2021 UPDATES

GASBO Conference
November 2021
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)
- December 3, 2021
  SPLOST Schedule

Immigration Act
- December 31, 2021
  Immigration Reporting Due
  (Nov. 1st - Immigration Submission Site Opened)
Important Dates

Financial Statements Due to DOAA

- November 15th – Certificate of Distinction
- December 31st – Otherwise
Availability of Audit Tools

• Exhibits and Schedules – available now
  • Updated SEFA placed on website 10/22/2021 – includes footnote for FEMA donations.

• Notes to the Basic Financial Statements
  • Updated version placed on website 10/13/2021 – made changes to OPEB note disclosure.
Accounting and Reporting Issues
• Effective July 1, 2021

• ...To strengthen provisions relating to the financial management of local school systems; to provide training for local board of education members and local school superintendents on financial management; to provide for monthly reporting to the local board of education on the financial stability of the local school system; to provide for designation by the Department of Audits and Accounts of high-risk local school systems and moderate-risk local school systems based on annual audits; to provide for financial management provisions in flexibility contracts and system charters....
§20-2-5

“It shall be the duty of each local board of education to hold a regular meeting during each calendar month for the transaction of business pertaining to the public schools and to review the financial status of the local school system.”

• DOAA will review documentation that provides evidence that the required financial information was shared monthly with the board (i.e. review of board minutes).
“The Department of Audits shall designate local school systems that have had reported irregularities or budget deficits for three or more consecutive years as high-risk local school systems and shall designate local school systems that have had reported irregularities or budget deficits for one year or two consecutive years as moderate-risk local school system.”
• 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.

Key Terms:
• Irregularities – Internal control findings - significant deficiency or material weakness (excludes findings like FS Prep)
• Budget Deficits – opinion units that present a deficit as a result of a lack of controls over the budget process.
§ 20-2-67

“The State Board of Education shall inform the superintendent of the local school system of the irregularities or budget deficits...including if a local system has been designated as a high-risk local school system or moderate-risk local school system.”

“The superintendent shall submit to the Department of Education a response to the findings and a corrective action plan approved by the local board of education within 120 days of receiving notice of designation as a high-risk or moderate-risk local school system...”
• DOAA will inform School District of their risk status during the exit conference.

• DOAA will inform GDOE of each School District’s risk status during the closure process.

• DOAA will formally notify the State Board of Education each quarter of those School Districts that have been designated as high-risk or moderate-risk.
§ 20-2-109

“Each local board of education which governs a local system that has been designated as a high-risk local school system or moderate-risk local school system...shall require the local school superintendent to complete training on financial management and financial governance of a local school system.”

• Superintendents of high-risk and moderate-risk districts will have to attend training.
  • GDOE and DOAA will provide the training to meet this requirement. Currently plan to hold first session of training at GAEL in January.
§ 20-2-230

The State Board of Education will require each newly elected member of a local board of education to receive guidance and training regarding his or her own local school system’s most recent audit findings and the risk status of the local school system.

• New Board Member training and guidance:
  • Shall include training on the role of the local superintendent with respect to financial management and financial governance of a local school system.
  • First session of new board member training will be held during the GSBA new board member training this month.
§ 20-2-230

“The State Board of Education shall require members of the board of education to complete the training... if the local board of education has been designated as high-risk local school system... or if DOAA has determined that corrective actions have not been implemented or devised to correct serious findings... from the previous year.”

• Managers will present at a board meeting/work session after the completion of the audit to meet the requirements of this training.
COVID Impact on Audit

• Analytical Procedures and Estimates
  • Historical trends and assumptions may not be relevant in the current environment.
  • Different procedures made need to be performed if analytical procedure is determined to be ineffective.

• Internal Controls
  • Could be different sets of processes and internal controls during FY21.
    • 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 FY21 – could result increased sample sizes.
GSFIC Revenue Recognition

• GSFIC revenue is a voluntary nonexchange transaction from the State of Georgia – based on a reimbursement-based grant.

• The grant is based on a State appropriation – the appropriation is essential to making the enabling legislation effective for a particular period.

• The School District cannot recognize the grant revenue or related state receivable unless the appropriation for that program exists and the period to which the appropriation has begun (i.e. bonds have been sold).
GSFIC Revenue Recognition

• Revenue is considered “earned” when the School District has incurred the expenditures – except for the last 10% payment.

