Trial Balance to Audit Opinion
A Guide to Audit Readiness

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Your Presenters

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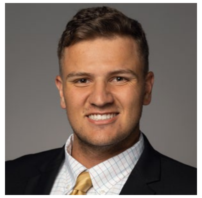

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Agenda

1. Tips for Forward Planning
2. Cash and Investments
3. Receivables and Revenues
4. Capital Assets
5. Long-Term Debt, Leases & SBITAs
6. Pension and OPEB
7. Fund Balance and Net Position
8. Payroll and Other Expenditures
9. Report Materials
10. Feeling Overwhelmed?
11. The End Is in Sight!

Tips for Forward Planning

When should I start preparing for the audit?

- Reach out to your auditor to understand what went wrong and what went right.
- Do your auditors do interim testing? If not, could they?
- As soon as the prior year audit is issued, you can begin assembling information for the current year audit.
  - Exit meetings are very helpful in planning for the next year!
- As interim work and field work are scheduled, request a ‘PBC’ list from your auditor. Alternatively, review last year’s list!
- Questions along the way? Give your engagement executive a call!

Take Small Steps Throughout the Year

- Strengthen the review process with a goal of 100% accuracy
- Improve communication with other departments to catch errors quickly
- Capital Assets
- Scan balance sheet accounts monthly
- Work with vendors to speed invoice delivery
- Single audit programs/major programs
- Change credit/purchasing card cycles to month end
- Keep records of new or closed cash and investment accounts as they occur

Cash & Investments

Goal: Cash and investment balances are complete, reconciled, and supported.

Task List:

- Complete monthly bank reconciliations timely
- Reconcile investments
- Maintain records of new or closed bank and investment accounts
- Prepare cash and investment confirmations, and update contacts / email addresses as needed
- Identify restricted cash
- Look for instances of ‘negative cash’ and reclass to ‘due to / due from’

Receivables & Revenues

Goal: **Revenues are recorded in the proper period and receivables are collectible and supported.**

Task List:

- Modified Accrual – Consider the 60-day period after year-end in which revenues are susceptible to accrual, and estimate sales tax
- Utility Billing – Evaluate unbilled revenues based on billing cycles
- Reconcile details for court, ambulance, property and other taxes, and grants to the GL
- Review aging reports. What can we collect before year end?
- Consider the allowance for doubtful accounts
- Confirm revenue cutoff

Capital Assets

Goal: Capital additions, disposals, CIP, and depreciation are properly recorded.

Task List:

- Maintain a folder for asset additions and disposals
- Reconcile capital asset roll-forward to prior-year ending balances
- Move completed projects from CIP to depreciable assets
- Consider the additions of new leases or SBITAs
- Review capital outlay and repair-and-maintenance accounts
- Calculate current year depreciation. Does it make sense compared to the prior year?

Long Term Debt, Leases & SBITAs

Goal: Debt balances and yearly activity are complete, accurate, and supported.

Task List:

- Start utilizing your roll forward, not just for audit schedules, but for tracking of activity throughout the year
- Record new issuances, principal payments, interest payments, and refundings as they occur
- Reach out to your bond counsel early to obtain arbitrage calculations
- Consider the additions of new leases or SBITAs.
- Did the terms of any existing contracts change?
- Auditors can get majority of testing done, barring return of confirmations, during interim work

Pension & OPEB

Goal: Pension and OPEB deferred inflows, outflows and liabilities or assets are supported by actuarial reporting packages.

Task List:

- Reporting packages are typically available six months after the measurement period year-end date. If that is December 31, look for reports in mid-July
- Typical Auditor Requests:
  - New Hire Listing – Calendar Year
  - Termination Listing – Calendar Year
  - Payroll Register – Calendar Year
  - Monthly Contribution Reports – Save throughout the year
  - Annual Census Valuation File – Obtain from Actuaries
- For participation in other plans (retiree health – OPEB; fire pension), work with your actuary immediately after the measurement period year end

Fund Balance & Net Position

Goal: Fund balance and net position agree to the previously issued audited financial statements.

Task List:

- As soon as the audit is complete, request all journal entries made by the auditor
- Confirm that the beginning balance per the GL agrees to the ending balance per the audit. If it doesn't:
    - Were all prior year audit adjustments recorded?
    - Was a fund balance or net position account debited or credited during the year inadvertently?
    - Best practice, scan these accounts monthly to confirm there has been no activity

Payroll & Other Expenditures

Goal: **Payroll expense and other operating expenditures are complete, accurate and recorded in the correct period.**

Task List:

- Review year-end payroll accruals to ensure payroll expenses and liabilities are recorded in the proper fiscal year
- Include payroll tax liabilities that will be paid by the employer
- Perform a search for unrecorded liabilities / expenditures and unpaid invoices. Watch for late-arriving invoices
- Reconcile accounts payable details to the general ledger
- Ensure grant-related payroll and expenditures are properly allocated and supported for compliance testing

Report Materials

Introductory Section

What can I gather up now?

