



Overview

- GASB Updates
- Note Disclosure Updates
- Common Audit Issues (Discussed at GAINS)
- Miscellaneous Information



GASB 65 – Note Disclosure for Restatement of Beginning Net Position.

- Restatements to Beginning Net Position if:
 - Bond Issuance Costs were deferred and amortized over the life of the loan in the prior year.
 - Entry:
 - Debit Beginning Net Position, Credit Deferred Charges for balance of Deferred Charge at July 1, 2013.
 - Notes:
 - Paragraph explaining the restatement. Layout will be included in the standard notes included on our website.

GASB 65 – Note Disclosure for Restatement of Beginning Net Position.

For fiscal year 2014, the School District made several prior period adjustments due to the adoption of GASB Statement No. 65, as described in “New Accounting Pronouncements” below, which require the restatement of the June 30, 2013, net position in Governmental Activities. The result is an increase in Net Position at July 1, 2013 of \$_____. This change is in accordance with generally accepted accounting principles.

Net Position, June 30, 2013, as previously reported	\$	
Reclassification of Bond Issuance Costs		
Deferral of loss on Refunding Series 200X		_____
Net Position, July 1, 2013, as restated	\$	

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GASB 65

Restatement necessary based on Paragraph 34 of GASB 65:

“The cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position or fund balance, as appropriate, for the earliest period restated. In the period this Statement is first applied, the financial statements should disclose the nature of any restatement and its effect. Also, the reason for not restating prior periods presented should be explained.”

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GASB 65



- Other Changes that will not result in a restatement:
- District Wide Statements:
 - Reclassification of Deferred Gain or Loss on Debt Refunding
 - Debit/Credit Deferred Outflows/Inflows of Resources instead of Long Term Liabilities
 - Prepayment of future property tax levy:
 - Credit Deferred Inflow of Resources instead of Deferred Revenue



GASB 65 – Other Changes that will not result in a misstatement:



- Governmental Funds:
 - Property Taxes Not Received within 60 days
 - Imposed Non-Exchange Transaction
 - Credit Deferred Inflow of Resources instead of Deferred Revenue
 - GSFIC Revenue not received within period determined by LEA
 - Voluntary Non-exchange transaction
 - Credit Unavailable Revenue instead of Deferred Revenue
- Terminology Change:
 - Deferred Revenue is now Unavailable (or Unearned) Revenue
 - Also have seen term “Advances”



GASB 65 – Example of Statement of Net Position

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and Cash Equivalents		\$ 1,212,846.00
Investments		8,463,114.00
Accounts Receivable, Net		
Taxes	1,091,872.00	
State Government	1,120,287.00	
Federal Government	641,160.00	
Inventories	20,427.00	
Capital Assets, Non-Depreciable	4,628,851.00	
Capital Assets, Depreciable (Net of Accumulated Depreciation)	59,508,124.00	
Total Assets		76,686,481.00
LIABILITIES		
Accounts Payable		293,743.00
Salaries and Benefits Payable		3,133,750.00
Interest Payable		160,472.00
Long-Term Liabilities		
Due Within One Year	3,289,842.00	
Due in More Than One Year	11,914,371.00	
Total Liabilities		18,792,178.00
DEFERRED INFLOW OF RESOURCES		
Gain on Refunding of Debt		2,536,411.00
NET POSITION		
Net Investment in Capital Assets		46,396,151.00
Restricted for		
Continuation of Federal Programs		268,488.00
Debt Service		2,243,120.00
Capital Projects		1,253,388.00
Unrestricted (Deficit)		5,196,325.00
Total Net Position		\$ 55,357,892.00



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GASB 65 – Example of Balance Sheet

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	\$ 658,668.00	\$ 553,714.00	\$ 464.00	\$ 1,212,846.00
Investments	5,566,447.00	1,482,851.00	1,413,816.00	8,463,114.00
Accounts Receivable, Net				
Taxes	885,317.00	206,555.00		1,091,872.00
State Government	1,120,287.00			1,120,287.00
Federal Government	641,160.00			641,160.00
Inventories	20,427.00			20,427.00
Total Assets	8,892,306.00	2,243,120.00	1,414,280.00	12,549,706.00
LIABILITIES				
Accounts Payable	\$ 293,743.00		\$	\$ 293,743.00
Salaries and Benefits Payable	3,133,750.00	0.00	0.00	3,133,750.00
Total Liabilities	3,427,493.00	0.00	0.00	3,427,493.00
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	703,475.00			703,475.00
Total Deferred Inflows of Resources	703,475.00	0.00	0.00	703,475.00
FUND BALANCES				
Nonspendable	20,427.00			20,427.00
Restricted	248,061.00	2,243,120.00	1,414,280.00	3,905,461.00
Assigned	656,183.00			656,183.00
Unassigned	3,836,667.00			3,836,667.00
Total Fund Balances	4,761,338.00	2,243,120.00	1,414,280.00	8,418,738.00
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,892,306.00	\$ 2,243,120.00	\$ 1,414,280.00	\$ 12,549,706.00