• Accounts Receivable can be booked based on expenditures being incurred – even if paperwork hasn’t been submitted.

• Exception: Paperwork must be submitted prior to setting up the accounts receivable for the final 10% payment.
A government is awarded an expenditure-driven grant for construction of a facility. Could revenue recognition be delayed until construction is complete, similar to the completed-contract method? (Q&A34B-166)

No. Revenue from expenditure-driven (reimbursement) grants, including those used for capital projects, should be recognized as expenditures are incurred, provided all other eligibility requirements are met (subject to availability in governmental funds).
Z.33.14.Q—Does Statement 33 change revenue recognition requirements for reimbursement-based (expenditure-driven) grants under the modified accrual basis of accounting? (Q&A34B-162)

A—Yes. Paragraph 29 of Statement 33 notes that the Statement does not change the modified the accrual basis revenue recognition requirement. Paragraph 11 of National Council on Governmental Accounting (NCGA) Statement 2, Grant, Entitlement, and Shared Revenue Accounting by State and Local Governments, required that all grants, including expenditure-driven grants, be recognized as Chapter Z Z-11 revenue in governmental funds only when "both measurable and available" (as defined in paragraph 62 of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, as amended). For expenditure-driven grants, it added an additional requirement that "... revenues should be recognized when the expenditure is made."

However, the second criterion often was applied without regard to the first criterion, and revenue was recognized whether or not resources were available. Subparagraph 30d of Statement 33 requires revenue recognition "in the period when all applicable eligibility requirements have been met and the resources are available."
GSFIC Revenue Recognition

**Example #1:** During the FY, School District paid expenditures totaling $425,000.00 towards the completion of a GSIFC project. The School District did not submit the paperwork for reimbursement until August of the following FY.

- School District would book the $425,000.00 as a valid accounts receivable.

- The credit of the journal entry would depend on when the School District received the funds. If received during the revenue recognition period (normally 120 days), it would be booked to revenue. If received outside the revenue recognition period, it would be booked as unavailable revenue at the fund level but revenue at government-wide.
Local Required Match - GSFIC

- School Districts must have on hand up to 20% of the eligible project cost (determined by the local ability ratio and annual debt service as documented in O.C.G.A 20-2-260).

- The required matching fund must be transferred to the project fund (i.e. capital projects fund) before the end of the fiscal year.

- A School District can use up to 75% of its eligible principal and interest payments on GO Bonds to reduce its required local match.

- The local match will always remain between 8%-20% of the total project cost. There are some exceptions such as School Districts that are consolidating schools within the system.
Common Audit Issues
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
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.
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.
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
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 2021. This increase is due largely to additional state and local funds.”
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.
The DOAA Workplace...
Three Models Considered

- Pre-Pandemic
- Fully Remote
- Hybrid Model
The Hybrid Model

Allows more opportunities for remote work than the pre-pandemic model

Values collaboration, innovation, knowledge transfer along with productivity

Balances the needs of the organization with the work-life balance gains we made during the pandemic
DOAA Guiding Principles for Workplace Location
Hybrid Model – Performing Audits

Most auditors are performing audit procedures remotely:

- Using MS Teams for video conferencing for meetings and collaborations
- Secure File Transfer or email for sending and receiving communications and documentation
- DocuSign for communications requiring signatures
Audit procedures and meetings held on-site when it is most beneficial and efficient for your audit.

- When hard copies of audit evidence needs to be reviewed
- Various meetings and client consultations

