

The background of the slide is a photograph of the Georgia State Capitol building in Savannah, Georgia. The building is a grand, classical-style structure with a prominent golden dome topped by a statue. The facade features numerous columns and arched windows. The sky is clear and blue, and some green trees are visible in the foreground and to the right.

G.A.I.N.S.

*Georgia Accounting Information
Network Support, Inc.*

www.GAgains.org

2017 UPDATES

**GAINS Conference
May 5, 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
- ✓ Standards and Other Updates
- ✓ Client Satisfaction Surveys

Important Dates and Other Reminders



Important Due Dates



Transparency in Government Act (TiGA)

📅 July 10th

TiGA Submission Site Opens

📅 August 15th

Salaries and Travel Report (CS1)

📅 October 1st

Audit History File

📅 December 15th

SPLOST Schedule

P-Card Transaction Reporting



- FY 2018 Reporting Cycle
 - ✓ Increases transparency
 - ✓ Provides more relevant data to the public
 - ✓ Reporting 2 levels of detail
 - Vendor Name
 - Purchase Description
 - Date of Purchase
 - Purchase Amount

P-card Transaction Layout



Field Name	Size/Format	Required
Vendor Name	Text 100	Yes
MCC Description	Text 150	Yes
Transaction Date	Date (MM/DD/YYYY)	Yes
Amount	Number (9999999999.99)	Yes

File Format:
.CSV
(comma delimited)

Important Due Dates



Immigration Act

 November 1st

Immigration Submission Site Opens

 December 31st

Immigration Reporting

Important Dates



Availability of Audit Tools

1 July 31st

Financial Statement Templates
Note Templates

Certificate of Distinction for
Excellent Financial Reporting

1 November 15th

Financial Statements Due to DOAA

Other Notes & Reminders



- Special reporting needs
 - Let us know ASAP!
- GaDOE year-end workshops
- GASBO financial statement workshop

Accounting and Reporting Issues



Accounting & Reporting Issues



- Broadband/Spectrum – FCC Donation
 - Broadband Lease note disclosure
 - Valuation of Asset

- Energy Efficiency Leases
 - Capital Asset must be reported
 - ✓ Lease documentation
 - ✓ Estimate
 - Deficiency exists if capital asset not reported

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

Other Reporting Issues



Fund Balance – Revenue Shortfall

- Per GASB 54 should be reported as committed or restricted, if meets requirements.
- If not, should be reported as unassigned fund balance.

Qualified School Construction Bond (QSCB)

- Interest subsidy must be reported as revenue
- Governmental funds – miscellaneous revenue
- Government-wide – Capital grants and gifts against Interest expense

Deferred Loss/Gain on Debt Refunding

- Amortization should be charged to Interest expense

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: October 15 • SPLOST Schedule: December 15
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 control deficiencies reported within the management letter.
Clean Audit Opinion	Unmodified Opinion (All Opinion Units)

**Congratulations to the
Following Recipients!!**



DOAA Award of Distinction for Excellent Financial Reporting - FY16 Recipients



- Atkinson County
- Ben Hill County
- Bulloch County
- Catoosa 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
- Hall County
- Hart County
- Houston County
- Jasper County
- Lee County
- Marion County
- McDuffie County
- McIntosh County
- Mountain Education Center
- Paulding County
- Putnam County
- Taylor County
- Thomas County
- Washington County

Standards and Other Updates



GASB 72 & GASB 77



GASB 72 – What You Need to Know



- ✓ Focus is Fair Value
 - How is it calculated?
 - What inputs are used as part of the calculation?
- ✓ Applicable to Investments, including capital assets held as investments

GASB 72 – What You Need to Know



- ✓ Investments are categorized by levels in the Notes to the Financial Statements
- ✓ Levels describe what goes into the calculation of fair value

GASB 72 – What You Need to Know



- ✓ 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 – What You Need to Do



- 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 – How We Can Help



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

Sample Disclosures – GASB 72



The School District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

At June 30, the School District had the following investments by fair value level:

Investments by fair value level	Fair Value	Level 1	Level 2	Level 3
U.S. Treasuries	\$ 4,077,699		\$ 4,077,699	
U.S. Agencies				
Explicitly Guaranteed	2,330		2,330	
Implicitly Guaranteed	2,400,198		2,400,198	
Corporate Debt	143,822		143,822	
Mutual Bond Funds	251,242	\$ 251,242		
Equity Mutual Funds - Domestic	5,524,728	5,524,728		
Equity Mutual Funds - International	2,009,980	2,009,980		
Equity Securities - Domestic	598,937	598,937		
Equity Securities - International	58,746	58,746		
Real Estate Held for Investment Purposes	481,110			\$ 481,110
Real Estate Investment Trust	953,501	953,501		
Total investments by fair value level	\$ 16,502,293	\$ 9,397,134	\$ 6,624,049	\$ 481,110

Sample Disclosures – GASB 72



Fair Value of Investments

The School District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The district has the following recurring fair value measurements as of June 30, 2016:

Equity Mutual Funds - Domestic of **[\$Amount]** are valued using quoted market prices. (Level 1 inputs)

U.S. Treasuries of **[\$Amount]** are valued using a matrix pricing model. (Level 2 inputs)

Updated Investment Disclosures Reference



Investment Disclosures

Use the matrix to identify common disclosure requirements and other relevant information.

