



Auditor's Discussion & Analysis
June 30, 2017

Presented by:

**MAULDIN
& JENKINS**

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

PURPOSE OF ANNUAL AUDIT AGENDA

- ◆ Engagement Team.
- ◆ Overview of:
 - Independent Auditor's Report;
 - Financial Statements and Footnotes; and
 - Compliance Report.
- ◆ Required Communications under Government Auditing Standards.
- ◆ Accounting Recommendations and Related Matters.
- ◆ Other Items and Closing Thoughts.
- ◆ Answer Questions.



Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

General Information:

- ◆ Founded in 1918.
- ◆ Large regional firm serving the Southeastern United States.
- ◆ Offices located in Macon, Atlanta, Albany, Bradenton, Birmingham, and Chattanooga with firm governmental leadership positioned in the Atlanta office.
- ◆ Approximately 280 personnel are employed at Mauldin & Jenkins.

Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- Serve more governmental entities in the Southeast than any other certified public accounting firm requiring over 74,000 hours of service on an annual basis.
- Approximately 100 professional staff persons with current governmental experience.
- In past three (3) years, have served approx. 300 governments in the Southeast, including:
 - ✓ 90 cities;
 - ✓ 42 counties;
 - ✓ 46 school systems (8 of the 10 largest in Georgia and 9 of the 30 largest in Georgia and Florida combined) and another 20 charter schools;
 - ✓ 37 state entities;
 - ✓ 130 special purpose entities (stand-alone entities: water/sewer, transit, gas, electric, airports, housing, development, other educational, retirement, libraries, etc.);
 - ✓ Inclusive of the above, we serve 100 governments receiving the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- Auditor of a substantial part of the state of Georgia including approximately 30% of the State's General Fund, and a substantial number of the state of Georgia's component units.
- Experience performing forensic audit services and information technology consultations.
- Experience performing municipal bond debt issuance attestation services serving clients with over \$11 billion in aggregate publicly issued debt instruments.
- 10th highest level of Single Audits conducted in U.S.A. approximating \$8.0 billion annually.

Engagement team leaders for the Brookhaven Innovation Academy include the following:

- Adam Fraley – Engagement Lead Partner – 20 years experience, 100% governmental
- Tim Lyons – Engagement Director – 8 years experience, 100% governmental
- Eddie Dung – Engagement In-charge – 3 years experience, 100% governmental

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

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)
- SEC Registrants
- Wholesale Distribution
- Agri-Businesses
- Manufacturing
- Professional Services
- Employee Benefit Plans
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Non-Profit Organizations
- Retail Businesses
- Long-term Healthcare
- Construction & Development
- Individuals, Estates and Trusts
- Real Estate Management

Services Provided: This diversity of practice enables our personnel to experience a wide variety of business, accounting and tax situations. We provide the traditional and not-so-traditional services such as:

- Financial Audit/Review/Compilation
- Compliance Audits & Single Audits
- Agreed-Upon Procedures
- Forensic Audits
- Bond Issuance Services
- Performance Audits
- State Sales Tax Matters
- International Tax Matters
- Business & Strategic Planning
- Profitability Consulting
- Budgeting
- Buy-Sell Agreements & Business Valuation Issues
- Income Tax Planning & Preparation
- Multi-State Income Tax Issues
- Information Systems Consulting
- Cost Accounting Analysis
- Healthcare Cost Reimbursement
- Outsourced Billing Services
- Fixed Asset Inventories
- Succession & Exit Strategy Consulting
- Estate Planning
- Management Information Systems
- Employee Benefit Plan Administration
- Merger/Acquisition & Expansion Financing

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

INDEPENDENT AUDITOR'S REPORT

The standard independent auditor's report for governmental units has specific sections of significance to readers of the financial report.

Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

Auditor's Responsibility

Our responsibility, as external auditors, is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We planned and performed our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Opinion

We have issued an unmodified audit report (i.e., "clean opinion"). The financial statements are considered to present fairly the financial position and results of operations as of, and for the year ended June 30, 2017.

Other Reporting

Government Auditing Standards require auditors to issue a report on our consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. We have issued such a report and reference to this report is included in the independent auditor's report.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

REVIEW OF FINANCIAL STATEMENTS, FOOTNOTES & SUPPLEMENTARY INFORMATION

Statement of Net Position

This statement attempts to provide a reader of the financial statements with a full accrual perspective of the governmental activities. This column is on the full accrual basis of accounting.

