MAULDIN & JENKINS
CPAs & ADVISORS

THE CITY OF STONECREST GEORGIA

Presentation of 2020 Auditor’s Discussion and Analysis

City of Stonecrest, Georgia
Mayor/Council Meeting

Auditor’s Discussion and Analysis

- Engagement Team
- Results of the 2020 Audit
- Comments, Recommendations, and Other Issues
- Questions

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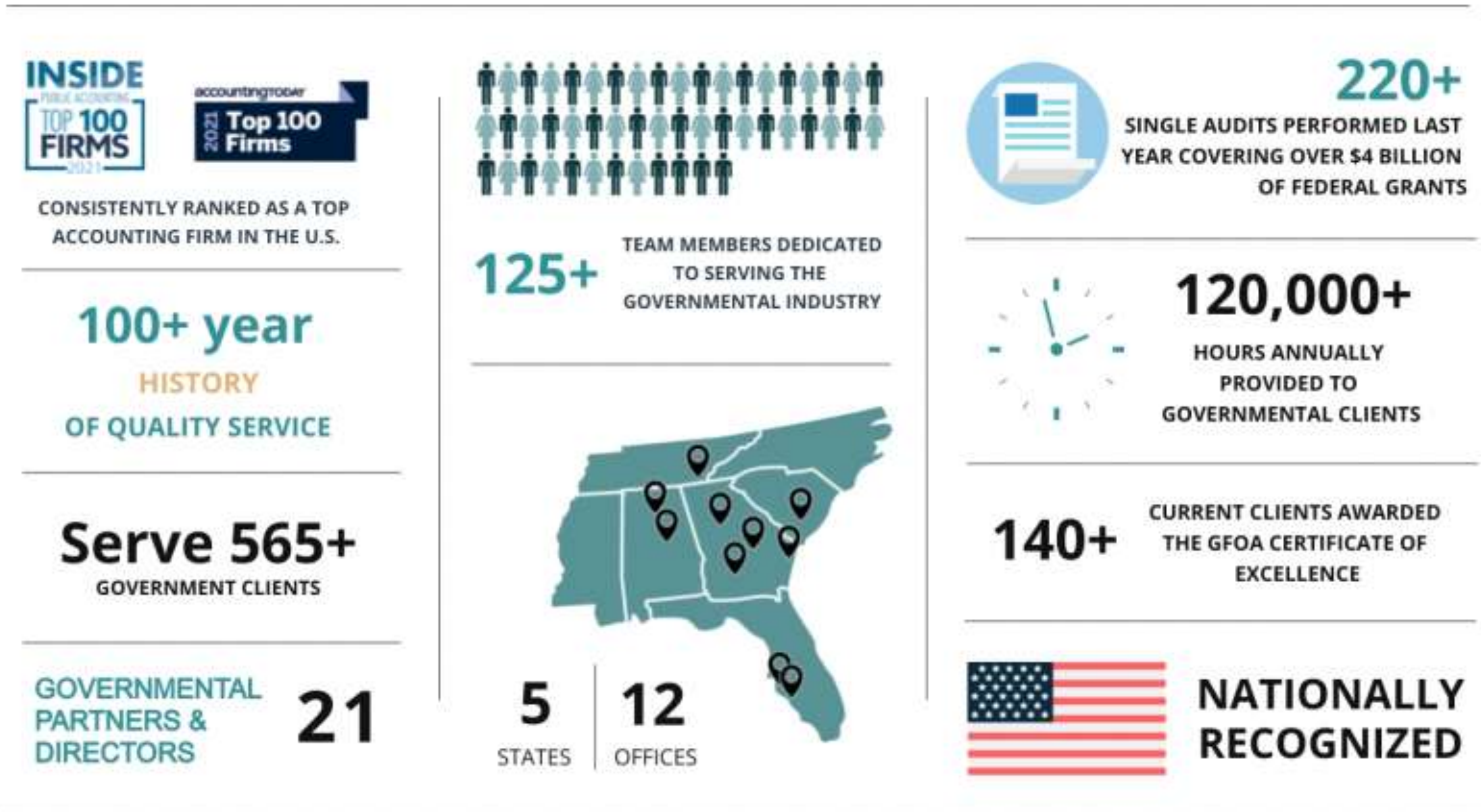
100 years
MAULDIN & JENKINS
a century of success