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GASB 65 – Example of Note Disclosure Description

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. [The School District has only one item that qualifies for reporting in this category. The deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt.] [The School District did not have any items that qualified for reporting in this category for the year ended June 30, 2014.]

In addition to liabilities, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. [The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.]

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Accounting and Financial Reporting for Pensions

GASB 67/68 – AUDIT ISSUES

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Summary



- GASB 67
 - *Financial Reporting for Pension Plans*
 - Objective to improve financial reporting of state and local government pension plans
 - Expands note disclosures and Required Supplementary Information to be reported, including Net Pension Liability which is actuarially determined based on the Total Pension Liability less the plan's net position
- Effective Date
 - Periods beginning after June 15, 2013 (FY 2014)



Summary



- GASB 68
 - *Accounting and Financial Reporting for Pensions*
 - Objective to improve financial reporting of pensions by state and local governments (employers)
 - Expands information to be reported, including recording the employer's proportionate share of the plan's Net Pension Liability on the financial statements.
- Effective Date
 - Periods beginning after June 15, 2014 (FY 2015)



Plan Auditor Requirements



- Required by auditing standards to obtain sufficient appropriate evidence that plan financial statements reported under GASB 67 are materially correct.
 - This includes evidence of accuracy and completeness of the census data reported to the plan by employers
 - Census data used by actuary to calculate the Total Pension Liability



Plan Auditor Problem



Some plans have thousands of employers how can the plan auditor possibly test the accuracy of all of the data submitted?



AICPA Solution



- In late February 2014 issued “white paper” for guidance
 - *Single-Employer and Cost-Sharing Multiple-Employer Plans: Issues Associated with Testing Census Data in an Audit of Financial Statements*



Census Data Testing Approach



- Plan auditor select a representative group of employers each year on a rotating basis for testing of underlying payroll records of employees
- If not feasible for plan auditor to perform site visits to directly test census data at each employer, the employer auditor can perform the testing and issue an attestation report.
- Plan auditor will rely on the attestation reports of the employer auditors for evidence that the census data was complete and accurate.



Census Data Testing Approach



- TRS auditor is selecting a list of employers to test.
- DOAA or other firms will perform testing of census data at the selected sites.
 - A separate examination engagement will be performed
 - Will review data such as hire date, birth date, salary reported, etc. and compare to TRS data
 - We are currently working with TRS on testing approach and timing related to FY13 and FY14 data



Employer Auditor Requirements



- Required by auditing standards to obtain sufficient appropriate evidence that employer's financial statements reported under GASB 68 are materially correct.
 - This includes the proportionate share of the net pension liability recorded on the financial statements by the employer



Employer Auditor Problem



- How to gather the information necessary to test that the net pension liability and other pension data recorded are materially correct?
 - GASB 67 does not require the plan to allocate the shares of pension activity to individual employers.
 - How will employers get the information required to be in compliance with GASB 68?
 - GASB is leaving it to the employers and plans to coordinate.

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AICPA Solution



- In late February 2014 issued “white paper” for guidance
 - *Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting*

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Employer Pension Reporting Testing Approach

- Plan will prepare allocation schedules of pension amounts by employer.
- Plan auditor will provide an opinion on these allocation schedules.
- Employer auditor may rely on plan auditor opinion on these schedules as sufficient audit evidence of the employer's recorded amounts.



Tentative Employer Sample FY13

- Atlanta Public Schools
- Cobb County
- Coweta County
- Dade County
- Dooly County
- Forsyth County
- Fulton County
- Gilmer County
- Gwinnett County
- Lowndes County
- Peach County
- Polk School District
- Schley County
- Thomas County
- Union County
- Ware County
- Washington County
- Whitfield County
- Wilkinson County



GASB 67/68 More information

- Free information on www.gasb.org
- Copy of GASB 67/68 pronouncements
- Implementation Guides with Q&A

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Minor Changes to the Notes to the Financial Statements
FY 2014

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FY 2014 Notes – Note 2: Summary of Significant Accounting Policies



- Restatement of Prior Year Net Position
 - Anticipate this restatement paragraph will be necessary for all school districts that previously deferred bond issuance costs.
- New Accounting Pronouncements
 - Paragraph regarding GASB 65
 - Modify last sentence, depending on if a restatement was necessary.
- Deferred Outflows/Inflows of Resources
 - Discussed in GASB 65 section.
 - Will modify based on specific situation at each school district.
- Compensated Absences
 - Removed 3 year comparison of activity.