When on-site auditors are taking necessary precautions to reduce exposure.
- Wearing masks
- Maintaining social distancing requirements
- Obtaining as much electronic audit evidence as possible
DOAA Award of Distinction for Excellent Financial Reporting
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Description of Best Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timeliness</td>
<td>Financial Statements including MD&amp;A, note disclosures, required supplementary information and supplementary schedules and all key supporting evidence were available for auditors by November 15. Compliance with Transparency in Government Act Accurate information submitted by the following established deadlines:</td>
</tr>
</tbody>
</table>
|                                                                        | • Salary and Travel Information: August 15  
|                                                                        | • Audit History/Payments Files: October 1  
<p>|                                                                        | • SPLOST Schedule: December 3                                                                                                                                                                                                  |
| Quality of Financial Statements, Note Disclosures, Required Supplementary Information and Supplementary Information | First set of financial statements, MD&amp;A, notes, required supplementary information and supplementary information provided for audit required only minimal adjustments during the audit. |</p>
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Description of Best Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Audit Documentation</td>
<td>Full supporting documentation to substantiate financial statements provided in a timely manner. Evidence easy to locate and use for audit.</td>
</tr>
<tr>
<td>Resolution of Accounting Standards / Presentation Issues</td>
<td>Management resolved all accounting standards and presentation issues in a timely manner.</td>
</tr>
<tr>
<td>Key Staff</td>
<td>Key staff readily available and cooperative during the audit and did not contribute to any delays in finalizing the audit.</td>
</tr>
<tr>
<td>Number/Significance of Deficiencies Identified</td>
<td>No significant deficiencies or material weaknesses noted during the audit. No more than 3 to 5 deficiencies reported within the management letter.</td>
</tr>
<tr>
<td>Clean Audit Opinion</td>
<td>Unmodified Opinion</td>
</tr>
</tbody>
</table>
Congratulations to the Following Recipients!!
DOAA Award of Distinction for Excellent Financial Reporting – FY20 Recipients to date

- Atkinson County
- Baker County
- Barrow County
- Bryan County
- Bulloch County
- Carroll County
- Charlton County
- City of Bremen
- City of Chickamauga
- City of Gainesville
- City of Pelham
- City of Vidalia
- Clarke County
- Coffee County
- Crisp County
- Dawson County
- Decatur County
- Early County
- Elbert County
- Evans County
- Fannin County
- Gilmer County
- Greene County
- Hall County
- Hart County
- Houston County
- Jasper County
- Lee County
- Lincoln County
- Long County
- Lowndes County
- Madison County
- Marion County
- McDuffie County
DOAA Award of Distinction for Excellent Financial Reporting – FY20 Recipients to date

- Morgan County
- Paulding County
- Pike County
- Putnam County
- Schley County
- Tattnall County
- Thomas County
- Tift County
- Towns County
- Ware County
- Washington County
- Whitfield County
- Wilcox County
GASB Updates
GASB Updates – Effective FY20
School Districts that didn’t implement GASB 84 in FY19 or FY20 must implement in FY21.

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 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
• 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.
Financial Statement Presentation – Restatement

• Must restate beginning fiduciary net position
• Describe the nature of the restatement and it’s effect in the notes to financial statements
• Possible that if only had Agency funds in prior years and no funds deemed custodial, that the restatement will remove all fiduciary funds.
### Custodial Fund Journal Entries

<table>
<thead>
<tr>
<th>Custodial Fund Journal Entries</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
</table>

**Sample**

A. To Accrue Receivable
   - AR - Other
   - Miscellaneous

| XXX,XXX | XXX,XXX |

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### Financial Statement Template Entries

1. To Reclass Net Position Adjustments
   - Net Position - Beginning of Year
     - $93,930.33
   - Net Position - Adjustments
     - $93,930.33

   To remove fund balance adjustments related to the cash balance.

2. To Reclass Net Position Adjustments
   - Net Position - Adjustments
     - $1,245.00
   - Net Position - Beginning of Year
     - $1,245.00

   To remove fund balance adjustments related to the accounts receivable.
**GASB 84 – Fiduciary Activities**

Journal Entries – **General Fund** – Financial Statement Template

<table>
<thead>
<tr>
<th>General Fund Journal Entries</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note: List Journal Entries below. Identify each entry by number or letter and list it in the JE Column</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 To Restate Beginning Fund Balance (GASB 84)</td>
<td>Revenue $1,245.00</td>
<td>Beginning Fund Balance $1,245.00</td>
</tr>
<tr>
<td>2 To Restate Beginning Fund Balance (GASB 84)</td>
<td>Fund Balance Adjustments $93,930.33</td>
<td>Beginning Fund balance $93,930.33</td>
</tr>
</tbody>
</table>
## GASB 84 – Fiduciary Activities