Engagement Team

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE



Engagement Team (Continued)

Engagement Team Leaders for the City of Stonecrest Include:

- Doug Moses and Adam Fraley, Engagement Partners – over 20 years' experience, 100% governmental
- Tim Lyons, Quality Assurance Review Partner – 14 years' experience, 100% governmental
- Will Derzis, Manager – 7 years' experience, 100% governmental

Mauldin & Jenkins – Additional Information

Other Industries & Services by Mauldin & Jenkins:

Each of Mauldin & Jenkins' offices provides a wide variety of services to a broad range of clientele. We have partners and managers who are responsible for specialized practice areas of auditing and accounting, taxes and management advisory services. Their purpose, as leaders in the particular practice area, is to establish policies with respect to technical matters in these specific areas and ensure that the quality of the Firm's practice is maintained.

Industries Served: Over the years our partners have developed expertise in certain industries representative of a cross section of the Georgia economy, including:

- Governmental Entities (state entities, cities, counties, school systems, business type operations, libraries, and other special purpose entities)
- Agri-Businesses
- Professional Services
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Long-term Healthcare
- Individuals, Estates and Trusts
- SEC Registrants
- Wholesale Distribution
- Manufacturing
- Employee Benefit Plans
- Non-Profit Organizations
- Retail Businesses
- Construction & Development
- Real Estate Management

Results of December 31, 2020 Audit

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS)
  - We considered the internal control structure for the purpose of expressing our opinion on the City's basic financial statements and not providing assurance on the internal control structure.
  - Our audit was performed in accordance with GAAS.
  - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
  - The basic financial statements are the responsibility of the City's management.
- Report on 2020 Basic Financial Statements
  - Unmodified ("clean") opinion on basic financial statements. Audit report date of June 27, 2022.
  - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
  - Our responsibility does not extend beyond financial information contained in our report.
- Report in accordance with *Government Auditing Standards* for 2020
  - Four (4) material weaknesses (i.e. findings) reported. Audit report date of June 27, 2022.

Results of December 31, 2020 Audit (Continued)

- Significant Accounting Policies
  - The significant accounting policies used by the City are described in Note 1 to the basic financial statements.
  - Implemented in the current fiscal year.
  - In considering the policies used by the City are in accordance with generally accepted accounting principles and similar government organizations, with no significant new policies. In considering the qualitative aspects of its policies, the City is not involved in any controversial or emerging issues for which guidance is not available.
- Management Judgment/Accounting Estimates
  - The City uses various estimates as part of its financial reporting process – including valuation of useful lives of capital assets.
  - Management’s estimates used in preparation of financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management’s calculations in evaluating the City’s significant accounting estimates.
- Financial Statement Disclosures
  - The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit.

