



**GASBO**

Georgia  
Association  
of School  
Business  
Officials

## 2019 UPDATES

GASBO Conference  
November 2019  
Augusta, Georgia

Presented By:  
Georgia Department of  
Audits & Accounts

# Presentation Topics



- ✓ **Important Dates and Other Reminders**
- ✓ Keys to a Successful Audit
- ✓ DOAA Award of Distinction for Excellent Financial Reporting
- ✓ Implementing the new standards

# Important Dates and Other Reminders



# Important Due Dates



Transparency in Government Act (TiGA)

 December 6<sup>th</sup> SPLOST Schedule

Immigration Act

 December 31<sup>st</sup>

Immigration Reporting Due

(Nov. 1st Immigration Submission Site Opens)

# Important Dates



## Financial Statements Due to DOAA

- 📅 November 15<sup>th</sup> Certificate of Distinction
- 📅 December 31<sup>st</sup> Otherwise

# Keys to a Successful Audit



# Keys to a Successful Audit



## ■ Preparation

- ✓ Do not wait until September to start thinking about compiling information for financial statements.
  - ✓ *Request List.*
  - ✓ *Keep an audit folder throughout the year.*
  - ✓ *Financial Statement Preparation Guides.*
- ✓ Visit DOAA and GaDOE websites on a regular basis
- ✓ *Preliminary Analytical Review (PAR) – start thinking about changes from prior year. The comparison to prior year could help you find errors.*

# Keys to a Successful Audit



## ■ Preparation

- ✓ *Read through board minutes for possible capital assets, new policies etc. Keep an audit folder of documentation discussed in Board meetings that may affect the audit.*
- ✓ *Compare notes from one year to another to ensure all notes are included.*
- ✓ *Go through DOAA Review Checklists and Final Analytical Checksheet.*



# Keys to a Successful Audit



- DOAA File Storage System
  - ✓ DOAA has a new file storage system.
    - ✓ <https://www.audits.ga.gov/auth>
    - ✓ Use the same account information as the old system.
    - ✓ Allows files to be submitted to DOAA and for Auditors to submit files to LEAs.
      - ✓ Submit financial statements
        - ✓ Financial Statements
        - ✓ Notes to the Financial Statements
        - ✓ Required Supplementary Information
        - ✓ Supplementary Information
      - ✓ Submit documentation to support financial statements
        - ✓ Cash reconciliations
        - ✓ Capital Asset Listing
        - ✓ Etc.

# DOAA Award of Distinction for Excellent Financial Reporting



**Congratulations to the  
Following Recipients!!**



# DOAA Award of Distinction for Excellent Financial Reporting - FY18 Recipients to date



- Atkinson County
- Bulloch County
- Candler County
- Carroll County
- Catoosa County
- Charlton County
- City of Bremen
- City of Chickamauga
- City of Pelham
- City of Vidalia
- Cook County
- Crisp County
- Dawson County
- Decatur County
- Early County
- Evans County
- Gilmer County
- Greene County
- Hall County
- Hart County
- Houston County
- Jasper County
- Lee County
- Lincoln County
- Lowndes County
- Marion County

## DOAA Award of Distinction for Excellent Financial Reporting - FY18 Recipients to date



- McDuffie County
- Morgan County
- Paulding County
- Polk County
- Putnam County
- Schley County
- Stephens County
- Tattnall County
- Thomas County
- Tift County
- Towns County
- Ware County
- Washington County
- Wayne County
- Whitfield County
- Wilcox County

# Implementing the new Standards- What do I need to show my auditor?



# 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 now been removed and included in Custodial funds



# GASB 84 – Fiduciary Activities



What documentation do I need?

- Analysis of Activity accounts to determine which are Custodial as defined by GASB 84
  - A custodial fund is used to account for assets belonging to private organizations, other governments, or individuals.
- Remember the concept of “Administrative Involvement”

# GASB 84 – Fiduciary Activities



“Administrative involvement” by the government is key to determination of fiduciary activities

- (a) monitors compliance with the requirements of the activity that are established by the government or by a resource provider that does not receive the direct benefits of the activity,
- (b) determines eligible expenditures that are established by the government or by a resource provider that does not receive the direct benefits of the activity, or
- (c) has the ability to exercise discretion over how assets are allocated. A government has direct financial involvement with the assets if, for example, it provides matching resources for the activities.