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FY 2014 Notes – Note 2: Summary of Significant Accounting Policies



- Deficit Net Position
 - Provides a breakdown of the Unrestricted Net Position
 - Isolates the deficit to the specific use/purpose of that portion of Net Position
 - Explanation of the deficit as deemed necessary

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FY 2014 Notes – Other Note Disclosures



- Deposits and Investments Note
 - Categorization of Deposits – both paragraph options will now include a breakdown of Cash that is reported as Investments in Notes.
 - Total carrying amount to reconcile to Cash in the Governmental Funds and the Fiduciary Funds.
 - Additional separation in the categorizations that do not require disclosure of custodial credit risk:
 - Balance insured by FDIC
 - Balance collateralized with securities held in the School District's name



FY 2014 Notes – Other Note Disclosures



- Deposits and Investments Note
 - Categorization of Investments – includes sentence identifying the CD's that are reported as Cash for collateralization purposes in the notes.



FY 2014 Notes – Other Note Disclosures



- **Capital Assets Note**
 - Summary of Capital Assets now includes a TRANSFERS column.
 - Deletions in CWIP that are capitalized will be shown in this column.
- **Long Term Liabilities Note**
 - Changed terminology to “Liabilities” vs “Debt” for continuity between exhibits and notes.



FY 14 Notes – Other Note Disclosures



- **Subsequent Events Note**
 - Disclose the adoption of GASB 68 in FY 2015.
 - May include estimate of liability at July 1, 2014.





Common Audit Issues – School Activity Deficiencies



- Common Issues
 - Lack of Segregation of Duties
 - Purchase Orders not Utilized
 - Receipt documentation not on hand
 - Bank reconciliations not completed timely or adequately
- Common Solutions
 - Schools reconcile each other's monthly bank reconciliations
 - Secretary and Bookkeeper split duties
 - No purchase order = no payment
 - No evidence of receipt = no payment
 - Consider updating policy, i.e., purchase orders required for all purchases over \$50

Common Audit Issues – Separation of Duties



- **Common Issues**
 - One individual that is responsible for issuing purchase orders, writing checks, and reconciling bank statements
 - One individual that is responsible for collecting funds, entering into general ledger, and reconciling bank statements
 - Access within financial system is too broad
- **Common Solutions**
 - Separate individuals responsible for approving the purchase orders, entering payment into financial system, and reconciling statements
 - If financial system access is too broad, consider implementing other manual controls such as additional reviewers



Common Audit Issues – Capital Assets



- **Common Issues**
 - No physical inventory performed
 - School District has not adopted a policy regarding the physical inventory of assets
 - Listings are not maintained that adequately document the assets of the school district
- **Common Solutions**
 - Adopt a detailed capital asset policy that includes requirements for the listing, depreciation method, valuation method, impairment valuation procedures, physical inventories



Common Audit Issues – Capital Assets



- Chapter 37 of the FMGLUA indicates the policy should include:
 - Capitalization threshold
 - Asset categories
 - Tagging policy
 - Controlling noncapitalized items
 - Frequency of Inventory
 - Disposition of Property
 - Gifts and Donations
 - Federal Property

- Specifically, Chapter 37 states,
 - “ The LUA should set a policy for how often a physical inventory should be conducted. It is recommended an inventory be conducted at least every five years.”



Common Audit Issues – Journal Entries



- Common Issues
 - Documentation not maintained
 - No evidence of preparer or reviewer

- Common Solutions
 - Ensure a policy is established that indicates responsibilities for:
 - Preparation of Entry
 - Approval of Entry
 - Posting of Entry into Financial System
 - Supporting Documentation Requirements



Common Audit Issues – Findings Format

- Findings will have a very different “Cause” section
 - Goal is to better serve you in providing recommendations
 - We will ask for your input as to why the finding occurred
 - This will help us complete the “Recommendation” section
 - Also ensures that the finding has been fully discussed with you

- Management Responses
 - Opportunity will be provided for you to respond to all management letter comments which will be included in the body of the letter (optional)
 - Audit finding responses are included with the findings instead of separately



Common Audit Issues – Example of Change in Format

Cause:

In discussing the issue with management, they stated that the internal control deficiencies related to School Activity Accounts occurred due to a shortage of personnel at the school and failure of those personnel to follow the established policies and procedures.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Board has increased the administrative staff responsible for the accounting functions at the schools. The Board and School Administration will implement procedures and compensating controls to ensure that the key accounting functions of custody, record keeping and authorization are segregated as much as possible. Procedures and forms have been developed that will provide the necessary documentation for receipts. School staff has been directed on the procedures to make deposits timely.