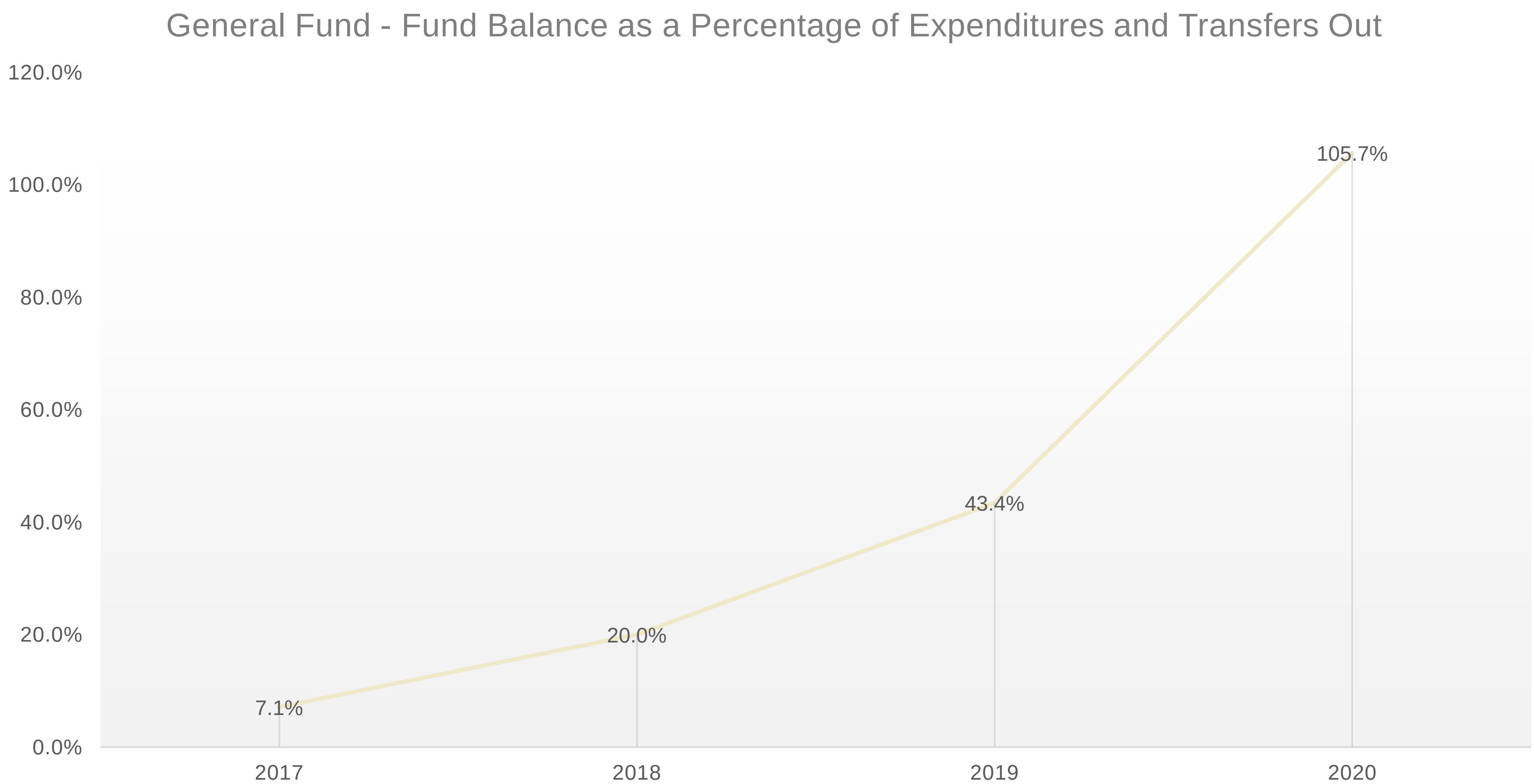
Results of December 31, 2020 Audit (Continued)

- Relationship with Management
  - We received full cooperation from the City’s management, staff, and others.
  - There were no disagreements with management on accounting issues or financial reporting matters.
- Audit Adjustments
  - Adjustments were proposed to the records of the City and have been recorded in the City’s financial statements. The City’s management has copies of these audit entries and will have them available with this presentation. There were no passed audit adjustments for the fiscal year ended December 31, 2020.
- Representation from Management
  - We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

