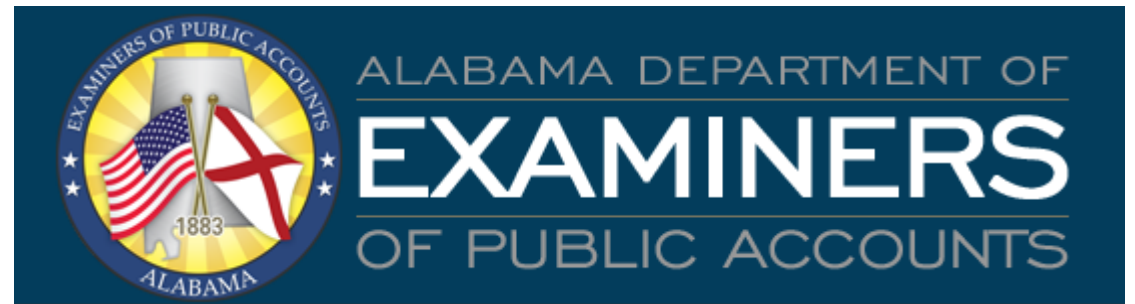


# Alabama Association of School Business Officials

May 2, 2024

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# Disclaimer

- This information is being presented to the Association of Alabama School Business Officials' Annual Conference on May 2, 2024.
- This presentation represented the audit position of the Department of Examiners of Public Accounts as of that date.

# Objectives

- Review upcoming GASB standards
- Discuss Act 2023-389
- Review recent audit issues
- Updates for FY2024 audits

# GASB Update

- **GASB 100: Accounting Changes and Error Corrections**
  - Issued June 2022
  - Effective for FY beginning after June 15, 2023 (FY2024)
    - Objective to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.
    - **Accounting changes** – (1) changes in accounting principles, (2) changes in accounting estimates and/or (3) changes to or within the financial reporting entity
    - **Error correction** – correction of error in previously issues financial statements

# GASB Update

- Changes in accounting principles
  - Change from one principle to another principle or the implementation of new authoritative accounting or financial reporting pronouncements
- Changes in accounting estimates
  - Changes in accounting estimate (amount subject to measurement uncertainty) result from a change in the measurement methodology that is used to determine that the estimate should be justified on the basis the newly adopted measurement methodology is preferable to the methodology used before the change, except in circumstances in which the change in measurement methodology is required by a GASB pronouncement.

# GASB Update

- Changes to or within the financial reporting entity
  - Result from addition or removal of a fund within the primary government
  - Change in a fund's presentation as major or nonmajor
  - Addition or removal of a component unit
  - Change in component unit's presentation as blended or discretely presented.
- Transactions that could be classified as either a change in accounting principle or a change to or within the financial reporting entity should be considered a change to or within the financial reporting entity.
- Error Correction
  - An error results from mathematical mistakes, mistakes in the application of accounting principles or oversight or misuse of facts that existed at the time the financial statements were issued.
  - A change from applying an accounting principle that is not generally accepted to applying a generally accepted accounting principle is an error correction.

# GASB Update

- **How/When to Apply** (Single period financial statements)
  - **Changes in accounting principle** should be reported retroactively by restating beginning net position, fund balance, as applicable for the cumulative effect, if any, of the change to the newly adopted accounting principle on prior periods.
  - **Changes in accounting estimate**, should be reported prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs
  - **A change to or within the financial reporting entity** should be reported by adjusting the current reporting period's beginning net position, fund balance, or fund net position, as applicable, for the effect of the change as if the change occurred as of the beginning of the reporting period.
  - **An error correction** should be reported retroactively by restating beginning net position, fund balance, and fund net position, as applicable, for the cumulative effect of the error correction on prior periods.

# GASB Update

- Note Disclosures

- Change in Accounting Principle

- a. The nature of the change in accounting principle, including (1) identification of the financial statement line items (excluding totals and subtotals) affected by the application of the new accounting principle and (2) for the implementation of a new pronouncement, identification of the pronouncement that was implemented
    - b. Except for the implementation of a new pronouncement, the reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable
    - In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed.

