



G.A.I.N.S.

*Georgia Accounting Information
Network Support, Inc.*

www.GAgains.org

2018 UPDATES

GAINS Conference
May 4, 2017
Savannah, Georgia

Presented By:
Georgia Department of
Audits & Accounts

Presentation Topics



- | |
|---|
| ✓ Important Dates and Other Reminders |
| ✓ Accounting and Reporting Issues |
| ✓ DOAA Award of Distinction for Excellent Financial Reporting |
| ✓ Client Satisfaction Surveys |
| ✓ Standards and Other Updates |

Important Dates and Other Reminders



Important Due Dates



Transparency in Government Act (TiGA)

 September 24th TiGA Submission Due

(July 10th TiGA Submission Site Opens)

 August 15th Salaries & Travel Report CS1
(Opens July 9th and due by August 15th)

 September 24th Audit History File (AHIS)

 December 7th SPLOST Schedule

Important Due Dates



Immigration Act

 December 31st

Immigration Reporting Due
(Nov. 1st Immigration Submission Site Opens)

Important Dates



Availability of Audit Tools


 July 31st

Financial Statement Templates

(including Note Templates)

Financial Statements Due to DOAA

 November 15th Certificate of Distinction

 December 31st Otherwise

Other Notes & Reminders



- Special reporting needs
 - Let us know ASAP!
- GaDOE year-end workshops
- GASBO financial statement workshop
Tuesday, November 6th

Accounting and Reporting Issues



Accounting & Reporting Issues



- Guaranteed Energy Savings Leases /Contracts
 - Capital Asset must be reported (School District Responsibility)
 - ✓ Documentation of Capital Assets
 - ✓ Estimate with supporting documentation
 - (a deficiency exists if capital assets are not reported and this could affect the opinion)

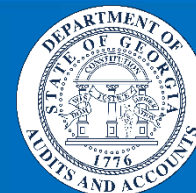
Accounting & Reporting Issues



■ Concerns

- ✓ Long-term Liability with no voter approval
- ✓ Actual energy cost savings
- ✓ Length of the payback period
- ✓ Dollar amount of the agreement
- ✓ Reasonable Interest Rate
- ✓ Fees associated with agreement

Net Investment in Capital Assets (NICA)



Capital Assets, Net (Exhibit A)
Less:
Long Term Liabilities <i>(current and noncurrent portions)</i>
Notes and Loans Payable – Capital Asset Related <i>(current and noncurrent portions)</i>
Deferred Gain on Debt Refunding Contracts Payable – Capital Asset Related
Contracts Payable – Capital Asset Related
Retainage Payable – Capital Asset Related
Accounts Payable – Capital Asset Related
Deferred Inflow Service Concession Arrangement – Capital Asset Related
Advances – Capital Asset Related
Add:
Deferred Loss on Debt Refunding
Long-Term Liabilities not associated with Capital Assets <i>(ex. Compensated Absences)</i>
Unexpended Bond Proceeds
Uncapitalized Bond Proceeds expended

NICA – Discussion Points



- If you use total long-term liabilities from the Statement of Net Position (Exh A), you may need to add back items not related to Capital Assets:
 - Compensated Absences
 - Capital Leases for items not Capitalized (copiers, computers, ipads, etc.)
- Be sure to consider **ALL** contracts and retainages payables, not just those related to Bond Projects
- Your method of calculation “Unexpended Bond Proceeds” will impact the calculation of NICA.

NICA – Discussion Points



Unexpended Bond Proceeds (Fund Balance Method)

Fund Balance for Bond Proceeds Fund

Less: Interest Earned on Bond Proceeds
(Cumulative Total)

=

Total Bond Proceeds on Hand

Note: Because "Fund Balance" accounts for contracts and retainages payable if recorded on the Fund Statements, they should not be removed again in the NICA calculation.

NICA – Discussion Points



Unexpended Bond Proceeds (Cash Method)

Cash Balance in Bond Proceeds Bank Acct

Less: Interest Earned on Bond Proceeds
(Cumulative Total)

=

Total Bond Proceeds on Hand

Note: When starting with the "Cash Balance", contracts and retainages payable have not been considered. They should be deducted as part of the NICA calculation.