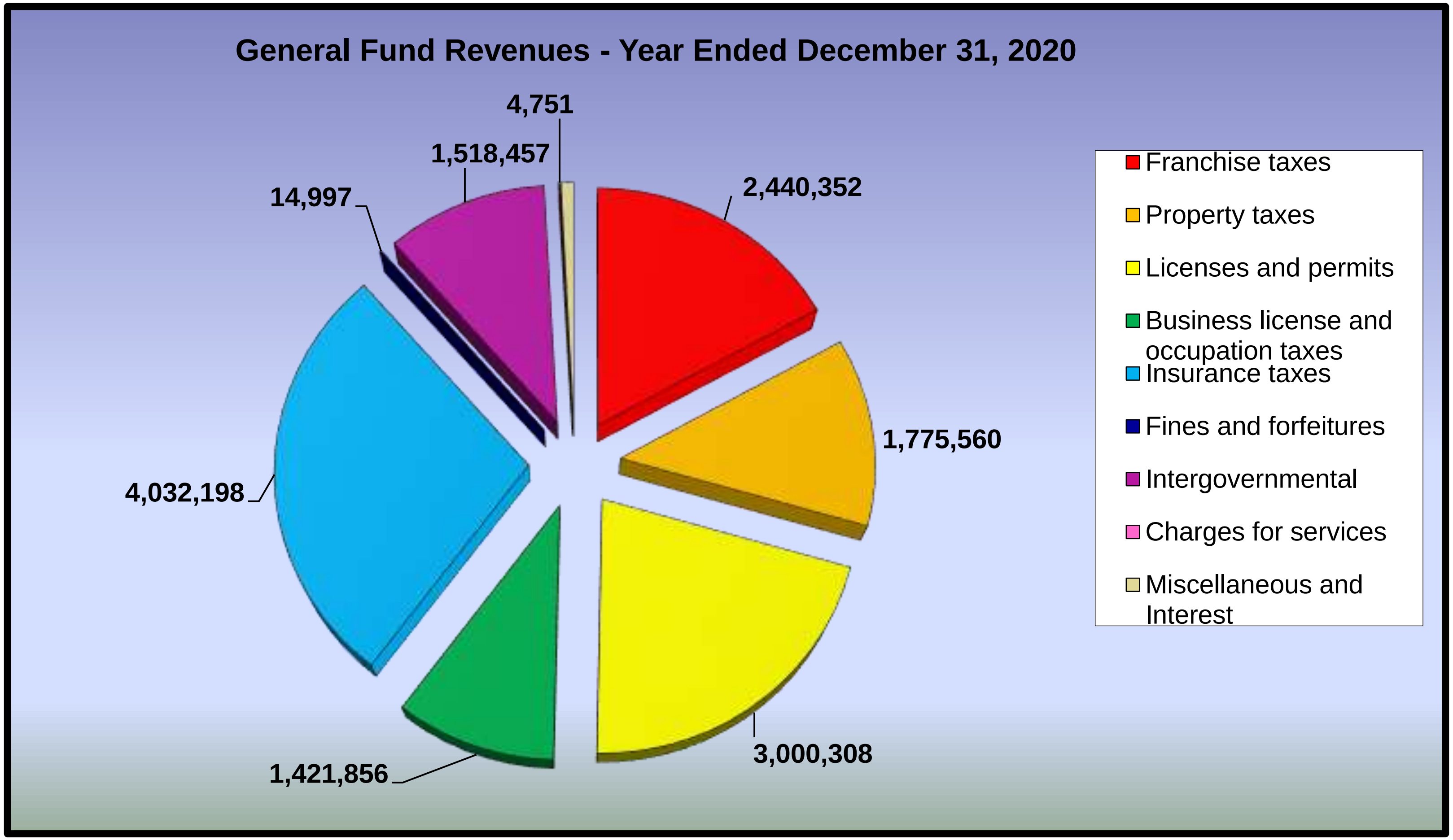
Results of December 31, 2020 Audit (Continued)

- Consultation with Other Accountants
  - To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.
- Significant Issues Discussed with Management
  - There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.
- Information in Documents Containing Audited Financial Statements
  - Our responsibility for other information in documents containing the City's basic financial statements and our report thereon does not extend beyond the information identified in our report. If the City intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers' proof for our review and approval before printing. The City must also provide us with a copy of the final reproduced material for our approval before it is distributed.
- Auditor Independence
  - In accordance with AICPA professional standards, M&J is independent with regard to the City and its financial reporting process.
  - There were no fees paid to M&J for management advisory services during fiscal year 2020 that might affect our independence as auditors.