Journal Entries – **Government-wide** – Financial Statement Template

<table>
<thead>
<tr>
<th>Government-wide Journal Entries</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 To Restate Beginning Fund Balance (GASB 84)</td>
<td>$1,245.00</td>
<td>$1,245.00</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position - Beginning of Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 To Restate Beginning Fund Balance (GASB 84)</td>
<td>$93,930.33</td>
<td>$93,930.33</td>
</tr>
<tr>
<td>Net Position - Adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position - Beginning of Year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### GASB 84 – Fiduciary Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Position, July 1, 2020 as previously reported</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Prior Period Adjustment - Implementation of GASB No. 84:</strong></td>
<td>-</td>
</tr>
<tr>
<td>School Activity Account Reclassification</td>
<td></td>
</tr>
<tr>
<td><strong>Net Position, July 1, 2020, as restated</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Fund Balance (General Fund), July 1, 2020, as previously reported</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Prior Period Adjustment - Implementation of GASB No. 84:</strong></td>
<td>-</td>
</tr>
<tr>
<td>School Activity Account Reclassification</td>
<td></td>
</tr>
<tr>
<td><strong>Fund Balance (General Fund), July 1, 2020, as restated</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Net Position (Fiduciary Funds), July 1, 2020 as previously reported</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Prior Period Adjustment - Implementation of GASB No. 84:</strong></td>
<td>-</td>
</tr>
<tr>
<td>Restatement for Custodial Funds Beginning Net Position</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Position (Fiduciary Funds), July 1, 2020, as restated</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

If only restating for agency funds, use this sentence instead of the last part of the table above.
Funds Held for Other of $XX,XXX.XX was reclassified to Net Position and Fund Balance (General Fund).
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.
“In assessing whether a government has administrative involvement, a “substance versus form” consideration is appropriate. That is, the government’s role would have substance if the school board, school administrator, or faculty advisor (representative of the school) establishes how the resources can be spent through approved policies.”
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?
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.
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?
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.
• Items Needed from School District:
  • Policy for GASB 84 – does not have to be board approved.
  • Documentation of consideration in determining which activities of the District are Fiduciary Activities or Governmental Activities
  • Journal Entry Restating Financial Statements
  • Restatement Note Disclosure
• Impact on the Testing Performed:
  • Auditor will need to do a sample to ensure that 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 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 Updates – Effective FY22
(Due to GASB 95)
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 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

• Two Types of Financing Arrangements that **DO NOT** fall under GASB 87

  • *Short-term Leases* – maximum possible term of 12 months – including the option to extend. **NO** option to renew – renegotiate lease every year.

  • *Financed Purchases* – a contract that transfers ownership to the School District at the end of the agreement. (energy efficiency agreements, school bus financed purchases)
GASB Statement No. 87 “Leases”

- The lease term is the period during which a lessee has a noncancelable right to use an underlying asset, plus any extension options that are likely to be exercised.
- Capitalization of the right-to-use asset should follow the underlying asset based on current capitalization policies.
- Account for lease and non-lease components as separate transactions.
- GASB 87 is a retro-active statement – restatement is required!

- [GASB Statement No. 87, Leases](#)
Required Disclosures

1. A general description of the leasing arrangements.

2. Total amount of lease assets, and the related accumulated amortization – *disclosed separately from other capital assets*.

3. The amount of lease assets by major classes of underlying assets – *disclosed separately from other capital assets*.

4. Principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five year increments thereafter.
GASB 87 – Leases – Impact to Audit

• Impact on the Testing Performed:

  • Auditor will review the consideration of the School District’s leases and determination of reporting.
  • Review of the restatement note and documentation.
  • Review GASB 87 Policy
GASB 87 – Leases – Impact to Audit

- Items Needed from School District:
  - Policy update for GASB 87 (does not have to be board approved – accounting procedures update)
  - Documentation of consideration of lease agreements. **Start reviewing all possible lease agreements NOW**
  - Documentation of amounts for separate components of leases (maintenance, supplies, etc.)
  - Journal entry documentation for restatement related to leases – could be the worksheet provided by GDOE.
  - Restatement note disclosure
GASB 87 – Leases

GASB Statement No. 87 “Leases” - Guidance from Implementation Guide

Question:

An equipment vendor installs equipment on a government’s building to increase energy efficiency. The government will own the equipment at the end of the agreement, and the contract does not contain a termination option.