NICA – Discussion Points



- Other Notes on "Bond Proceeds on Hand"
 - Should never be negative.
 - For the life of the Debt
- Items purchased with Bond Proceeds that are not capitalized must be added back.
 - Cumulative Calculation for the life of the debt.
 - Typically tracked by Fiscal Year

NICA – Discussion Points



- Impact of Energy Leases
 - If Cash Proceeds are on hand for Energy Leases, these proceeds should be added back to the NICA calculations.
 - Items purchased with proceeds from Energy Leases that are not capitalized must be added back.
 - Cumulative Calculation for the life of the debt
 - Typically tracked by Fiscal Year

NICA – Discussion Points



GOTHAM CITY BOARD OF EDUCATION		EXHIBIT "D"	
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET			
TO THE STATEMENT OF NET POSITION			
Total fund balances - governmental funds (Exhibit "C")		\$	36,737,334.15
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Land	\$	3,114,948.49	
Construction in progress		6,640,720.35	
Buildings and improvements		180,198,971.68	
Equipment		15,725,225.68	
Land improvements		20,103,033.25	
Accumulated depreciation		(61,435,262.60)	164,347,636.85
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability			(74,033,280.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
			(4,233,929.34)
Taxes that are not available to pay for current period expenditures are deferred in the funds.			
			1,470,874.30
Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds and notes payable	\$	(2,802,555.00)	
Accrued interest payable		(65,000.00)	
Capital leases payable		(450,212.00)	
Compensated absences payable		(501,229.33)	(3,818,996.33)
Net position of governmental activities (Exhibit "A")		\$	120,469,639.63

NICA – Discussion Points



DOCUMENTATION FOR NET POSITION ACCOUNTS						
			Net Position		Net Position	Net Position
		Net Investment	Restricted	Net Position	Restricted	Restricted
	Total:	in Capital Assets	Federal Programs	Unrestricted	Debt Service	Cap. Projects
Fund Balance NonSpendable	100,220.00		100,220.00			
Fund Balance Restricted	3,710,647.40		488,381.03		1,935,622.12	1,286,644.25
Fund Balance Committed	0.00			0.00		
Fund Balance Assigned	7,444,811.25			7,444,811.25		
Fund Balance Unassigned	25,481,655.50	0.00		25,481,655.50		
Total Fund Balances:	36,737,334.15	0.00	588,601.03	32,926,466.75	1,935,622.12	1,286,644.25
Capital Assets	164,347,636.85	164,347,636.85				
Long-Term Debt Current Portion	(508,000.00)	(508,000.00)				
Long-Term Debt Non Current Portion	(3,245,996.33)	(3,245,996.33)				
Unexpended Bond Proceeds on Hand	0.00	137,756.07				(137,756.07)
Uncapitalized Bond Proceeds Expended	0.00	118,745.00		(118,745.00)		
Contracts Payable related to Capital Assets	0.00	(125,000.00)				125,000.00
Retainage Payable related to Capital Assets	0.00	(27,000.00)				27,000.00
Accounts Payable related to Capital Assets	0.00	(15,000.00)				15,000.00
Long-Term Debt not related to Capitalized Items	0.00	0.00		0.00		
Compensated Absences Payable	0.00	501,229.33		(501,229.33)		
Deferred Revenues (Property Tax)	1,470,874.30			1,400,000.00	70,874.30	
Accrued Interest Payable	(65,000.00)				(65,000.00)	
Deferred Loss on Debt Refunding	0.00	0.00				
Net Pension Liability	(74,033,280.00)			(74,033,280.00)		
Deferred Outflow/Inflow Pension	(4,233,929.34)			(4,233,929.34)		
Net Position Calculated:	120,469,639.63	161,184,370.92	588,601.03	(44,560,716.92)	1,941,496.42	1,315,888.18

Other Reporting Issues



Deferred Loss/Gain on Debt Refunding

- Amortization should be charged to Interest expense

Corrective Action Responses

- Must be included on School District letterhead
- Auditors will provide electronic file with finding header

Other Reporting Issues



Management's Discussion and Analysis

- Required Supplementary Information – GASB 34
- Purpose is to provide an **objective** and easily readable **analysis** of the government's financial activities
- Management's analysis – Auditor role is to ensure that the required elements exist

Other Reporting Issues



Management's Discussion and Analysis

- **Analysis** should address important economic factors that affected the results of operations (changes in tax base)
- Explain **reasons** for significant changes in:
 - Financial Position
 - Results of operations
 - Significant changes in Net Position
 - Significant changes in Fund Balance

Other Reporting Issues



Management's Discussion and Analysis

Provide an **analysis** of significant changes that occur in funds and significant budget variances.