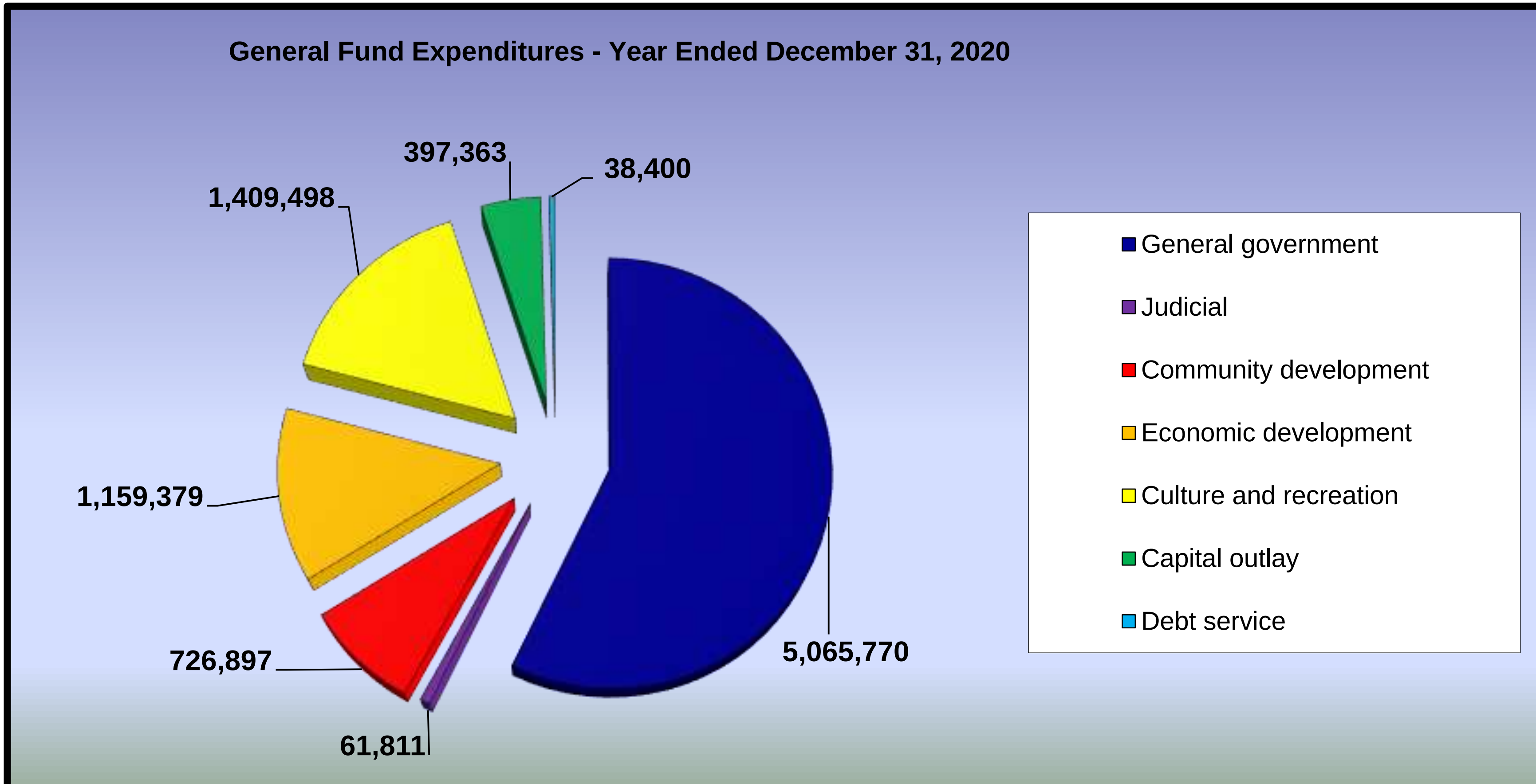
Fund Balance as a Percentage of Total Expenditures – 4 Year Comparison



General Fund Revenues – Fiscal Year Ended December 31, 2020



General Fund Expenditures – Fiscal Year Ended December 31, 2020 (Continued)



Comments, Recommendations, & Other Issues

❖ Management Recommendations for Improvement

Policy Adoption – During our walkthroughs, review of the City Council minutes, and examination of the City's Internal Control Questionnaires we noted the City has yet to formally adopt the following policies and/or procedures:

a. Information Technology policy, which formalizes the procedures and policies related to set-up, user access, testing of back-up procedures, and emergency changes to the City's software applications.

b. A record retention policy for the legal, fiscal, and administrative needs of the City.

c. Purchasing – the City should implement and systemize the use of purchase orders within its operations; management and/or governing body approval should be required for purchase orders that exceed established limits per the City's purchasing policy and there should be an adequate segregation of duties for those employees that initiate, approve and record purchase orders within the purchasing cycle.

d. Management should establish a well-defined process for financial reporting that includes the following: formal documentation for approval and review of new accounting policies, a system to monitor changes in authoritative guidance and implement necessary changes on a timely basis, and an independent review and supporting analysis for all significant judgements, estimates and non-routine transactions that documents compliance with relevant GAAP framework.

