

The background of the slide is a photograph of the Georgia State Capitol building. The building is a grand, classical-style structure with a prominent golden dome topped by a statue. The facade features numerous columns and windows. The sky is clear and blue, and some green trees are visible in the foreground and to the right.

**G.A.I.N.S.**

*Georgia Accounting Information  
Network Support, Inc.*

[www.GAgains.org](http://www.GAgains.org)

## 2019 UPDATES

**GAINS Conference**  
**May 2, 2019**  
**Savannah, Georgia**

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

# Presentation Topics



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

# Important Dates and Other Reminders



# Important Due Dates



## Transparency in Government Act (TiGA)

**1** October 1<sup>st</sup> TiGA Submission Due

(July 9<sup>th</sup> TiGA Submission Site Opens)

**1** August 15<sup>th</sup> Salaries & Travel Report CS1

(Opens July 8<sup>th</sup> and due by August 15<sup>th</sup>)

**1** October 1<sup>st</sup> Audit History File (AHIS)

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

# Important Due Dates



Immigration Act

 December 31<sup>st</sup>

Immigration Reporting Due

(Nov. 1st Immigration Submission Site Opens)

# Important Dates



## Availability of Audit Tools


 July 31<sup>st</sup>

Financial Statement Templates

(including Note Templates)

## Financial Statements Due to DOAA

 November 15<sup>th</sup> Certificate of Distinction

 December 31<sup>st</sup> Otherwise

# Other Notes & Reminders



- Special reporting needs
  - Let us know ASAP!
- GaDOE year-end workshops
- GASBO financial statement workshop  
Tuesday, November 5th

# NEW DOAA Collection System



[Home](#) / [Information/Resources](#) / [Local Government Resources](#)

## Georgia School District Resources

### Award of Distinction for Excellent Financial Reporting

The Best Practice Criteria has been established to recognize better practices for financial reporting and controls. This Award of Distinction encourages Local Boards of Educations to go beyond the minimum requirements of generally accepted accounting principles and recognize individual organizations that are successful in achieving that goal.

[Download Award Criteria](#) (updated 10/29/2013)

[2017 Recipients of Award of Distinction for Excellent Financial Reporting](#) (updated 11/06/2018)

#### Submission Deadlines:

##### For Compliance with the Transparency in Government Act:

Submission Due Dates [\[click here\]](#)

##### For Compliance with the Immigration Reform Act:

December 31 - Affidavit for Public Employers

##### For Award of Distinction for Excellent Financial Reporting:

November 15 - Financial Statements and related audit evidence to Auditors (see Certificate Criteria above for details)

#### Transparency in Government Act (TIGA):

- [TIGA Letter from the State Auditor](#) (updated 6/6/2018)
- [Example of PCard Submission](#)
- [TIGA FAQ](#)

#### DOAA File Collection:

- [New File collection system instructions](#) [\[click here\]](#)
- [Audit History Submission File Layout](#)

[Administrative](#)

[Financial Audits](#)

[Information Technology](#)

[Nonprofit and Local Government Audits](#)

[Professional Standards and Practices](#)

[Performance Audits](#)

[Sales Ratio](#)

[Technology Risk & Assurance](#)



# NEW DOAA Collection System



- Self-reset and add or change the files submitted

\* If you have clicked on "Confirm" in error, you may request a reset of your submission by clicking this icon-



There is no need to call us for this reset request as this will be processed systematically.

- File Share Point Option

# Accounting and Reporting Issues



# Accounting & Reporting Issues



- Collateralization of Deposits
  - Finance Director should request Collateralization information directly from the bank
  - Request the Summary of Pledged Collateral at June 30
  - Review the information and include in the Notes to the Financial Statements
    - Issues:
      - FDIC Insurance - \$250,000 for Time Deposits and \$250,000 for Demand Accounts
      - Bond Sinking Funds - 100% Collateralized

# Accounting & Reporting Issues



- Property Tax
  - Receive Confirmation
  - Review for accuracy
  - Compare to School Districts records
  - Prepare analysis of "Expected Collections vs Actual Collections" to determine validity of Delinquent Taxes reported by commissioner.