For financial reporting purposes, should this transaction be reported as a lease or a financed purchase?
GASB Statement No. 87 “Leases” - Guidance from Implementation Guide

Answer:

This transaction should be reported as a finance purchase. If title to the equipment transfers to the lessee by the end of the contract, the transaction is not accounted for as a lease for financial reporting purposes. Rather, the transaction is a financed purchase, as discussed in paragraph 19 of Statement 87.
Question:

A lease contract for copy machines requires that a minimum amount be paid for toner and paper regardless of whether these supplies are obtained. Should some portion of the minimum amount to be paid for supplies be included in the measurement of the lease liability?
Answer:

As discussed in paragraphs 66 and 67 of Statement 87, if the amount that the lessee is required to pay for supplies does not appear to be unreasonable, regardless of whether supplies are obtained, the government should account for the supplies separately from the lease and therefore not include it in the measurement of the lease liability. If the amount appears to be unreasonable, professional judgment may be needed to determine whether some or all of the minimum amount is, in substance, a fixed lease payment that should be included in the measurement of the lease liability.
A school district leases computers. At the end of the lease term, students are given the option to purchase their computer from the school district. Regardless of whether the students purchase their computers, the school district is required to purchase all computers from the lessor. The school district does not have a termination option.

Should this arrangement be reported as a lease or a financed purchase of the computers by the school district?
This arrangement should be reported as financed purchase. Paragraph 19 of Statement 87 states that one criterion of a financed purchase is that the contract transfers ownership of the underlying asset to the lessee by the end of the contract.

In this example, the lessee is the school district, not the students. The contract transfers ownership of the computers because the purchase by the school district is required. The sale of the computers to the students is separate transaction.
GASB Statement No. 87 “Leases” - Guidance from draft Implementation Guide

Q—Should lease assets be included with other capital assets in the disclosure of changes in capital assets?

A—Yes. Lease assets are capital assets and, therefore, should be included in the disclosure of changes in capital assets. Paragraph 37c of Statement 87 requires lessees to disclose “the amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets.” Paragraphs 116 and 117 of Statement 34, as amended, require disclosure of information about major classes of capital assets, including disclosure of changes in capital assets.
Question:
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 Statement No. 87 “Leases” - Guidance from Implementation Guide

Answer:

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. 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 assets in accordance with the guidance provided in Question 7.4.1 of Implementation Guide 2015-1, as amended.
Technology Advances

- Robotic Process Automation
- Innovation Hub
- Client Portal
- New Website
Robotic Process Automation (RPA)

- Automated Processes to retrieve Audit Data from Various Public Websites
- Automated Process to Publish Audit Reports
- Automated Processes to create standard letters and reports

Freeing up time to focus on improving the audit experience, client needs, and delivering quality services.
Innovation Hub - where no idea is too small

### Posted Innovation Ideas

<table>
<thead>
<tr>
<th>ID</th>
<th>Title</th>
<th>Idea Description</th>
<th>Number of Likes</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Workshare improvements for status</td>
<td>Use online tools for quick workflow status reporting from individual teams</td>
<td>4 Likes</td>
<td>Let time asking status updates accurate.</td>
</tr>
<tr>
<td>27</td>
<td>Stay focused</td>
<td>Keep a distraction list to stay focused</td>
<td>3 Likes</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>apply 80/20 rule</td>
<td>use the 80/20 rule to focus on most important tasks</td>
<td>3 Likes</td>
<td>Efficiency</td>
</tr>
<tr>
<td>32</td>
<td>Free Coffee</td>
<td>coffee for all</td>
<td>3 Likes</td>
<td>More energy</td>
</tr>
<tr>
<td>22</td>
<td>Stamps</td>
<td>I recommend discontinuing the lease for the postage machine and move to a Stamps.com model.</td>
<td>3 Likes</td>
<td>This will result overall reduction expenditures. We pay approximately $10/month for Stamps.com subscription costs $3,700 to lease machine.</td>
</tr>
<tr>
<td>23</td>
<td>June Idea- Project Stuff</td>
<td>This idea is to test the new ideas this week</td>
<td>2 Likes</td>
<td>We will enjoy more</td>
</tr>
<tr>
<td>24</td>
<td>Ken's Idea</td>
<td>This idea will help</td>
<td>2 Likes</td>
<td>Less time wasted</td>
</tr>
</tbody>
</table>

### Process for Ideas:

**Step 1: Submit your Idea**

**Step 2: Your Idea is Reviewed**

**Step 3: Your Idea is Posted**

**Step 4: "Like" the best ideas**

**Step 5: Earn rewards for the best idea selected by the committee**
News and Announcements

Welcome -- What's New

Your client portal has several important features which enables you to exchange information with your audit team all in one place. You will find all the needed resources right at your fingertips and if ever a question just post your question and the audit team will respond. Click [here] to see a full feature list.