Capital Asset Software – During our testing of the City's capital assets, we noted the assets are maintained in Microsoft Excel. While the City is still new and developing many of the accounting systems and processes, we strongly recommend the City consider purchasing a system for capital asset maintenance. The schedules and detail listings are much more susceptible to errors with having all of the calculations being based on manually created formulas, as opposed to system generated reports.

Comments, Recommendations, & Other Issues (Continued)

❖ Management Recommendations for Improvement (Continued)

IT Cybersecurity – During our audit, we communicated certain recommendations to management related to internal controls surrounding cybersecurity.

Whistleblower Hotline Policy – We noted through discussions with management the City does not have a whistleblower hotline in place for the City employees to report instances of potential fraudulent activity happening at the City. We recommend the City implement a whistleblower hotline to mitigate its risks related to fraud.

Conflict of Interest Policy – We noted through discussions with management the City does not require conflict of interest statements to be signed by all employees, whether contracted employee or not, and City officials. We recommend the City implement such a policy going forward.

Comments, Recommendations, & Other Issues (Continued)

Material Weaknesses

Purchase Card Policies and Procedures – Internal controls should be in place at the City to ensure that payments and disbursements made with purchase cards maintain proper documentation and support. During our testing of P-card transactions, we noted the following issues surrounding the use and procedures encompassing the City's purchase cards:

- As of year-end, the City lacked oversight, documentation and prior approvals necessary for employees to make purchases on their purchase cards within City policy.
- During our testing of purchase card transactions throughout the year, we noted sixty-four (64) instances of purchases that lacked evidence of proper review and approval.
- During our testing of purchase card transactions throughout the year, we noted forty (40) instances in which receipts and/or support were not attached to the original statement(s).
- During our testing of purchase card transactions throughout the year, we noted fifty-four (54) instances in which it could not be verified that the purchase was made for allowable or city-related purpose within the purchase card policies outlined by the City.
- We noted that, for the employees that are issued cards, the cards are maintained by employees and kept in their possession, even when not in use. When not in use, purchase cards should be maintained in the finance department for safekeeping and control purposes.

Due to the issues mentioned above, there were numerous transactions that resulted in unverified, unapproved and potentially unallowable purchases made with City issued purchase cards in violation of City policy. We recommend that the City review and readdress its purchase card policy with City Council, implement a dual review process over the statements and purchases made, and maintain original support for all purchases made with City issued purchase cards.

Comments, Recommendations, & Other Issues (Continued)

❖ Material Weaknesses (Continued)

Manual Journal Entry Review and Approval – Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such action being detected during the normal course of business, and that evidence of journal entry review is maintained. During our review of manual journal entries that are posted to the City's general ledger throughout the year, we noted twenty (20) instances in which the entry was lacking proper support and it could not be verified that the entry was reviewed and approved by someone other than the preparer. Failure to have a functioning control structure surrounding the journal entry process can facilitate misappropriation of funds as well as possible transactional errors being posted within the City's general ledger. We recommend that the City maintain, either in paper or electronic format, supporting calculations and evidence of the required journal entry, as well as the documented review, and approval of the entry by a knowledgeable independent individual, prior to the entry being posted to the general ledger.

Accounting for Grants Subject to Eligibility Requirements – Internal controls should be in place at the City to ensure that accounting for grants and eligibility requirements conform to accounting standards within the Governmental Accounting Standards Board (GASB), the Uniform Guidance and are in accordance with generally accepted accounting principles (GAAP). During our testing of intergovernmental cash receipts related to the City's Coronavirus Aid, Relief and Economic Security Act (CARES) funding, it was determined that, as a result of the incurrence of ineligible expenditures, the City improperly recognized revenue in the amount of approximately $6.2 million in its special revenue fund and general ledger. CARES Act funding is subject to eligibility requirements, specifically incurrence of eligible expenditures, in order for a governmental entity to recognize intergovernmental revenue. This is not limited or equal to cash received. Cash received should be recorded as unearned revenue, or a liability, until the incurrence of eligible expenditures as outlined by the grantor agency, in accordance with the Uniform Guidance, and in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* As a result of improper recognition of intergovernmental revenue in the amount of approximately $6.2 million in the City's general ledger, an adjustment was made to reclassify the amount as unearned revenue for financial reporting. We recommend that the City review all intergovernmental receipts and grants received for specific grantor agency required terms, conditions and provisions of funding to ensure there is proper accounting treatment applied within the City's funds and general ledger in accordance with GASB, the Uniform Guidance, and GAAP.