Organizational Chart

- Have there been new departments added or combined since last year?

Management's Discussion & Analysis

- This is a key document in the ACFR and possibly the most read.
- Before the detailed numbers, spend time thinking about the big changes and reasons for them. Review GASB 103.
- Are there new construction projects to discuss?
- Changes in Sales Tax/Hotel Motel Occupancy Tax, etc.
- Debt issuances or refundings?

GFOA Certificate of Achievement

- By submitting your ACFR, checklist, and comments response on time, the GFOA will provide its assessment in a timely manner

Transmittal Letter

- Generally, there are not too many changes from year to year.
- Update based on current year activities.

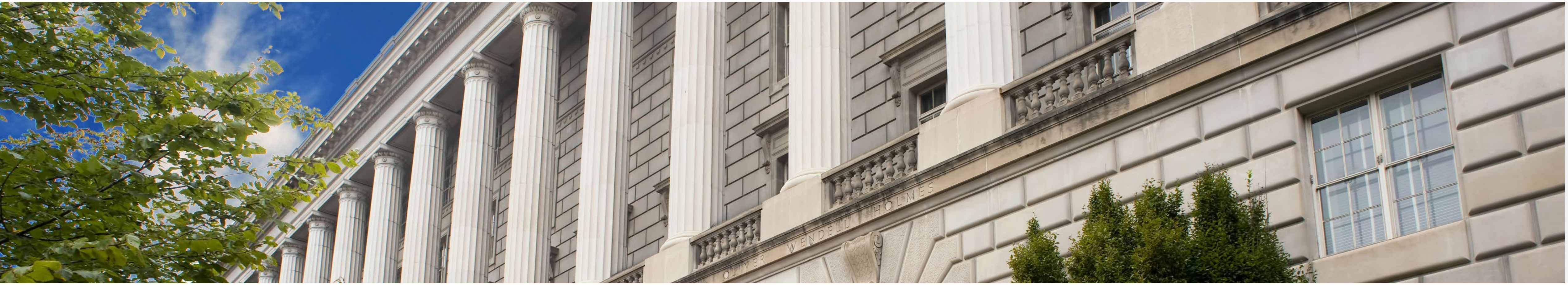
Budget to Actual – Now in RSI per GASB 103

Consistency and Comparability

- Ensure groupings are consistent with the PY ACFR
- Consider creating a shared budget folder
- How to address unbudgeted items? Indirect costs?
- Gather budget amendments as they are approved and consider their line-item impact
- Work with your auditors to ensure consistency with the final trial balance. How are they grouping?
- Know which budgets are required for disclosure in the ACFR – typically required for General Fund, Debt Service Funds, and Special Revenue Funds

Statistical Section

Get a jump start before year end



Reach out early to other departments for help

- Typically, the first 4 to 5 tables get completed during the audit (tied to final GL balances)
- Remaining schedules can be prepared throughout the year
  - It's a matter of knowing how they are reported
  - Some information must be provided by various departments (utility, public works, etc.)
  - Some information is available at the end of the prior calendar year from various reporting agencies (i.e. Texas Comptroller, Appraisal Districts, etc.)

Feeling Overwhelmed? Consider Getting Assistance

- Government Outsourced Accounting Services
- The Reporting Solution (TRS)
- Grants Management