- Change in Accounting Estimate

- a. The nature of the change in accounting estimate, including identification of the financial statement line items (excluding totals and subtotals) affected
    - b. If the change in accounting estimate results from a change in measurement methodology, (1) the reason for the change in measurement methodology and (2) except in circumstances in which the change in measurement methodology is *required* by a GASB pronouncement, an explanation of why the new measurement methodology is preferable.



# GASB Update

- Note Disclosures
  - Change to or within the Financial Reporting Entity:
    - a. The nature of the change to or within the financial reporting entity
    - b. The reason for the change to or within the financial reporting entity, except in circumstances in which a change in a fund's presentation results only from meeting or not meeting the quantitative threshold for major funds in paragraph 76 of Statement 34, as amended.
    - In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed
  - Error Corrections
    - a. The nature of the error and its correction, including the periods affected by the error and identification of the financial statement line items (excluding totals and subtotals) affected by the error in prior periods
    - b. For financial statements that present a single period, the effect on the prior period's change in net position, fund balance, or fund net position, as applicable, had the error not occurred

# GASB Update

- Other Financial Reporting Requirements
  - Display in the financial statements
    - The aggregate amount of adjustments to and restatements of beginning net position, fund balance or fund net position, as applicable, should be reported for each reporting unit.
  - Notes to the financial statements
    - The effects on beginning net position, fund balance or fund net position of the earliest period adjusted or restated that occurred during the period for each change in accounting principal, change to or within the financial reporting entity and error correction. Those effects should be displayed in tabular format that reconciled beginning balances as previously reported to the beginning balance adjusted or restated for each reporting unit.
  - Required Supplementary Information
    - Reporting periods should be adjusted or restated in the same manner as the basic financial statements
    - If prior period information is not consistent with current period information as a result of a change in accounting principle or change to or within the financial reporting entity, an explanation should be provided in RSI.

# GASB Update

- Example Note – Major Fund change

	9/30/2023 as previously reported	Change to or within the financial reporting entity	9/30/2023 as restated
General Fund	300,000.00		300,000.00
Special Revenue Fund	200,000.00		200,000.00
Capital Projects Fund	500,000.00	(500,000.00)	-
Other Governmental Funds	100,000.00	500,000.00	600,000.00
Total	1,100,000.00	-	1,100,000.00

# Act 2023-389

- K-12 Capital Grant Program
- Alabama Lieutenant Governor's Office approved and awarded grants
- To be used for:
  - cost of capital projects that will enhance the educational environment of students
  - Payment of exiting debt service related to capital projects
  - Cost of necessary deferred maintenance for existing facilities
  - Projects that will improve school security and safety
  - Technology and equipment for schools/students that will provide access to expanded educational opportunities.
- DEPA shall examine compliance of the recipient K-12 entities

# Recent Audit Issues

- Board failed to record all PSCA revenues and expenditures in the financial statements.
- Bank accounts not reconciled timely/accurately
- Issues at Local Schools - receipts (teacher, bookkeeper, athletic/gate, fundraiser) and disbursements (public vs. non-public)
- Lack of appropriate internal controls in place
- Information technology controls in place over user access

# Recent Audit Issues

- Board failed to bid purchases according to the ***Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*** 2 CFR 200.318 and 2 CFR 200.320 and the ***Code of Alabama 1975***, Title 39.
- Board failed to include prevailing wage rate clauses in federally-funded construction contracts exceeding \$2,000.
- Board failed to provide time and effort reports when employees paid by multiple programs

# Updates

- Uniform Guidance upcoming changes
- Expect initial audit documentation request prior to FYE
- Document Portal
- Financial statements for audit should be prepared as soon as possible. Lack of Statements, Notes and SEFA may cause delay of audit.

# Questions?

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