- Why did variations occur?
- Reasons for changes in General Fund
 - Final amended budget to actual results

Other Reporting Issues



Management's Discussion and Analysis

Describe capital asset and long-term debt activity during the year.

Examples:

- Construction-related commitments
- Changes in credit ratings
- Changes in Debt limitation

Other Reporting Issues



Management's Discussion and Analysis

Discussion of *currently known* facts, decisions, or conditions that are expected to have a *significant effect* on results or operations.

Limit discussion to factors *already in place*

- *Bill that has been enacted*
- *Resolution adopted*
- *Contract that has been signed*
- *Award of major grant*
- *Settlement of lawsuit*
- *Major change in tax base*

Other Reporting Issues



Management's Discussion and Analysis

- Management's analysis
- Omission does not affect the auditor's opinion

Auditor's Responsibility

- Auditor's report must mention that required element is missing
- Auditor performs limited procedures

Component Unit



- Potential Component Unit Forms
 - ✓ Complete determination for each Potential Component Unit
 - ✓ Update and provide to auditors **annually**
- Discretely Presented Component Unit
 - ✓ Include significant note disclosures
 - ✓ All component units included for reporting purposes must be audited or there is a potential for a modified opinion.

DOAA Award of Distinction for Excellent Financial Reporting



Award Criteria



Criteria	Description of Best Practices
Timeliness	<p>Financial Statements including MD&A, note disclosures, required supplementary information and supplementary schedules and all key supporting evidence were available for auditors by November 15.</p> <p>Compliance with Transparency in Government Act Accurate information submitted by the following established deadlines:</p> <ul style="list-style-type: none">• Salary and Travel Information: August 15• Audit History/Payments Files: September 15• SPLOST Schedule: December 7
Quality of Financial Statements, Note Disclosures, Required Supplementary Information and Supplementary Information	<p>First set of financial statements, MD&A, notes, required supplementary information and supplementary information provided for audit required only minimal adjustments during the audit.</p>

Award Criteria



Criteria	Description of Best Practices
Quality of Audit Documentation	Full supporting documentation to substantiate financial statements provided in a timely manner. Evidence easy to locate and use for audit.
Resolution of Accounting Standards / Presentation Issues	Management resolved all accounting standards and presentation issues in a timely manner.
Key Staff	Key staff readily available and cooperative during the audit and did not contribute to any delays in finalizing the audit.
Number/Significance of Deficiencies Identified	No significant deficiencies or material weaknesses noted during the audit. No more than 3 to 5 deficiencies reported within the management letter.
Clean Audit Opinion	Unmodified Opinion

**Congratulations to the
Following Recipients!!**



DOAA Award of Distinction for Excellent Financial Reporting - FY17 Recipients to date



- Atkinson County
- Candler County
- Charlton County
- City of Bremen
- City of Chickamauga
- City of Pelham
- City of Vidalia
- Coweta County
- Crisp County
- Dawson County
- Decatur County
- Evans County
- Gilmer County
- Greene County
- Hall County
- Hart County
- Houston County
- Jasper County
- Lee County
- Marion County
- Paulding County
- Putnam County
- Tattnall County
- Towns County
- Washington County