Comments, Recommendations, & Other Issues (Continued)

❖ Material Weaknesses (Continued)

Vendor Procurement and City Purchasing Policy – Internal controls should be in place to ensure that the City is able to effectively procure and contract with vendors and third parties within the City's Purchasing Policy. In addition, implementing controls surrounding these procedures would provide effective safeguards against possible contractual liability, as a matter of law. Internal controls related to City purchasing and contractual procurement were not sufficient to prevent, detect, and/or correct various issues related to the City's CARES Program, which resulted in general mismanagement. During our inquiries and discussions with management, we were made aware of internal control deficiencies pertaining to general vendor and contractual procurement pertaining to the City's CARES Program. The following issues were noted:

- There were three (3) consultant contracts executed by either the Deputy City Manager or the Senior Director of Economic Development using emergency procurement provision, which was not appropriate given the time that was available to act on the funding provided by the County. In addition, this procurement method necessitates contractual review and approval by the City Council and the City Attorney, neither of which were obtained.

- There were twelve (12) noted contracts entered into by the Deputy City Manager, Senior Director of Economic Development, and Chief of Staff, all third party sourced City employees, which were not authorized in accordance with the City's Charter and its Purchasing Policy, thus making them void as a matter of law.

- Payments totaling $160,000 were authorized by the Deputy City Manager to a local church to assist with a food program that were not made pursuant to a contract executed in accordance with the City's Charter and its Purchasing Policy, thus making such contractual payments void.

As a result of the issues listed above, the City incurred, at a minimum, approximately $6.2 million in voided contractual expenditures as a result of the lack of a functioning internal control structure to detect and correct such action. This does not include potential future liabilities that could arise as well. We recommend that the City implement policies and procedures designed to ensure that employees adhere to City purchasing policy and to monitor ongoing projects for continued internal compliance.

Comments, Recommendations, & Other Issues (Continued)

- ## New GASB Pronouncements

Statement No. 87, *Leases*, was issued in June 2017 and is effective for the first reporting period beginning after December 15, 2019. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that a lease is the financing of the right to use an underlying asset.

Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease: A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Comments, Recommendations, & Other Issues (Continued)

New GASB Pronouncements (Continued)

Statement No. 87, *Leases* (Continued)

Lease Term: The lease term is defined as the period during which a lessee has a non-cancelable right to use an underlying asset, plus the following periods, if applicable:

Periods covered by a lessee’s option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option;

Periods covered by a lessee’s option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option;

Periods covered by a lessor’s option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option; and

Periods covered by a lessor’s option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

Comments, Recommendations, & Other Issues (Continued)

New GASB Pronouncements (Continued)

Statement No. 87, *Leases* (Continued)

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised. Lessees and lessors should reassess the lease term only if one or more of the following occur:

The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option;

The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option; and/or

An event specified in the lease contract that requires an extension or termination of the lease takes place.

Short-Term Leases: A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Comments, Recommendations, & Other Issues (Continued)

New GASB Pronouncements (Continued)

Statement No. 87, *Leases* (Continued)

Lessee Accounting: A *lessee* should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A *lessee* should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Lessor Accounting: A *lessor* should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

Comments, Recommendations, & Other Issues (Continued)

New GASB Pronouncements (Continued)

Statement No. 87, *Leases* (Continued)

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

Contracts with Multiple Components and Contract Combinations: Generally, a government should account for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

Lease Modifications and Terminations: An *amendment* to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by re-measuring the lease liability and adjusting the related lease asset by a lessee and re-measuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

Comments, Recommendations, & Other Issues (Continued)

New GASB Pronouncements (Continued)

Statement No. 87, *Leases* (Continued)

Subleases and Leaseback Transactions: Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

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Comments, Recommendations, & Other Issues (Continued)

▪ New GASB Pronouncements (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* was issued in June 2018 and is effective for reporting periods beginning after December 15, 2019 (meaning June 30, 2021). However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (Postponement of the Effective Dates of Certain Authoritative Guidance) which changed the effective date of Statement No. 89 to reporting periods beginning after December 15, 2020. This standard eliminates the requirement/ability to capitalize construction period interest costs as part of the cost of a capital asset in enterprise funds. This standard should be applied prospectively with no restatement.