INVESTMENT TYPE	GASB 40 Disclosures ⁽²⁾					GASB 72			
	Interest Rate Risk	Segmented Time Dist. Investment Maturity	Weighted Average Maturity	Credit Quality Risk	Custodial Credit Risk	Concentration of Credit Risk	Appropriate Presentation	Typical FMV Level ⁽³⁾	Other Relevant GASB Statements
U. S. Treasuries	X	X			X				
Bill	X	X			X	FMV	1		
Note	X	X			X	FMV	2		
Bond	X	X			X	FMV	2		
Municipal Bonds	X	X		X	X	FMV	2		
Commercial Paper	X	X		X	X	Amortized Cost		GASB 31 ¶ 9	
U. S. Agencies									
Explicitly Guaranteed Obligations of the U. S. Government	X	X			X				
Government National Mortgage Association (GNMA)	X	X			X	FMV	2		
Export-Import Bank (EXIMBANK)	X	X			X	FMV	2		
Small Business Administration (SBA)	X	X			X	FMV	2		
Implicitly Guaranteed Obligations of the U.S. Government	X	X		X	X	Concentration Credit Risk must be disclosed if any investment in one issuer represents 5 percent or more of the			
Federal National Mortgage Association (FNMA)	X	X		X	X		FMV	2	
Federal Home Loan Banks (FHLB)	X	X		X	X		FMV	2	
Federal Home Loan Mortgage Corporation (FHLMC)	X	X		X	X		FMV	2	
Federal Farm Credit Banks (FFCB)	X	X		X	X		FMV	2	
Student Loan Marketing Association (SLMA)	X	X		X	X	FMV	2		
Money Market Investments (less than one year maturity at time of purchase)						Amortized Cost		GASB 31 ¶ 9	
Certificates of Deposit - Negotiable	X	X		X	X	Amortized Cost		GASB 31 ¶ 9	
Certificates of Deposit - Non-Negotiable						Cost		GASB 31 ¶ 8	

GASB 77 – Tax Abatement What You Need to Know



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 What You Need to Know



Does not Include:

- ✘ Exclusion of income earned on municipal bonds for income taxes
- ✘ Full or partial exemption of senior citizens and military veterans from property taxes.
- ✘ Certain items from their tax liabilities or from the amount that is being taxed.
 - Charitable giving.
 - Cost of installing energy-efficient features.
- ✘ Sales tax holidays.

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	✓	

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	✓	✓

Sample Disclosure – GASB 77



Abatements by Other Governments

State of Sample Tax Abatements

County property tax revenues were reduced by \$28,346,000 under agreements entered into by the State of Sample. Under the State's biennial budget for fiscal years 20X1–20X2, the state reimburses the County for one-third of the reduction in tax revenues. The County received \$9,449,000 in County fiscal year 20X1.

Regional Economic Development Corporation (REDC) Tax Abatements

Under agreements entered into by REDC, County sales tax revenues were reduced by \$7,657,000.

GASB 77 – Tax Abatement What You Need to Do



- Start communicating with your tax commissioners now
- Understand how known tax abatements impact your district
- Establish a quantitative threshold for disclosure through Board Policy

Other Updates



Re-evaluation of Reporting



- Currently studying processes around reporting deficiencies and other information to Those Charged with Governance
- Goals include:
 - Consistency
 - Relevance
 - Value Added Recommendations
- You will likely see changes in our reporting during the 2017 audit cycle

Re-evaluation of Reporting



- Inline with standards Internal Control Issues will be reported as one of the following:
 - Verbal Comment at the Exit Meeting
 - Significant Deficiency
 - Material Weakness
- Management Letter Comments will be used to provide management with process/efficiency recommendations

Tips



- ✓ Review your internal control documentation/ risk assessment documents
- ✓ Document your assessment of the level of risk vs the cost of a control
- ✓ Look at the issues reported to you in the prior year – Have you adequately addressed the issue by eliminating the control deficiency or implementing compensating controls?
- ✓ Monitoring is critical to ensure your controls are operating as intended

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, Directors, and other responsible individuals
- ✓ An overall assessment is done periodically, but individual issues are addressed immediately.