Announcement -- Your First Steps

- Take time and click around
- Watch Helpful How-to Videos
- Find the PBC Listing
- Ask questions we are here to help

Client Portal – Information at Your Fingertips

Upcoming Events

- Add event

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCT 22</td>
<td>Payments and Obligations Files Due</td>
</tr>
<tr>
<td></td>
<td>Fri, Oct 22, All day</td>
</tr>
<tr>
<td>NOV 15</td>
<td>Submission Due for Certificate of Achievement for Excellent</td>
</tr>
<tr>
<td></td>
<td>Mon, Nov 15, All day</td>
</tr>
</tbody>
</table>
Client Portal – Information at Your Fingertips

- Current Deadlines and Issues
- Prepared by Client Listing
- Manage Systems Information
- Manage Contact Information
- Upload and Retrieve Files
- Submit Questions
- Complete Forms
# Meet the Audit Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan Williams</td>
<td>SFA Engagement Partner</td>
</tr>
<tr>
<td>Kelsey Clonch</td>
<td>SFA Team Member</td>
</tr>
<tr>
<td>TJ Duncan</td>
<td>SFA Team Member</td>
</tr>
<tr>
<td>Lisa Kimbrell</td>
<td>SFA Team Lead</td>
</tr>
<tr>
<td>Brandon Spradlin</td>
<td>SFA IT Team Member</td>
</tr>
<tr>
<td>Terry Brown</td>
<td>SFA IT Manager</td>
</tr>
</tbody>
</table>

## Helpful Links
- Official Code of Georgia Annotated
- Electronic Code of Federal Regulation...
- U.S. Department of Education
- NIST 800-171A Assessing Security...
- NIST 800-171r2 Protecting Controlle...
- SAM.gov | Home

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**Client Portal — Information at Your Fingertips**
Advancement through Accountability

The Department of Audits and Accounts exists to provide decision-makers with credible management information to promote improvements in accountability and stewardship in state and local government.

Featured Reports

Sector
Report title lorem ipsum dolor sit amet, consectetur.
Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna.

Read Report

Sector
Report title lorem ipsum dolor sit amet, consectetur adipiscing.

Sector
Report title lorem ipsum dolor sit amet, consectetur adipiscing.

Sector
Report title lorem ipsum dolor sit amet, consectetur adipiscing.

All Reports

Search all reports... Sector State Agency Go
What’s New?

Searchability
Better search functionality to save time

Resources
Easier access to exactly what you need

Readability
Shorter, scannable content for easy reading
Improved Report Search

Key Filters

- Sector
- Organization
- Report Type
- Fiscal Year
Resource Library

For Organizations

- Colleages & Universities
- State Agencies
- School Districts
- Regional Commissions
- RESAs
- Non-Profits
- Local Government

Legislative Resources

- Immigration
  - Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu.

- Architecture & Engineering
  - Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu.

- SEFA
  - Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu.

- TIGA
  - Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu.

Open Georgia

Salaries & Travel Reimbursements
The DOAA-prepared Salaries & Travel Reimbursements report can be found on Open Georgia. Open Georgia is a gateway for obtaining information and key documents about how the State of Georgia spends tax dollars and other revenues to provide services to Georgians.

Visit Open.Georgia.gov
Georgia Department of Audits

Established in 1923

Part of the Legislative Branch of the Government

Divisions

- Administration
- Financial Audits
- Information Technology
- Performance (Review of State Programs)
- Professional Standard and Practices
- Sales Ratio
- Technology Risk & Assurance
Year in Review

About us

- 252 employees
- 128 staff with adv. degrees or certifications
- 4.8% of available work hours spent on training
- $33 Million annual budget

We Audited

State government entities

- 70 entities
- Employing over 74,000 people
- Managing $64 Billion in funds

Local school districts

- 140 entities
- Educating over 1.7 million students
- Receiving a portion of $11.3 Billion in state QBE funds

We also...

- Performed 1,258 Reviews of Local Governments and Non-Profit Organizations
- Managed Immigration Compliance Reporting for 2,421 entities

We delivered

- 315 financial audit reports
- 16 performance audit reports
- 129 fiscal notes & retirement certs
- 2,990 property appraisals
Questions?

Sara McLeod
Deputy Director
mcleods@audits.ga.gov