# Accounting & Reporting Issues



- Reporting of Interest Payable on QSCB Bonds – IRS Subsidy Bonds
  - Calculate the amount owed at June 30

Calendar Year Ending December 31	Principal	Interest	Total Annual Debt Service Requirements	Federal Subsidy Payment	Total Annual Debt Service after Subsidy
2019	-	377,520.00	377,520.00	(337,880.40)	39,639.60
2020	-	475,200.00	475,200.00	(425,304.00)	49,896.00

# Accounting & Reporting Issues



Interest Payment due December 31, 2019 of \$377,520.00

Calculate Monthly amount:  $377,520.00 / 12 = 31,460.00$

$31,460.00 \times 6 \text{ months} = 188,760.00$  – Interest Payable

## ENTRY:

Interest on Short-Term and Long-Term Debt Function Expense	188,760.00
Interest Payable	188,760.00

# Accounting & Reporting Issues



## Reporting of Interest Receivable on QSCB Bonds – IRS Subsidy Bonds

- Calculate the amount earned at June 30
- This is the amount to be provided by the IRS

# Accounting & Reporting Issues



Federal Subsidy Payment December 31, 2019 of  
\$337,880.40

Calculate Monthly amount:  $337,880.40/12=28,156.70$

$28,156.70 \times 6 \text{ months} = 168,940.20$  – Interest Receivable

## ENTRY:

Interest Receivable	188,760.00
Capital Grants and Contribution – Interest on Short-Term and Long-Term Debt Function	188,760.00



# Accounting & Reporting Issues



- Guaranteed Energy Savings Leases /Contracts
- Capital Leases
- Operating Leases

# Net Pension Liability and OPEB Liability



## Measurement Period -vs- Current Period

Measurement Period = July 1, 2017 – June 30, 2018

Current Period = July 1, 2018- June 30, 2019

- Information reported in the Notes is mostly related to the Measurement Period, except when mentioning “current fiscal year contributions”
- Schedules of Proportionate Share of Net Pension Liability and Schedule of Proportionate Share of OPEB is Measurement Period
- Schedules of Contributions is Measurement Period is Current Period

# 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



- Capital Assets
- Be sure to consider **ALL** payables related to capital assets (accounts, contracts and retainages payables) not just those related to Bond Projects
- “Bond Proceeds on Hand” - Should never be negative and is considered for the life of the Debt
- Impacts Restricted for Capital Projects
- Unexpended Bond Proceeds will impact the calculation of NICA. Choose either:
  - 1) Fund Balance Method
  - 2) Cash Method

# 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



- Bond Proceeds used to purchase items that are **NOT** capitalized must be added back to NICA
  - Cumulative Calculation for the life of the debt
  - Typically tracked by Fiscal Year
- Impacts Unrestricted Net Position

# 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 and removed from Restricted for Capital Projects
  - Items purchased with proceeds from Energy Leases that are not capitalized must be added back.
    - Impacts Unrestricted Net Position
    - Cumulative Calculation for the life of the debt
    - Typically tracked by Fiscal Year



# Other Reporting Issues



## **Deferred Loss/Gain on Debt Refunding**

- Amortization should be charged to Interest expense

## **Corrective Action Responses**

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

# Other Reporting Issues



## Management's Discussion and 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
- Request the final modified version from the prior year auditors to ensure you have the latest copy.

# Other Reporting Issues



## Management's Discussion and Analysis

- **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

# Other Reporting Issues



## Management's Discussion and Analysis

Provide an **analysis** of significant changes that occur in funds and significant budget variances.

Describe capital asset and long-term debt activity during the year.

Discussion of *currently known* **facts**, decisions, or conditions that are expected to have a *significant effect* on results or operations.