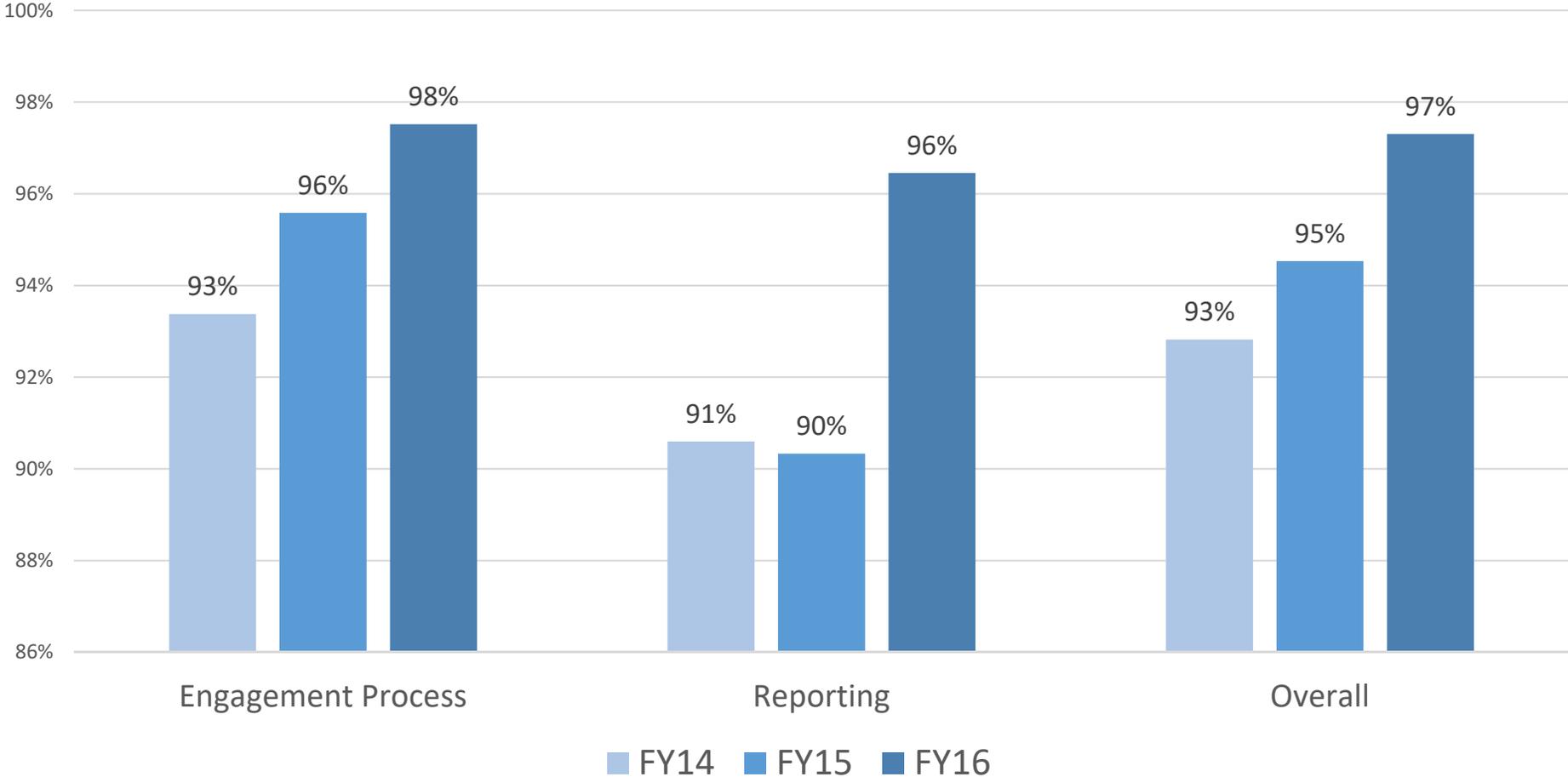
Thank you for responding!!



Client Satisfaction Survey Results



Percentage of Positive Feedback by Fiscal Year



Next Steps



- Continued focus on communication
 - Items required and the expected response time should be communicated up front
 - Issues/Findings should be communicated timely with adequate opportunity for you to respond
 - Status/Progress should be communicated throughout the engagement process

Next Steps



- Report Processing
 - Undergoing a performance review of our report process
 - Reevaluating the staffing and deployment of teams to ensure efficiency throughout the audit cycle
- Consistency
 - Re-evaluation of how we report deficiencies
 - Re-engineering of audit methodology

Questions?



Reggie Beasley

beasleyr@audits.ga.gov

Tracy Branch

branchtb@audits.ga.gov

Kenneth Knight

knightk@audits.ga.gov

Sara Rohrbach

rohrbach@audits.ga.gov