Statement No. 91, *Conduit Debt* was issued in May 2019 and is effective for the first reporting period beginning after December 15, 2020, meaning for those with year ends of December 31, 2021 and beyond. However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (Postponement of the Effective Dates of Certain Authoritative Guidance) which changed the effective date of Statement No. 91 to reporting periods beginning after December 15, 2021.The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so. An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

Comments, Recommendations, & Other Issues (Continued)

New GASB Pronouncements (Continued)

Statement No. 92, ***Omnibus 2020*** was issued in January 2020 and is effective as follows: upon the effective date of Statement No. 87 and implementation Guide No. 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. For fiscal years beginning after June 15, 2020, relative to the requirements related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and 74. For reporting periods beginning after June 15, 2020, relative to the requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities. For government acquisitions occurring in reporting periods beginning after June 15, 2020. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition.

The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; terminology used to refer to derivative instruments.

Comments, Recommendations, & Other Issues (Continued)

■ New GASB Pronouncements (Continued)

Statement No. 93, *Replacement of Interbank Offered Rates* was issued in March 2020 and is effective for reporting periods ending after December 31, 2021, meaning December 31, 2022 for the Authority. However, in light of the COVID-19 Pandemic, on April 15, 2020 the GASB has proposed to postpone the effective date of this pronouncement for one additional year. As a result of global reference rate reform, the London Interbank Offered Rate ("LIBOR") is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 96, *Subscription-Based Information Technology Arrangements* was issued in May 2020 and is effective for reporting periods ending after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset as an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* was issued in June 2020 and is effective for fiscal years beginning after June 15, 2021 (year ends of June 30, 2022 and following). The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Comments, Recommendations, & Other Issues (Continued)

- **Other Pending or Current GASB Projects -** As noted by the numerous pronouncements issued by GASB over the past decade, the GASB continues to research various projects of interest to governmental units. Subjects of note include:
  - *Re-examination of the Financial Reporting Model* - GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability.
  - *Conceptual Framework* - A constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense things such as supplies and prepaid assets at acquisition. Will look into which balances (at all statement levels) are measured at acquisition and which need to be re-measured at year-end. Project placed on hold for now.
  - *Revenue and Expense Recognition* - Another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions.
  - *Compensated Absences* - is technical topic being examined by the GASB currently due to significant changes in benefits offered by governmental employers. Current GAAP does not address certain items such as paid time off (PTO) and there is a wide divergence in practice. A final standard on this topic is expected towards the end of 2021.

Comments, Recommendations, & Other Issues (Continued)

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS

FOR GOVERNMENTAL CLIENTS

Free Continuing Education. We provide free quarterly continuing education for all of our governmental clients. Each quarter we pick a couple of significant topics tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking among our governmental clients. Examples of subjects addressed in the past few quarters include:

- ACFR Preparation - GASB Updates - Grant Accounting Processes and Controls - GASB 68 (Pensions)
- Internal controls over revenue and cash receipting and accounts payable, payroll, and cash disbursements
- American Recovery & Reinvestment Act (ARRA) information, issues and updates - Single audits for auditees
- Collateralization of Deposits and Investments - Internal Controls over Accounts Payable, Payroll and Controls
- Policies and Procedures Manuals - Segregation of Duties – GASB 75 (OPEB) – GASB 87 (Leases)
- Data Security and General Information Technology Controls and Best Practices

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpa.com (send corresponding copy to dmoses@mjcpa.com), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.

Comments & Questions?

We appreciate the opportunity to serve the City of Stonecrest and look forward to continuing to work with the City in upcoming years!