Client Satisfaction Survey Results



Our Process

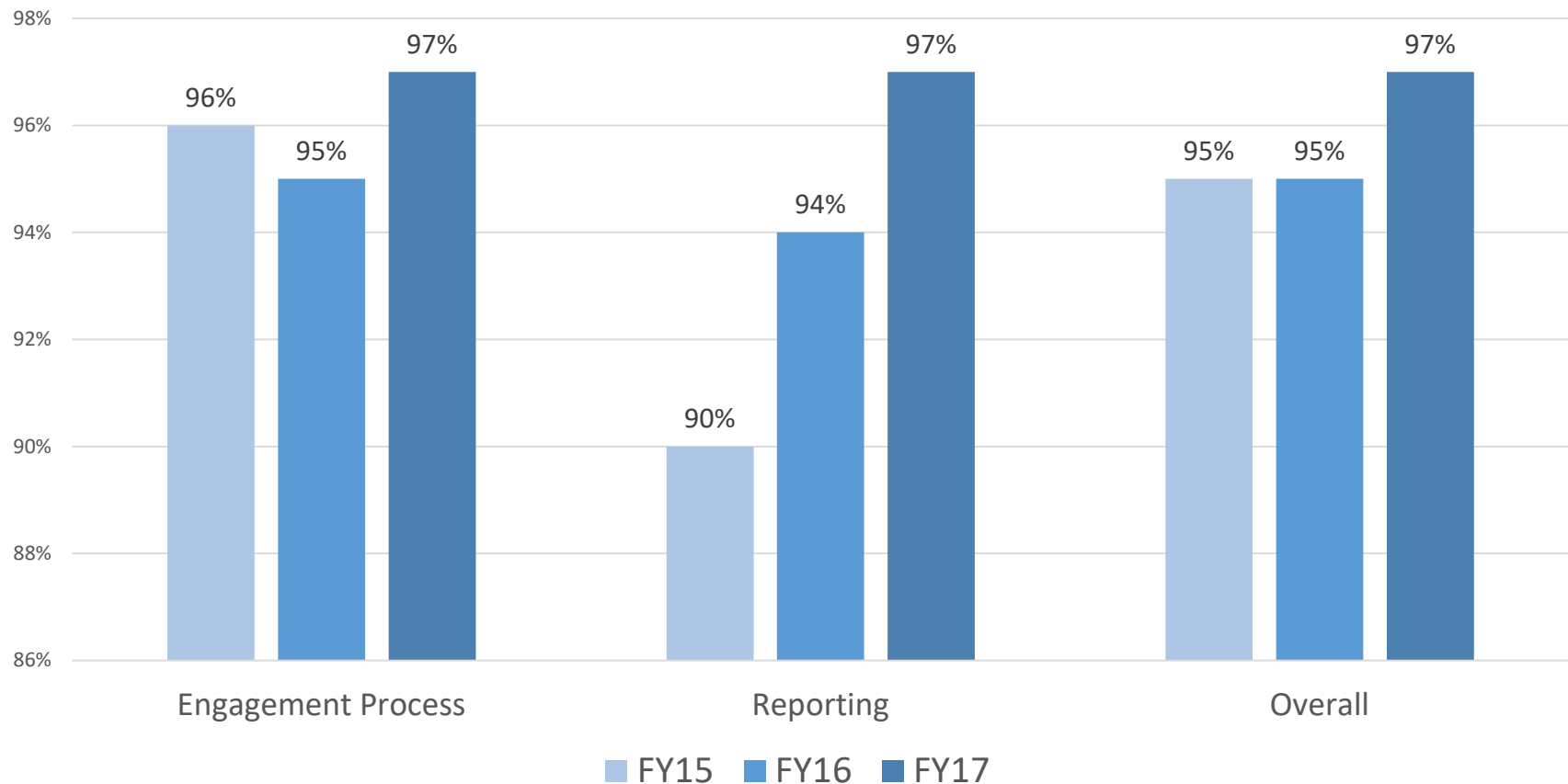


- ✓ Our Business Innovations Team sends surveys to each auditee once the audit report has been released.
- ✓ Surveys are received and reviewed by our Professional Standards and Practices Division
- ✓ Results are provided to the State Auditor, Deputy Directors, and other responsible individuals
- ✓ An overall assessment is done periodically, but individual issues are addressed immediately.

Client Satisfaction Survey Results



Percentage of Positive Feedback by Fiscal Year



Thank you for responding!!