Common Audit Issues – Example of Change in Format

Cause:

In discussing the issue with management, they stated it was an oversight in preparing and posting the appropriate journal entries to the general ledger.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Board and Administration will implement procedures and compensating controls to ensure accuracy of the financial reporting process. Appropriate journal entries will be made in the accounting system to record the principal payment for long-term debt.

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Miscellaneous Information

VARIOUS TOPICS

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Purchasing Card Data – Transparency in Government Act

- Effective FY 2014, to comply with the Transparency in Government Act, P-card activity will be required to be reported in the TIGA report.
- DOAA Survey for school districts expected to be released in June asking for additional information.
 - Name of Bank
 - Dollar amount of activity
 - Number of Cards
 - Types of Cards
 - Purchasing Card Policies
 - Contact information



Property Taxes – General Information

- Accounts Receivable is equal to the Delinquent Taxes at June 30th
- Accounts Receivable is the same amount on the Fund and District Wide Statements
- Only July receipts are recorded as Accounts Receivable for the Title Ad Valorem Taxes
- Deferred Inflow of Resources – Unavailable Revenue is only reported for delinquent taxes on the Fund Statements.
 - If delinquent taxes are greater than the July/August receipts, the difference between the receipts and delinquents is recorded as Unavailable Revenue.
 - If delinquent taxes are less than the July/August receipts, then check the levy and due dates for future levies. A portion of the July/August receipts may not be related to the 2013 calendar tax year.
- Determine the categories of the delinquent taxes reported on the confirmation at June 30th. Some tax categories may have July/August receipts that are not part of the delinquent balance and therefore should not be netted.



Property Taxes – Calculate the Unavailable Revenue:



<u>UNAVAILABLE REVENUE</u>		
Total Delinquent Tax-Per Confirmation	152,858.89	* Confirm Tax* tab 2
Less: Tax Commissioner's Fee (.025)	(3,821.47)	Per tax commissioner, the delinquent amount on the confirmation includes commissioner's fee
Less: Uncollectible	(3,057.18)	insignificant - 2% of entity delinquent amount
Less: July and August Subsequent Period Receipts-Per Confirmation	(24,583.53)	Tab 2, Property and mobile home only
Total Unavailable	121,396.71 *	

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Property Taxes – Calculate the Accounts Receivable:



<u>RECEIVABLES</u>		
Total Delinquent Tax at June 30	121,396.71	* See Below - within deferred revenue calculation
July and August receipts not included Delinquent	81,618.97	Tab 3, After backing out Property and Mobile Home tax below, none of these amounts are included in delinquent.
Less: Tax Commissioner's Fee (.025)		Already backed out
Less: Uncollectible		Already backed out
Total A/R	203,015.68 ^	

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Financial Statement Preparation Workshop



Topics Covered:

- Overview of School District Financial Statements
- In-depth look at District-wide statements
- Review of fund statements
- In-depth look at Year End Journal Entries
- In-depth look at conversion entries from the Fund Statements to District-wide Statements
- In-depth look at reconciliations between Fund Statements and District-wide Statements
- Review of Notes to the Financial Statements
- Review of Management's Discussion and Analysis
- Review of Supplementary Schedules



Financial Statement Preparation Workshop



Confirmed Dates and locations:

June 12-13 – Pioneer RESA – Cleveland, GA

July 21-22 – Southwest GA RESA - Camilla, GA

August 6-7 – North GA RESA - Ellijay, GA

August 12-13 – Bryan County BOE, Black Creek, GA

August 19-20 – Heart of GA RESA, Mount Vernon, GA



How To Help the Auditors

- Have financial statements ready early so auditors can arrive early
- Complete Client Satisfaction Survey at end of engagement



FY 2014 Audit Cycle

- Due Dates:
 - August 15th – Salaries and Travel Report (CS1)
 - October 1st – Audit History File
 - November 17th – Financial Statements and related audit evidence to auditors
 - December 15th – SPLOST Schedule
 - December 31st – Public Employers Affidavit



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Questions?



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