

Financial Statement Preparation and HINKLE Filing Requirements

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Overview

- Types of Financial Statements
- Internal Control
- Hinkle filing requirements
- Pros and cons of differing financial statements

Types of Financial Statements

GAAP Basis

- Full accrual or cash-to-GAAP conversion at year end
- Required for cities
- Month or year end closing procedures include journal entries for: depreciation, prepaid expenses and inventory, capital assets, current and long-term liabilities (including net pensions and OPEB liabilities), deferred inflows and deferred outflows, and adjustments to net position.

GAAP Basis

- Required elements:
 - Management Discussion and Analysis (MD&A)
 - Financial Statements
 - Notes to the Financial Statements
 - Required Supplemental Information

Cash or Modified Cash Basis

- Also referred to as GASB 34 look-alike statements or OCBOA (other comprehensive basis of accounting) statements.
- Cash = no accruals
- Modified = some *justified* modification

Cash or Modified Cash Basis

- Year end “conversion”
- Presents major fund activity and aggregates non-major fund activity
- Presents budget vs. actual (BVA) information for major funds

Cash and Modified Cash Basis

- Required elements:
 - Financial Statements
 - Notes to the Financial Statements
 - Management Discussion and Analysis (optional)

Regulatory Basis

- Also referred to as Auditor of State (AOS) Basis
- Form and required disclosures determined and updated by the AOS
- Presents financial statements by fund type (General, Special Revenue, Capital Projects, etc.) instead of by major funds

Regulatory Basis

- Required Elements:
 - Financial Statements
 - Notes to the Financial Statements

Internal Controls over Financial Reporting

Management Responsibilities

Management Responsibility

- “Management is responsible for the preparation and presentation of financial statements that are free from material misstatement whether due to fraud or error.”
- Management includes the fiscal officer/treasurer and executive officer.

Internal Controls

- Policies and procedures in place to ensure that employees are not purposefully or erroneously causing the financial statements to be misleading or incorrect.
- Budgetary
- Uniform Guidance requires some specifically written policies

Internal Controls over Financial Reporting

- Preparation and review of financial statements
- These functions can be performed in-house or by a hired consultant, but the responsibility for the financial statements still rests with management.

Best Practices

- Budgetary disclosure
 - Budgeted Receipts = Certificate of Estimated Resources
 - Appropriation Authority = Prior Year Carryover + Year End Appropriations
 - Budgetary Disbursements = Year End Disbursements + Outstanding Encumbrances
- Debt
 - Descriptions (amount, maturity date, interest rate, issuer, expected source of repayment)
 - Amount Outstanding = Principal ONLY
 - Amortization schedule for outstanding payments
- Fund descriptions
 - Only required if disbursements exceed 20% of total fund type disbursements
- Completeness

Noted Issues

- Subsequent Year Appropriations
- Encumbrances
- Fund Balance Classifications (GASB 54)

Management Responsibility

- Consultants become a part of your internal control.
- Management is responsible for the work of consultants so a review of the documents prepared is necessary.
- Ask questions of consultants if you do not understand!

Hinkle Filing Requirements

- GAAP Basis = 150 days after year end
- Cash/Modified Cash Basis = 60 days after year end
- Regulatory Basis = 60 days after year end
- Email link or login through eServices portal on AOS website

Hinkle Filing Requirements

- Must be complete when filed meaning all “required elements” are included
- Must choose the correct filing type before beginning
- Some information must be keyed into the Hinkle system
- Debt information obtained from the disclosures
- Other demographic information required
- Upload of one pdf document including all required elements
- Sign off/Submit

Audit Implications

- Late filing will result in a management letter citation during the audit.
- Refiling after the deadline for a correction will also result in a management letter citation during the audit.
- Refiling prior to the deadline will have no audit implication.
- Employing a consultant does not mitigate these implications.

Be Proactive!!!



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