# GASB 84 – Fiduciary Activities – Administrative Involvement



Q—A school district holds the funds raised by various student clubs, which are not legally separate from the school district. The funds are used to pay for various club activities during the year. There is no school board or school administration policy related to how the resources of the club can be spent. The disbursements from the aggregated club account are approved by the faculty advisor (who is representing the school district) assigned to each club. Approval, rejection, or modification of the spending is strictly at the discretion of the faculty advisor. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

# GASB 84 – Fiduciary Activities – Administrative Involvement



A—Yes. The school district does have administrative involvement. The school district’s role is considered to be substantive because in the absence of an approved policy, the faculty advisor (who is acting in the capacity of a school district representative) has the ability to reject, modify, or approve how the resources are spent. The faculty advisor’s approval is more than just a formality and is analogous to the example provided in footnote 1 of Statement 84 regarding the determination of eligible expenditures that are established by the government.

# GASB 84 – Fiduciary Activities – Administrative Involvement



Q—A school board establishes and approves a policy related to the disbursement of funds for various student clubs that are not legally separate from the school district. The policy includes specific guidelines related to how the funds raised by the clubs can be spent. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

# **GASB 84 – Fiduciary Activities – Administrative Involvement**



A—Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because the school has established specific guidelines on how the resources can be spent in an approved policy.

# GASB 87 – Leases



## GASB Statement No. 87 "*Leases*"

- A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction
- A lessee is required to recognize a lease liability and a right-to-use lease asset
- Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset

# GASB 87 – Leases



What documentation do I need?

- Analysis of Lease agreements
- Policy for recording "right to use" asset
- Policy documenting threshold for which lease liabilities will be recorded



# GASB 87 – Leases



When establishing thresholds consider this guidance:

Q—A government adopts a capitalization threshold and expenses acquisitions, including lease assets, that fall below that threshold. Can the government apply a similar threshold to lease liabilities?

# GASB 87 – Leases



When establishing thresholds consider this guidance:

**A—Lease liabilities that are significant, either individually or in the aggregate, should be recognized.**

Authoritative pronouncements do not provide specific guidance related to a determination of capitalization threshold amounts. However, governments often establish capitalization thresholds. (See Question 7.9.8 of Implementation Guide No. 2015-1.) When applying a capitalization threshold to leases, lessees should consider the quantitative and qualitative significance of the lease liability, in addition to the significance of the lease asset in accordance with the guidance provided in Question 7.4.1 of Implementation Guide 2015-1, as amended.

# GASB 87 – Leases - New Questions and Answers in Final Implementation Guide



Q—A government obtains the right to use land, which has a market rent of \$100,000 per year, for \$1 per year. Should the government apply the requirements in Statement 87 to that transaction?

# GASB 87 – Leases - New Questions and Answers in Final Implementation Guide



A—No. The definition of a lease in paragraph 4 of Statement 87 specifies that the Statement should be applied only to exchange or exchange-like transactions. Paragraph 1 of Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, classifies all transactions of state and local governments into two categories: (a) exchange and exchange-like and (b) nonexchange. The government's right to use land for \$1 does not meet the description of an exchange or exchange-like transaction because each party does not receive or give up essentially equal value or not quite equal value.

# GASB 87 – Leases - New Questions and Answers in Final Implementation Guide



Q—A government enters into a multiyear agreement for the right to use a facility. The government has exclusive use of the facility three days a week. Other parties use the facility on the other days. To meet the definition of a lease, is the government required to have uninterrupted control of the right to use the facility?

# GASB 87 – Leases - New Questions and Answers in Final Implementation Guide



A—No. In determining whether a contract conveys control of the right to use an underlying asset, a government should assess whether it has (a) the right to obtain the present service capacity from use of the underlying asset and (b) the right to determine the nature and manner of use of the underlying asset “as specified in the contract” (paragraph 5 of Statement 87). If the contract specifies that the government has control of those rights during three days of each week, the control criterion is met. The provision in the lease definition that the contract be for a period of time does not require uninterrupted control of the right to use the facility.

# GASB 87 – Leases - New Questions and Answers in Final Implementation Guide



Q—A contract allows the vendor to replace the underlying asset with an essentially identical asset. Does that substantive right of substitution affect the evaluation of whether the contract conveys control of the right to use the asset?

# GASB 87 – Leases - New Questions and Answers in Final Implementation Guide



A—No. A lease conveys control of the right to use another entity’s asset. That right is distinct from the underlying asset. That is, the right-to-use asset relates to the service capacity associated with an underlying asset, rather than the underlying asset itself. Substitution with an essentially identical asset allows the lessee to maintain control of the right to use the service capacity of another entity’s underlying asset and is consistent with the definition of a lease in paragraph 4 of Statement 87.



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