# Other Reporting Issues



## Management's Discussion and Analysis

- Management's analysis
- Omission does not affect the auditor's opinion

## Auditor's Responsibility

- Auditor's report must mention that required element is missing
- Request the final modified version from the prior year auditors to ensure you have the latest copy.
- Auditor will perform limited procedures to determine accuracy

# Component Unit



- Potential Component Unit Forms
  - ✓ Complete determination for each Potential Component Unit
  - ✓ Update and provide to auditors **annually**  
(Should consider PTOs, Booster Clubs, Charter Schools, etc)
- Discretely Presented Component Unit
  - ✓ Include significant note disclosures
  - ✓ All component units included for reporting purposes must be audited or there is a potential for a modified opinion.

# DOAA Award of Distinction for Excellent Financial Reporting



# Award Criteria



Criteria	Description of Best Practices
Timeliness	<p>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.</p> <p>Compliance with Transparency in Government Act Accurate information submitted by the following established deadlines:</p> <ul style="list-style-type: none"> <li>• Salary and Travel Information: August 15</li> <li>• Audit History/Payments Files: October 1</li> <li>• SPLOST Schedule: December 6</li> </ul>
Quality of Financial Statements, Note Disclosures, Required Supplementary Information and Supplementary Information	<p>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>



# 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 - FY18 Recipients to date



- Atkinson County
- Bulloch County
- Charlton County
- City of Bremen
- City of Pelham
- City of Vidalia
- 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
- McDuffie County
- Morgan County
- Paulding County
- Putnam County
- Tattnall County
- Thomas County
- Towns County
- Ware County
- Washington County

# Client Satisfaction Survey Results



# Our Process



- ✓ Our Business Innovations Team sends surveys to each auditee once the audit report has been released.
- ✓ Surveys are received and reviewed by our Professional Standards and Practices Division
- ✓ Results are provided to the State Auditor, Deputy Directors, and other responsible individuals
- ✓ An overall assessment is done periodically, but individual issues are addressed immediately.

**Thank you for responding!!**





# Census Testing

What is the purpose of census testing and why is it important?

To ensure the census data information used in calculating the net OPEB liability and/or net pension liability is complete and accurate.

# Census Testing



The census data file is prepared by plan management based on transmission of information from employers.

- Begins with enrollment of an employee.
- Incremental changes are transmitted to the plan through transmission reports.



# Census Testing



Census data file is submitted to the Actuary

Actuary performs actuarial valuation to estimate liability

Auditors perform census data testing to ensure complete and accurate census data

# Census Testing



The census data file may contain information such as:

- Name
- SSN
- Date of birth
- Date of hire
- Eligible Compensation
- Position
- Contributions
- Gender
- Date of termination or retirement
- Employment status, etc.

# Census Testing



## Responsibilities:

- **Plan Management** is responsible for the completeness and accuracy of census data
- **Plan auditors** obtain sufficient and appropriate evidence that the census data reported to the actuary is correct.

# Census Testing



What will your auditor look for when testing census data?

# Census Testing



## ELIGIBILITY

Ensure employees are appropriately recorded as eligible/ineligible based on plan documents.



# Census Testing

## STATIC CENSUS DATA

Verify certain elements of static information to personnel records.

- **Date of Hire**
  - New hire information packet/PAF
  - Letter of hire from HR
- **Date of Birth**
  - Drivers license
  - Application
- **Gender**
  - Driver's license

# Census Testing



## COMPENSATION

If applicable, verify compensation to payroll records and amounts reported to the plan.

## CONTRIBUTIONS

Verify the contributions are accurate and verify to the information reported to the plan.

# Federal Compliance Issues





# Federal Compliance – Equipment Testing



- Auditors complete the equipment inventory management compliance testing required per the OMB Compliance Supplement as follows:
  - Identify equipment acquired and trace selected purchases to the property records. Verify that the property records contain the required information.
  - Verify that the required physical inventory of equipment was performed. Test whether any differences between the physical inventory and equipment records were resolved.
  - Select a sample from all equipment acquired under Federal awards from the property records and physically inspect the equipment and determine whether the equipment is appropriately safeguarded and maintained.

