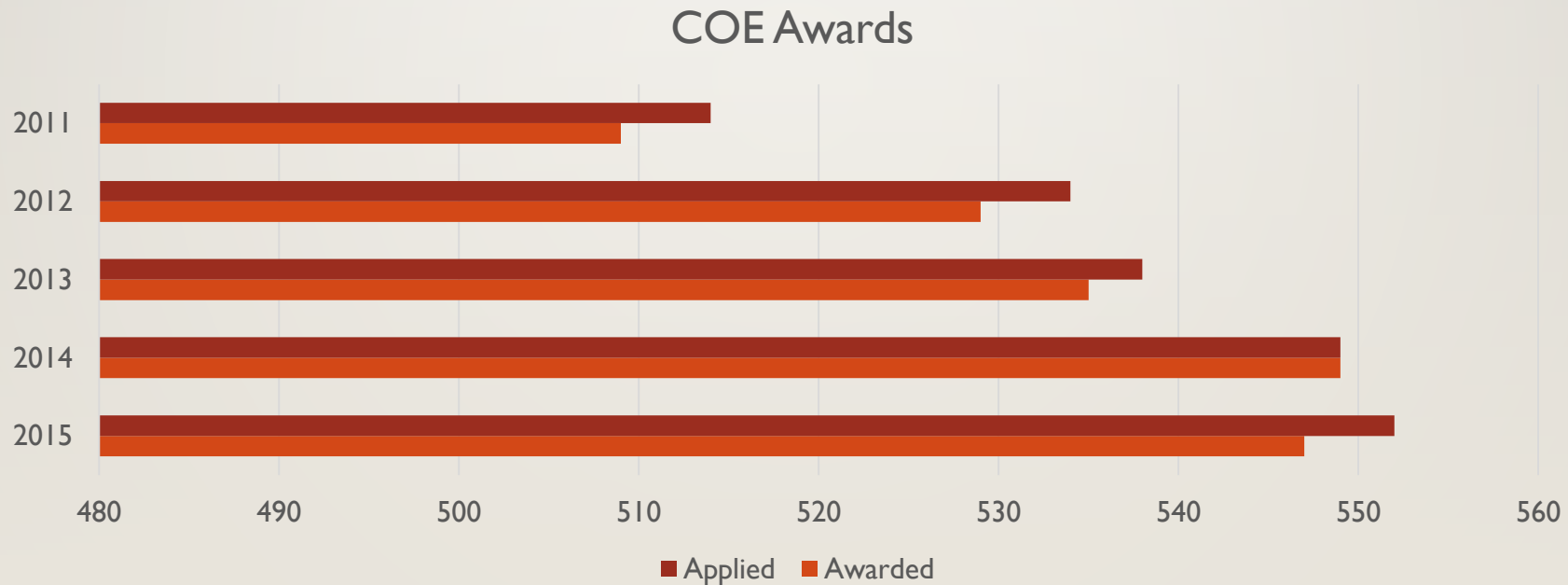
- Helps you report complicated school finance
- Becomes your district's financial resource document

SO I PREPARED A CAFR, NOW WHAT?

- Participate in the following recognition programs
 - Certificate of Excellence in Financial Reporting (COE) sponsored by Association of School Business Officials (ASBO)
 - Certificate of Achievement for Excellence in Financial Reporting (CAFR) Sponsored by Government Finance Officer's Association (GFOA)
- These certificates are nationally recognized and respected by:
 - Bonding Counsels
 - Underwriters
 - Securities Analysts
 - Bond Rating Agencies
 - Financial Advisors

COE PROGRAM

- 14,000+ number of school districts in the United States
- 542 school systems were awarded for FY2015



CAFR PROGRAM

- 9 governmental entities in MS were awarded in 2015
 - Biloxi
 - Byram
 - Clinton
 - Gulfport
 - Jackson
 - Meridian
 - Ridgeland
 - PERS
 - State of MS

3 SECTIONS OF THE CAFR

I. INTRODUCTION

- This section is an additional component to the GAAP basic financials usually prepared
- Provides general information on the government's structure, services and environment
- Includes:
 - Letter of Transmittal
 - Awards and Acknowledgements
 - Board and Management Listing
 - Organizational Chart

3 SECTIONS OF THE CAFR

2. FINANCIAL SECTION

- Audit Report
- MD&A
- Basic Financial Statements
 - Government Wide Statements
 - Major Fund Statements
 - Notes
- RSI
- Combining statements and schedules (additional sectional)

3 SECTIONS OF THE CAFR

2. FINANCIAL SECTION-COMBINING STATEMENTS AND SCHEDULES

- Describes each applicable fund and categorizes them
- Presents a combining balance sheet and statement of revenues, expenditures and changes in fund balances for each non-major fund
- Presents a budgetary comparison for non-major funds

3 SECTIONS OF THE CAFR

3. STATISTICAL SECTION

- This section is an additional component to the GAAP basic financials usually prepared
- Provides trend data and nonfinancial data useful in interpreting the financial statements
- Section used by bond counsel, underwriters, anyone looking to evaluate the economic condition of the District or the area where the District resides
- Governed by GASB 44

3 SECTIONS OF THE CAFR

3. STATISTICAL SECTION-FINANCIAL TRENDS

- Net Position
- Changes in Net Position
- Governmental Fund Balances
- Changes in Governmental Fund Balances
- Each present 10 years of data
- Most information can be found on the previous financial statements

3 SECTIONS OF THE CAFR

3. STATISTICAL SECTION-REVENUE CAPACITY

- Assessed Valuations and Estimated True Value of Taxable Property
- Property Tax Rates of Direct and Overlapping Governments
- Principal Taxpayers (Current year and nine years ago)
- Property Tax Levies and Collections

3 SECTIONS OF THE CAFR

3. STATISTICAL SECTION-DEBT CAPACITY

- Ratios of Outstanding Debt by Type
- Computation of Direct and Overlapping Debt Attributable to Governmental Activities
- Debt Limitations
- Pledged Revenue

3 SECTIONS OF THE CAFR

3. STATISTICAL SECTION-DEMOGRAPHIC AND ECONOMIC INFORMATION

- Demographic and Economic Statistics
 - Population of City and County
 - Personal Income and Per Capita
 - Unemployment Rate-Federal, State and Local
 - School Enrollment
- Principal Employers Schedule (current and nine years ago)

3 SECTIONS OF THE CAFR

3. STATISTICAL SECTION-OPERATING INFORMATION

- Operating Indicators by Function
 - Teacher FTE by type
 - Student enrollment, graduation rates
 - Number of regular and special board meetings
 - Number of purchase orders processed and payroll checks issued
 - District square footage maintained
 - Average daily students transported
 - Student meals served daily

FINAL QUESTIONS????

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