



GASBO

Georgia
Association
of School
Business
Officials

2020 UPDATES

GASBO Conference
November 2020
Augusta, Georgia

Presented By:
Georgia Department of
Audits & Accounts

Presentation Topics



- ✓ Important Dates and Other Reminders
- ✓ Accounting and Reporting Issues
- ✓ Common Audit Issues
- ✓ Keys to a Successful Audit
- ✓ DOAA Award of Distinction for Excellent Financial Reporting
- ✓ Standards and Other Updates

Important Dates and Other Reminders



Important Due Dates



Transparency in Government Act (TiGA)

1 December 4th SPLOST Schedule

Immigration Act

1 December 31st

Immigration Reporting Due

(Nov. 1st Immigration Submission Site Opened)

Important Dates



Financial Statements Due to DOAA

- 1 November 15th Award of Distinction
- 1 December 31st Otherwise

Accounting and Reporting Issues



SB 68



- Effective July 1, 2021
- Implementation meetings with GDOE for have already started.
- Bill defines high risk and moderate risk LEAs
 - High risk = LEA that has reported irregularities or budget deficits for three or more consecutive years.
 - Moderate risk = LEA that has reported irregularities or budget deficits for one year or two consecutive years.
- Irregularities – SD or MW internal control findings (excludes findings like FS Prep)
- Budget Deficit – working on a definition to meet the true intent of the bill.

SB 68



- Superintendents and Board Members of high and moderate districts will have to attend training.
- New Board Members will also have to attend training. Plan to leverage the new board member training that GDOE holds twice a year.
- DOAA is to notify GDOE of LEAs that become moderate or high risk. Will be handled through the closure process and formally each quarter.
- Will communicate more information closer to implementation date.

Schedule of Expenditures of Federal Awards (SEFA)



- Funding associated with COVID-19 must be reported separately on the SEFA.
 - This applies to new programs and existing programs.
 - If a program receives COVID-19 funding in addition to regular funding for a program, there will be separate line items for each set of expenditures.
 - See example below:
 - COVID-19 Disaster Relief Fund 97.036
\$1,000,000.00
 - Disaster Relief Fund 97.036 \$1,500,000.00
 - Total Disaster Relief Fund \$2,500,000.00
- There may also be new funding reported for items such as donated PPE.

COVID Impact on Audit



- Analyticals and Estimates
 - Historical trends and assumptions may not be relevant in the current environment.
 - Different procedures made need to be performed if analyticals are determined to be ineffective.
- Internal Controls
 - Could be different sets of processes and internal controls during FY20.
 - Pre-pandemic – Remote – Post-Shut Down
 - Auditor will consider which set of process and controls were in place for most of the fiscal year.
- Test of controls and substantive tests may have two populations for FY20 – could result increased sample sizes.

Other Reporting Issues



Change in Accounting Estimates

- There is no restatement of beginning net position for a change in accounting estimate, including useful life of capital assets.

Deferred Loss/Gain on Debt Refunding

Bond Premium/Discount

- Amortization should be charged to Interest expense

Corrective Action Responses

- Must include signature of person providing the CAP
- Must be included on School District letterhead
- Auditors will provide electronic file with finding header

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

Common Audit Issues



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
 - 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.

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

- *Consider if the impacts of COVID are part of the needed explanation for changes in account balances.*
 - Reduction in SPLOST receipts
 - Closure of schools creating an increase in outflows related to virtual learning
 - Change in economic conditions of the county given job losses.

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*

Keys to a Successful Audit



Keys to a Successful Audit



- Preparation
 - Visit the DOAA and GDOE websites on a regular basis for any updated information.
 - Read communications sent out to Schools Districts (i.e. quarterly newsletter)
 - Preliminary Analytical Review (PAR) – starting thinking about any significant changes from the prior year.
 - Comparison can help find errors.
 - **Are the changes related to COVID?**
 - Maintain documentation used to prepare financial statements.

Keys to a Successful Audit



- Preparation
 - Compare note disclosures from one year to another to ensure all notes are included.
 - Download and use the DOAA Review Checklists and Final Analytical Checksheet.
 - Very similar to checklists used by auditors.
 - Consider using even if a consultant prepares your statements – management is still responsible for the financial statements.