# Federal Compliance – Equipment Testing



- 2 CFR 200.313(d)(1) requires the following items to be reflected on each Federal program's equipment listing:
  - a description of the property
  - a serial number or other identification number
  - the source of funding for the property (including the FAIN)
  - who holds title
  - the acquisition date
  - cost of the property
  - percentage of Federal participation in the project costs for the Federal award under which the property was acquired
  - the location
  - use and condition of the property
  - any ultimate disposition data including the date of disposal and sale price of the property

# Federal Compliance – Equipment Testing



- DOAA staff have encountered significant problems in the testing of equipment items as follows:
  - Equipment listings do not contain all required components.
  - Equipment items were physically located but were not reflected on the listings appropriately, and/or items reported on the listings could not be physically located.
  - Physical inventories have not been performed or physical inventory documentation provided by School District personnel does not appear to be reasonable or complete.
- Standards require auditors to ensure that they have met the objectives of their testing.
  - However, the excessive deviation rates noted in equipment testing often times do not support the achievement of these objectives.

# Federal Compliance – Equipment Testing



- In an effort to ensure that the level of deficiency matches the results of this testing, auditors will be allowing School Districts several months to make the necessary updates to their equipment listings.
- Until June 30, 2019, auditors will only write Significant Deficiency or Material Weakness findings for two or more of the following issues as has been our practice in the past:
  - Items are located when performing the physical inspection but are missing from the listing.
  - Items on the equipment listing cannot be physically located.
  - Significant issues are noted with the listing not containing costs or identifying numbers.
  - A physical inventory was not performed in the last two fiscal years.

# Federal Compliance – Equipment Testing



- After June 30, 2019, auditors will begin to write Significant Deficiency or Material Weakness findings for equipment listings that do not reflect all required components.
  - Most of the listing requirements have been required for many years though the verbiage in the Uniform Guidance has changed slightly.
  - However, the FAIN number is a new requirement under the Uniform Guidance. Therefore, auditors will expect to see a FAIN number listed for equipment purchased from FY2016 to the present as this was the year in which School District's began reporting the FAIN numbers on the SEFA.

## Federal Compliance – Internal Controls under the Uniform Guidance



- Non-Federal entities, such as School Districts, are required to implement internal controls over Federal programs:
  - 2 CFR 200.303, “the non-Federal entity must: (a) establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with the Federal statutes, regulations, and the terms and conditions of the Federal award.”

## Federal Compliance – Internal Controls under the Uniform Guidance



- Auditors are required to test internal controls over Federal programs:
  - Per 2 CFR 200.514(c)(3), "...the auditor must (i) plan the testing of internal control over compliance for major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program; and (ii) perform testing of internal control as planned..."
- Based upon this guidance, it is imperative that the internal controls implemented for each compliance requirement be documented and maintained on-file by School District personnel.

# Federal Compliance – Materiality Considerations



Under the Uniform Guidance, there are several levels of materiality:

- *Major Program Level*—materiality level for opining on the entity's compliance with requirements having a direct and material effect on each major program.
- *Compliance Requirement Level*—materiality level for individual compliance requirements.
- *Audit Finding Level*—materiality level for purposes of reporting audit findings in the schedule of findings and questioned costs. Audit finding materiality is defined in 2 CFR section 200.516(a).

*Document Title: 1307 Considering Compliance with Laws and Regulations in a Single Audit  
Checkpoint Source: Audits of Local Governments (PPC)*

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## Federal Compliance – Materiality Considerations



Compliance requirement and audit finding materiality levels are lower levels of materiality than major program materiality.... **the determination of whether noncompliance is material for the purpose of reporting audit findings is in relation to a type of compliance requirement identified in the Compliance Supplement.**

*Document Title: 1307 Considering Compliance with Laws and Regulations in a Single Audit  
Checkpoint Source: Audits of Local Governments (PPC)*

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# Federal Compliance – Materiality Considerations



When noncompliance related to monetary transactions is found auditors must

- Determine and report known questioned costs
- Estimate likely questioned costs – usually through projection of audit sample error
- Consider effect of likely questioned costs on opinion on compliance
- Include an audit finding when estimated likely questioned costs exceed \$25,000
- Please note that materiality to the program of compliance requirement is **not** a consideration. A finding is required when likely QC exceed \$25,000.
- Materiality will help determine the level of finding – Significant deficiency vs. Material weakness