Standards and Other Updates



GASB 72 Fair Value of Investments



- Focus on investments other than those classified as Cash and Cash Equivalents
 - CDs
 - LGIP
- Get with your financial institutions and determine how investments are valued
 - GASB 72 or Leveling Report
- Add appropriate disclosure to the Notes
 - Document your determination of the appropriate level

GASB 72 Fair Value of Investments



- ✓ Applicable to Investments, including capital assets held as investments
- ✓ Investments are categorized by levels in the Notes to the Financial Statements
- ✓ Levels describe what goes into the calculation of fair value

GASB 72 Fair Value of Investments



- ✓ Disclosure levels
 - Level 1 – Investments actively traded; valued at what investment is traded for
 - Level 2 – Investments not actively traded; using date of last trade, FMV is calculated using assumptions
 - Level 3 – No Market

GASB 72 Fair Value of Investments



- ✓ Notes Template includes a couple of options for the required disclosure
- ✓ Audit Toolkit – Investment Section
 - Investment Disclosure Reference has includes “likely” levels for common investments
 - Investment inquiry includes a request for the new required information

GASB 77 Tax Abatement



Tax Abatement Definition:

A reduction in tax revenues that results from an **agreement** between one or more governments and an individual or entity in which:

(a) one or more governments **promise to forgo tax revenues** to which they are otherwise entitled

and

(b) the individual or entity **promises to take a specific action after the agreement has been entered into** that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

GASB 77 Tax Abatement Disclosure Summary



Brief Descriptive Information	Government's Own Abatements	Other Government's Abatements
Name of program	✓	
Purpose of program	✓	
Name of government		✓
Tax being abated	✓	✓
Authority to abate taxes	✓	
Eligibility criteria	✓	
Abatement mechanism	✓	
Recapture provisions	✓	
Types of recipient commitments	✓	

GASB 77 Tax Abatement Disclosure Summary



Other Disclosures	Government's Own Abatements	Other Government's Abatements
Dollar amount of taxes abated	✓	✓
Amounts received or receivable from other governments associated with abated taxes	✓	✓
Other commitments by the government	✓	
Quantitative threshold for individual disclosure	✓	✓
Information omitted due to legal prohibitions	✓	✓

New Standards for FY2018



GASB 75 – OPEB Employer Reporting



GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”

- Requires employers participating in OPEB plans to record their proportionate share of a plan’s activity, including the net OPEB liability
- Similar to GASB 68 implementation – will have a significant effect on financial statements
- Requires restatement to prior period financial statements

GASB 75 – OPEB Employer Reporting



Auditor Considerations:

- Census testing
- Testing of actuarial valuations
- Unlike Pensions, DOAA is the plan auditor for OPEB and responsible for testing liability allocation schedule

Census Testing



What is the purpose of census testing and why is it important?

To ensure the census data information used in calculating the net OPEB liability and/or net pension liability is complete and accurate.

Census Testing



The census data file is prepared by plan management based on transmission of information from employers.

- Begins with enrollment of an employee.
- Incremental changes are transmitted to the plan through transmission reports.

Census Testing



Census data file is submitted to the Actuary

Actuary performs actuarial valuation to estimate liability

Auditors perform census data testing to ensure complete and accurate census data

Census Testing



The census data file may contain information such as:

- Name
- SSN
- Date of birth
- Date of hire
- Eligible Compensation
- Position
- Contributions
- Gender
- Date of termination or retirement
- Employment status, etc.

Census Testing



Responsibilities:

- **Plan Management** is responsible for the completeness and accuracy of census data
- **Plan auditors** obtain sufficient and appropriate evidence that the census data reported to the actuary is correct.

Census Testing



What will your auditor look for when testing census data?

Census Testing



ELIGIBILITY

Ensure employees are appropriately recorded as eligible/ineligible based on plan documents.



Census Testing

STATIC CENSUS DATA

Verify certain elements of static information to personnel records.

- **Date of Hire**
 - New hire information packet/PAF
 - Letter of hire from HR
- **Date of Birth**
 - Drivers license
 - Application
- **Gender**
 - Driver's license

Census Testing



COMPENSATION

If applicable, verify compensation to payroll records and amounts reported to the plan.

CONTRIBUTIONS

Verify the contributions are accurate and verify to the information reported to the plan.

Questions?



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