



GASBO

Georgia
Association
of School
Business
Officials

2017 UPDATES

November 8 - 10, 2017

**Presented By:
Georgia Department of
Audits & Accounts**

Georgia State Capitol

Presentation Topics



- ✓ Important Dates
- ✓ Accounting and Reporting Issues
- ✓ Common Audit Issues
- ✓ DOAA Award of Distinction for Excellent Financial Reporting
- ✓ Standards Updates

Important Dates



Important Due Dates



- Transparency in Government Act (TiGA)

- 📅 December 15th

- SPLOST Schedule

- Immigration Act

- 📅 November 1st

- Immigration Submission Site Opens

- 📅 December 31st

- Immigration Reporting

Important Dates



- Certificate of Distinction for
Excellent Financial Reporting

 November 15th

Financial Statements Due to DOAA

Accounting and Reporting Issues



Accounting & Reporting Issues



- **Broadband/Spectrum – FCC Donation**
 - Broadband Lease note disclosure

- **Deferred Loss/Gain on Debt Refunding**
 - Amortization should be charged to Interest expense

Accounting & Reporting Issues



▪ **Fund Balance – Revenue Shortfall**

- Also known as “Reserve for Subsequent Period Expenditures”
- Per GASB 54 should be reported as one of following:
 - Committed by Board Action
 - Restricted, if there is a legal restriction
 - Unassigned

▪ **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

Accounting & Reporting Issues



▪ **Corrective Action Responses**

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

▪ **Tax Confirmations**

- Tax abatement information was included in the confirmation

Common Audit Issues



Common Audit Issues



■ Common Deficiencies

□ School Activity Accounts

■ Common Issues

- Lack of Separation of Duties
- Receipt documentation not on hand
- Voucher package documentation not available
- Bank reconciliations not completed timely or adequately

■ Potential Solutions

- Schools reconcile each other's monthly bank reconciliations
- Secretary and Bookkeeper split duties
- No evidence of receipt = no payments

Common Audit Issues



■ Common Deficiencies

□ Federal Fund Balances

- Federal funds not closed out at year end
- Review balances to determine:
 - Refund to grantor
 - Deferred inflow of resources
 - Transfer from another fund
 - Receivable recorded

□ Equipment and Real Property Management

- Property records should contain:
 - Description
 - Source
 - Who holds title
 - Acquisition date and cost
 - Percentage of federal participation in the cost
 - Location
 - Condition
 - Disposition data (including date of disposal and sales price)

Common Audit Issues



■ Common Deficiencies

□ Capital Assets

- Incomplete Listing
- Assets not capitalized according to Board policy

□ Journal Entries

- No evidence of review and approval
- Documentation not maintained

Common Audit Issues



- Risk of Material Misstatement
 - ❑ Contracts and Retainages Payable
 - ❑ Capital Assets
 - ❑ Construction in Progress
 - ❑ Building and Building Improvements
 - ❑ E-rate
 - ❑ Capitalize the entire asset value, not just the amounts paid.

Common Audit Issues



■ Management's Discussion & Analysis

Provide an **analysis** of the government's overall financial activities and results of operations to assist users in assessing whether district's financial performance has improved or deteriorated as a result of the year's activities.

- 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

Common Audit Issues



■ Management's Discussion & Analysis

The analysis should explain reasons why variances occurred not just state that a variance exists.

➤ Not an analysis

"Total Net Position increased \$407,928.24."

➤ Analysis

"Total Net Position increased \$407,928.24 in fiscal year 2016. This increase is due largely to a decrease in austerity and additional state and local funds."

Common Audit Issues



■ Management Discussion & 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*

Common Audit Issues



■ Keys to a Successful Audit

- ✓ Visit DOAA and GaDOE websites on a regular basis
- ✓ *Financial Statement Preparation Checklists*
- ✓ *Go through DOAA Review Checklists*

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 1 • 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

**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
- Glascock 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
- Tift County
- Thomas County
- Washington County
- Wilcox County

Standards Updates



Three major areas



1. Accounting and Reporting
 - a. Governmental Accounting Standards Board (GASB)

2. Auditing
 - a. American Institute of CPAs (AICPA)
 - b. U.S. Government Accountability Office (GAO)

3. Federal
 - a. U.S. Office of Management and Budget (OMB)

GASB Updates – Effective FY17



GASB 74 – OPEB Plan Reporting



GASB Statement No. 74 *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*

- Changes reporting requirements for OPEB plans
- Similar to GASB 67 implementation
- Requires restatement to prior period financial statements