# Insurance Recoveries



# Reporting Insurance Recoveries



## **GASBS 42 — Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries**

- In governmental fund financial statements, restoration or replacement of an impaired capital asset should be reported as a separate transaction from the associated insurance recovery, which is reported as an other financing source or extraordinary item, as appropriate.
- In governmental and business-type activities in government-wide financial statements and in proprietary fund financial statements, restoration or replacement of an impaired capital asset should be reported as a separate transaction from the impairment loss and associated insurance recovery. The impairment loss should be reported net of the associated insurance recovery when the recovery and loss occur in the same year.

# Reporting Insurance Recoveries



## **GASBS 42 — Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries**

- Insurance recoveries reported in subsequent years should be reported as a program revenue, nonoperating revenue, or extraordinary item, as appropriate.
- Insurance recoveries should be recognized only when realized or realizable. For example, if an insurer has admitted or acknowledged coverage, an insurance recovery would be realizable. If the insurer has denied coverage, the insurance recovery generally would not be realizable.
- If not otherwise apparent in the financial statements, the amount and financial statement classification of insurance recoveries should be disclosed.

## Reporting Insurance Recoveries



*.728-1 Q—What is the difference between "extraordinary" items and "special" items ?*

*A—Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. Special items differ from extraordinary items in two ways. The first difference is that special items should be within the control of management, whereas extraordinary items are not required to be within the control of management. The other difference is that extraordinary items are required to be both unusual in nature and infrequent in occurrence, whereas special items are only unusual in nature or infrequent in occurrence, but not both.*

# Reporting Insurance Recoveries



Examples of events or transactions that may qualify as extraordinary or special items may include:

## *Extraordinary items:*

- Costs related to an environmental disaster caused by a large chemical spill in a train derailment in a small city.
- Significant damage to the community or destruction of government facilities by natural disaster (tornado, hurricane, flood, earthquake, and so forth) or terrorist act. Geographic location of the government may determine if a weather-related natural disaster is *infrequent*.
- A large bequest to a small government by a private citizen.

# Reporting Insurance Recoveries



Examples of events or transactions that may qualify as extraordinary or special items may include:

*Special items:*

- Sales of certain general governmental capital assets
- Termination benefits resulting from workforce reductions due to sale of utility operations
- Early-retirement program offered to all employees
- Significant forgiveness of debt
- Gains or losses on the disposal of government operations



# GASB Updates – Effective FY19



# GASB 83 – Asset Retirement Obligations



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

- Establishes criteria for accounting and financial reporting for certain asset retirement obligations (AROs).
- An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset that is permanently removed from service.
- Requires an external obligating event:
  - a. Approval of federal, state, or local laws or regulations
  - b. Creation of a legally binding contract
  - c. Issuance of a court judgment.

# GASB 83 – Asset Retirement Obligations



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

This Statement does not apply to:

- a. Obligations that arise solely from a plan to sell or otherwise dispose of a tangible capital asset
- b. Obligations associated with the preparation of a tangible capital asset for an alternative use
- c. Obligations for pollution remediation, such as asbestos removal, that result from the other-than-normal operation of a tangible capital asset
- d. Obligations associated with maintenance, rather than retirement, of a tangible capital asset
- e. The cost of a replacement part that is a component of a tangible capital asset
- f. Landfill closure and postclosure care obligations
- g. Conditional obligations to perform asset retirement activities.

## GASB 88 – Certain Disclosures Related to Debt



### *GASB Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"*

In addition to other requirements to disclose information related to debt in notes to financial statements, a government should disclose in notes to financial statements summarized information about the following items:

- a. Amount of unused lines of credit
- b. Assets pledged as collateral for debt
- c. Terms specified in debt agreements related to significant
  - (1) events of default with finance-related consequences,
  - (2) termination events with finance-related consequences, and
  - (3) subjective acceleration clauses.

## GASB 88 – Certain Disclosures Related to Debt



GASB Statement No. 88 *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"*

- Direct borrowings – entering into a loan agreement with a lender
- Direct placements – issuing debt security directly to an investor
- Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale.
- In notes to financial statements, a government should separate information in debt disclosures regarding direct borrowings and direct placements of debt from other debt.