Government Outsourced Accounting Services

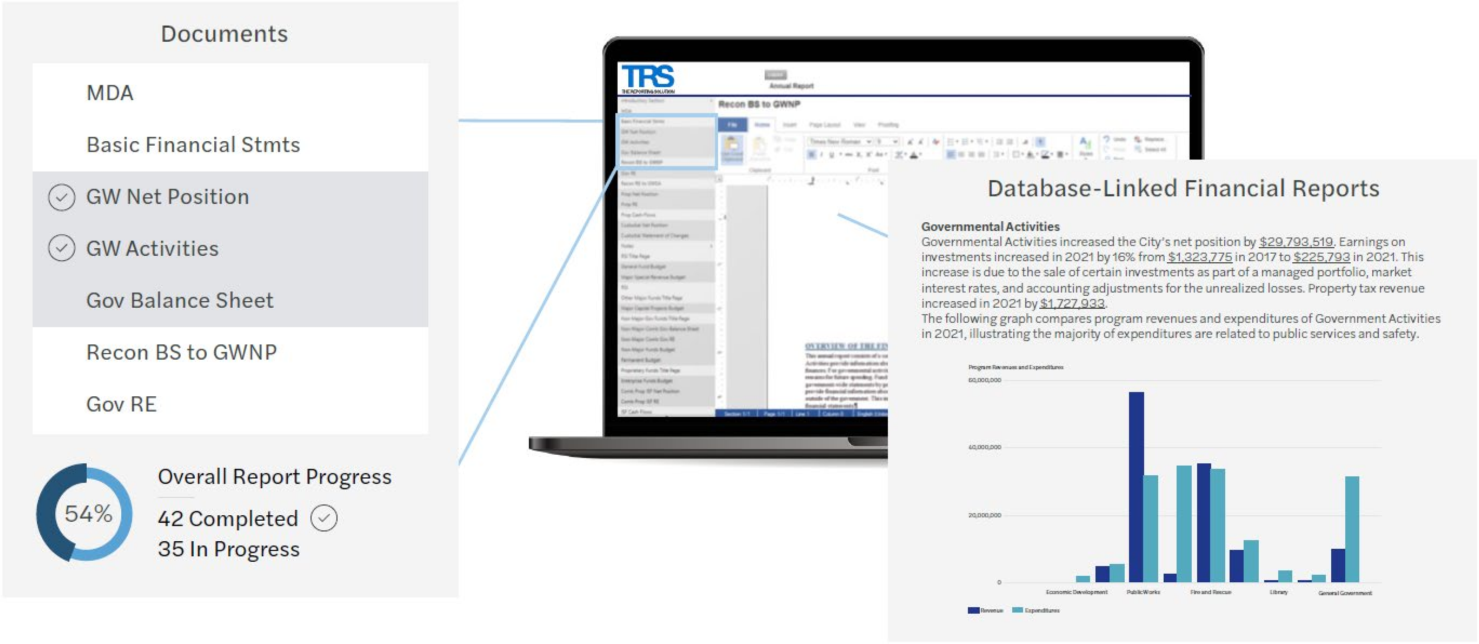
Some of the ways we can help:

- New GASB standard implementation
- Capital Asset roll forwards
- Leases & SBITA evaluations and updates
- Accounts Payable & Retainage
- Compensated Absences updates
- Long-term Debt, Pension, and OPEB entries
- ACFR preparation

The Reporting Solution (TRS)

Streamlined Process

- Web-based software that allows multiple users to prepare an Annual Comprehensive Financial Report (ACFR) or Annual Financial Report at once
- Streamlines the production by linking the financial statements to other areas of the report such as the MD&A, notes, statistical section, etc.
- Automatic changes & updates are made in real time for all users to see



Grants Management

- Strategic Planning and Development
- Grant Policies & Procedures
- Allowable Costs by Funding Source
- Subrecipient Monitoring
- Single Audit Preparation, Project Closeout, & Reporting

The End is in Sight!

Communication Is Key

- Other departments across the City
- Auditors
- Component Units/related parties
- Actuaries and other custodians of information
- Bond Counsel

Accounting Policies and Procedures

- Should address the year-end close process in detail, including who is responsible and the due date
- Timely submission of invoices to finance
- Includes process to complete/compile financial statements including Final SEFA
- What reports do I need to run on the last day of the FY? Reach out to Utility Billing, Court and other departments to confirm their plans
- For reference, review the GFOA Best Practice Document:
  - *Timely Financial Reporting*
    - https://www.gfoa.org/materials/timely-financial-reporting

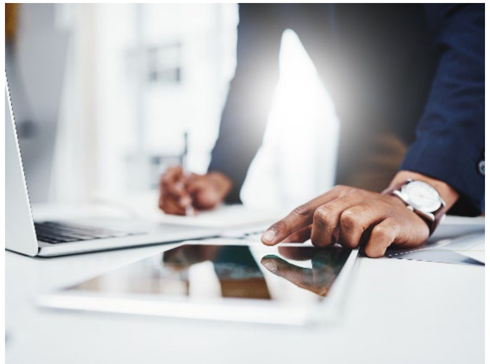
Benefits of an Efficient Year-End Close Process

Timely Reporting

Reliability of Information

Reduced Stress on Staff

Eases Preparation of Financial Statements



Ease of Audit Process

Thank you!

Contact

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