GASB 74 – OPEB Plan Reporting



Auditor Requirements:

- May need to use independent actuary to test management's valuation
- Census testing
- Review new note disclosures and Required Supplementary information

GASB 77 – Tax Abatements



GASB 77 – Tax Abatement



- Effective for periods beginning after December 15, 2015
- Note disclosure only
- Issued to increase information about revenues that governments forgo is essential to understanding financial position and economic condition, interperiod equity, sources and uses of financial resources, and compliance with finance related legal or contractual requirements

GASB 77 – Tax Abatement



- **GASB's view:** Users of governmental financial statements need information about limitations on the ability of governments to raise revenues, some of which are the product of tax abatements
- Statement No. 77 requires disclosure of information about tax abatement agreements regardless of whether the reporting government was involved in the agreement
- Statement No. 77 requires that information about a government's own tax abatement agreements be disclosed separately from information about tax abatements resulting from agreements entered into by other governments

GASB 77 – Tax Abatement



- **Auditor's view:**
 - Is the quantitative threshold established by management reasonable?
 - Are the disclosures adequately supported?
 - Disclosures are subject to third party confirmations.

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	✓	

Disclosures for Other Information 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	✓	✓

Example Disclosure



Note X. Tax Abatements

The Village enters into property tax abatement agreements with local businesses under the state Economic Development Opportunity Act of 20X1. Under the Act, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Village.

For the fiscal year ended June 30, 20X7, the Village abated property taxes totaling \$146,480 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 40 percent property tax abatement to a grocery store chain for purchasing and opening a store in an empty storefront in the business district. The abatement amounted to \$97,500.
- A 50 percent property tax reduction for a local restaurant increasing the size of its restaurant and catering facility and increasing employment. The abatement amounted to \$21,750.

GASB 78 - Pensions



GASB Statement No. 78 *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"*

- Excludes GASB 68 applicability for pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer.

GASB 80 – Blending of Certain CUs



GASB Statement No. 80 *"Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14"*

- Requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member
- Amends only GASB 14, does not apply to component unit determinations made under GASB 39
- Requires restatement to prior period financial statements

GASB 80 – Blending of Certain CUs



Auditor considerations

- Review of management's determinations

GASB 82 – Pensions



GASB Statement No. 82 "*Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*"

- Clarifies the definition of covered payroll to be the payroll on which contributions to a pension plan are based
- In calculating total pension liability and related measures, a *deviation*, as the term is used in Actuarial Standards of practice should not be considered to be in conformity with GASB 67, 68, or 73
- Payments made by an employer to satisfy plan member contribution requirements should be classified as plan member contributions under GASB 67 and employee contributions under GASB 68. The employer should expense these payment similar to other types of compensation (salaries, fringe benefits)



Auditor considerations:

- Similar to OPEB
- Test actuarial determination
- Census testing

GASB Updates – Effective FY18



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 for plan auditor in multi-employer plans
- Testing of actuarial valuations for single-employer or agent plans

GASB 81 – Split Interest Agreements



GASB Statement No. 81 *"Irrevocable Split Interest Agreements"*

- Provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement.
- Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries.
- Requires that a government that receives resources from an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement.
- Requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests.
- Requires that a government recognize revenue when the resources become applicable to the reporting period.
- Requires restatement to the financial statements for prior periods when implemented

GASB 85 – Omnibus 2017



GASB Statement No. 85 *"Omnibus 2017"*

- Addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB])

GASB 86 – Debt Extinguishments



GASB Statement No. 86, *Certain Debt Extinguishment Issues*

- Improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.
- This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Updates – Effective FY19



GASB 83 – Asset Retirement Obligations



GASB Statement No. 83 *"Certain Asset Retirement Obligations"*

- Establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources accounting and financial reporting for certain asset retirement obligations (AROs).

GASB Updates – Effective FY20



GASB 84 – Fiduciary Activities



GASB Statement No. 84 "Fiduciary Activities"

- Establishes criteria for identifying fiduciary activities of all state and local governments
- Focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

GASB 84 – Fiduciary Activities



GASB Statement No. 84 “Fiduciary Activities”

- Describes four fiduciary funds that should be reported, if applicable:
 - Pension (and other employee benefit) trust funds
 - Investment trust funds
 - Private-purpose trust funds
 - Custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria
- Note that Agency funds have been replaced by Custodial funds

Questions?



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