# 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 now been removed and included in Custodial funds
- Need to analyze current funds to determine the new categorization



# GASB 84 – Fiduciary Activities



## GASB Statement No. 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” guidance from Implementation Guide (Draft)

“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” guidance from Implementation Guide (Draft)

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 the club’s activities and how the resources 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?

# GASB 84 – Fiduciary Activities



“Administrative involvement” guidance from Implementation Guide (Draft)

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 representative) has the ability to reject, modify, or approve how the resources are spent.

# GASB 84 – Fiduciary Activities



“Administrative involvement” guidance from Implementation Guide (Draft)

Question:

A school board establishes and approves a policy related to the receipt, disbursement, and holding of funds for various student clubs and organizations that are not legally separate from the school district. The policy includes specific guidelines related to how the funds raised by the clubs and organizations can be spent. Does the school district have administrative involvement?

# GASB 84 – Fiduciary Activities



"Administrative involvement" guidance from Implementation Guide (Draft)

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 84 – Fiduciary Activities



“Administrative involvement” guidance from Implementation Guide (Draft)

Q—Assume the same facts, except that the policy that applies to all clubs only addresses issues such as the authorized account signers and the prohibition of spending for illegal activities. Does the school district have administrative involvement?

A—No. The school district does not have administrative involvement. The school district’s role is not considered to be substantive because the school has not established specific guidelines regarding how the resources of the clubs and organizations can be spent.

# GASB 84 – Fiduciary Activities



## Financial Statement Presentation – Restatement

- Must restate beginning fiduciary net position
- Describe the nature of the restatement and its 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 and will need to be disclosed



# GASB 90 – Majority Equity Interests



## GASB Statement No. 90 "*Majority Equity Interests*"

- Provides 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
- Equity interest is a financial interest in a legally separate organization shown by ownership of the organization's stock or by explicit, measurable rights to the net resources of the organization

# GASB Updates – Effective FY21



# 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



GASB Statement No. 87 "*Leases*" - Guidance from draft Implementation Guide

Q—An equipment vendor installs equipment on a government's building to increase energy efficiency. The government makes payments to the equipment vendor based on a percentage of the government's energy cost savings. The government will own the equipment at the end of the agreement, and the contract does not contain a termination option. Is this transaction a lease for financial reporting purposes?

A—No. 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.

# GASB 87 – Leases



GASB Statement No. 87 "*Leases*" - Guidance from draft Implementation Guide

Q—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?

# GASB 87 – Leases



## GASB Statement No. 87 "*Leases*" - Guidance from draft Implementation Guide

A—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.

# GASB 87 – Leases



GASB Statement No. 87 "*Leases*" - Guidance from draft Implementation Guide

Q—A government purchases an underlying asset from the lessor and, as a result, terminates a lease. The government reclassifies the right-to-use lease asset to the appropriate asset class. How should this reclassification be disclosed in the notes to financial statements?

# GASB 87 – Leases



GASB Statement No. 87 "*Leases*" - Guidance from draft Implementation Guide

A—Paragraph 37b of Statement 87 requires that lease assets, and the related accumulated amortization, be disclosed separately from other capital assets. Because lease assets are capital assets, paragraphs 116–120 of Statement 34 apply. Upon termination of the lease and purchase of the underlying asset, the lessee should disclose a decrease of the lease asset and an increase of a capital asset in the appropriate capital asset class, as described in paragraph 117 of Statement 34, as amended. Alternatively, a reclassification column could be used to show the change from lease asset to the other capital asset class.



# GASB 87 – Leases



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.

# GASB 87 – Leases



GASB Statement No. 87 "*Leases*"

Capitalization of the right-to-use asset should follow the underlying asset based on current capitalization policies.

# GASB 89 – Construction Interest Cost



## 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 (government-wide), 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.
- In financial statements prepared using the current financial resources measurement focus (fund level), 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.
- Early implementation is not permitted!

# Questions?



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