Keys to a Successful Audit



- Tips for Remote Audit
 - Utilize the DOAA File Storage System
 - <https://www.audits.ga.gov/auth>
 - Instructions on how to use the system are on our website under the School District Resources page.
 - System will be helpful during remote audits.
 - Submit financial statements
 - Submit documentation to support financial statements (i.e. Cash Recons, Capital Asset listing, A/R and A/P listings)

Keys to a Successful Audit



- Tips for Remote Audit
 - Clear and regular communication from both the auditors and School District.
 - Submit needed documentation timely.
 - Regular status meetings between the auditors and School District to update on any deficiencies, misstatements, and needed documentation.
 - Patience and understanding as we work through using new tools and methods (i.e. video calls for fraud questions, DocuSign for electronic signatures).

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 – FY19 Recipients to date



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

DOAA Award of Distinction for Excellent Financial Reporting – FY19 Recipients to date



- McIntosh County
- Monroe County
- Morgan County
- Polk County
- Putnam County
- Schley County
- Stephens County
- Tattnall County
- Thomas County
- Tift County
- Towns County
- Ware County
- Washington County
- Whitfield County
- Wilcox County

GASB Updates





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

GASB 84 – Fiduciary Activities



GASB Statement No. 84 "Fiduciary Activities"

- Governments with activities meeting the criteria **should present a statement of fiduciary net position and a statement of changes in fiduciary net position.** An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB 84 – Fiduciary Activities- Administrative Involvement



When making determination of fiduciary activities consider the School District's "**administrative involvement**".

Administrative involvement –

1. 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,
2. Determines eligible expenditures that are established by government or by a resource provider that does not receive the direct benefits of the activity, or
3. 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



Question:

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



Answer:

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



Question:

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



Answer:

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 84 – Fiduciary Activities – Impact to the Audit



- Items Needed from School District:
 - Policy for GASB 84
 - Documentation of consideration in determining which activities of the District are Fiduciary Activities or Governmental Activities
 - Journal Entry Restating Financial Statements
 - Restatement Note Disclosure

GASB 84 – Fiduciary Activities – Impact to the Audit



- Impact on the Testing Performed:
 - Auditor will need to do a sample to ensure that a consideration was performed, and account is in the correct fund.
 - Auditor will review entity's policy.
 - Review of the restatement note and Fiduciary Statements to ensure activity ties to documentation.

GASB 90 – Majority Equity Interests



GASB Statement No. 90 "Majority Equity Interests"

- Modifies previous guidance for reporting a government's majority equity interest in a legally separate organization
- Provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit

GASB 90 – Majority Equity Interests



GASB Statement No. 90 “Majority Equity Interests”

- If a government’s holding of equity interest meets the definition of an investment under paragraph 64 of GASB 72, the legally separate organization should not be reported as a component unit.
- If holding of the equity interest does not meet definition of an investment, the legally separate organization should be reported as a component unit.
- If the component unit is a DPCU, the majority interest should be reported as an asset by the primary government. If a blended CU, eliminate the equity interest.

GASB 90 – Majority Equity Interests



GASB Statement No. 90 "Majority Equity Interests"

- If a government acquires a 100% equity interest in a legally separate organization that is reported as a component unit, the measurements required under GASB 69 *Government Combinations and Disposals of Government Operations* should be at the date of acquisition.
- Requires restatement to the financial statements

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance



GASB 95 – “Postponement of the Effective Dates of Certain Authoritative Guidance”

- Statement provides temporary relief to governments in light of the COVID-19 pandemic.
- GASB still encourages governments to implement early if possible
- Postpones the effective dates of this Statement by 18 months:
 - GASB No. 87 – Leases
- Postpones the effective dates of certain Statements by one year.
 - GASB No. 84 – *Fiduciary Activities*
 - GASB No. 90 – *Majority Equity Interests*
 - GASB No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*
 - And others not discussed here



GASB Updates – Effective FY22 (Due to GASB 95)

GASB 87 – Leases



GASB Statement No. 87 "Leases"

- Objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments
- Requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizes as inflows of resources or outflows of resources based on the payment provisions of the contract

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 an intangible 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



GASB Statement No. 87 "Leases"

- Will require restatement of financial statements
- More to come as implementation nears!

GASB 89 – Construction Interest Costs



GASB Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period"

- In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset.

GASB 89 – Construction Interest Costs



GASB Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period"

- In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB 89 – Construction Interest Costs



GASB Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period"

- Changes adopted to conform to the provisions of this Statement should be applied **prospectively**. For construction-in-progress, interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized.

Questions?



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