Statement of Activities

This statement reflects the net costs of providing governmental activities on the full accrual basis of accounting and reconciles to the statement of net assets.

Footnotes

Note 1 – Description of Academy and Reporting Entity

This footnote discusses the overall organization of the Academy and the nature of its operations. This note also discloses pertinent information regarding the governing body of the Academy.

This footnote continues by sharing with a reader of the financial statements the significant accounting policies and principles utilized in the preparation of the financial statements.

Note 2 – Summary of Significant Accounting Policies

This footnote continues by sharing with a reader of the financial statements the significant accounting policies and principles utilized in the preparation of the financial statements.

Note 3 – Stewardship, Compliance and Accountability

This footnote discloses the fact that the Academy is required to adopt a budget in accordance with state laws.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

Footnotes (continued)

Note 4 – Deposits and Investments

This disclosure addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Note 5 – Receivables

This footnote discloses the Academy's intergovernmental receivables and it relates to the grant reimbursements due from the federal, state, or other grantors for expenditures made but not yet reimbursed.

Note 6 – Capital Assets

This footnote discloses the Academy's capital asset activity and its related accumulated depreciation for the year.

Note 7 – Risk Management

This footnote discloses the Academy's policy regarding various risks of loss and describes the insurance purchased by the Academy to insure against these possible losses.

Note 8 – Long-Term Debt

This footnote discloses the Academy's long-term debt activity for the year, and other information and maturities for the loans payable and claims and judgments.

Note 9 – Short-Term Borrowings

This footnote summarizes the activity on the Academy's short-term borrowings (in the form of a line of credit) for the fiscal year.

Note 10 – Significant Contingent Liabilities

This footnote discloses the contingencies from potential litigation, claims, and assessments filed against the Academy.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

Footnotes (continued)

Note 11 – Retirement Plans

This footnote discloses information regarding the Academy's participation in the Teachers Retirement System of Georgia defined benefit pension plan, including funding policies and the amount of required contributions as compared to actual contributions.

Note 12 – Subsequent Event

This footnote discloses significant events that have occurred subsequent to fiscal year end but before the issuance of the financial report that would be of particular importance to the readers of the financial statements.

COMPLIANCE REPORT

Yellow Book Report: The first compliance report is a report on our tests of the Academy's internal controls and compliance with laws, regulations, etc. The tests of internal controls were those we determined to be required as a basis for designing our financial statement auditing procedures. Such tests also considered the Academy's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. In accordance with the respective standards, the report is **not** intended to provide an opinion, but to provide a form of negative assurance as to the Academy's internal controls and compliance with applicable rules and regulations.



Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

REQUIRED COMMUNICATIONS

The Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of the Brookhaven Innovation Academy for the year ended June 30, 2017 was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the Academy's internal control or compliance with laws and regulations.

Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Academy. There are several new accounting standards which will be required to be implemented in the coming years. These are discussed later in this document.

In considering the qualitative aspects of the Academy's accounting policies, we did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. The Academy's policies relative to the timing of recording of transactions are consistent with GAAP and typical government organizations.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We considered this information and the qualitative aspects of management's calculations in evaluating the Academy's significant accounting estimates. Estimates significant to the financial statements include such items as the estimated lives of capital assets.

Financial Statement Disclosures

The footnote disclosures to the financial statements are also an integral part of the financial statements. The process used by management to accumulate the information included in the disclosures was the same process used in accumulating the financial statements and the accounting policies described above are included in those disclosures. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit and in forming our opinion on the financial statements.

Significant Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments

During our audit of the Academy's financial statements as of and for the year ended June 30, 2017, we were required to record audit adjustments. The detail of all proposed adjustments is included with our Auditor's Discussion & Analysis package of information for your review and discussion. These adjustments have been delivered to management.

Uncorrected Misstatements

We proposed and passed on one (1) audit adjustment. The proposed adjustment related to the rent being paid by the Academy on its main building. The contract for the rent of this property includes a fixed increase in rent each year and GAAP requires the expense related to this type of contract to be recognized straight-line over the life of the lease as opposed to just being equal to the cash payments made each year. The amount of this passed adjustment was \$21,516.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

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.

Management's Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

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. We are not aware of any consultations management had with us or other accountants about accounting or auditing matters. No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Academy.

Independence

We are independent of the Academy, and all related organizations, in accordance with auditing standards promulgated by the American Institute of Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

ACCOUNTING RECOMMENDATIONS AND RELATED MATTERS

Recommendations for Improvement and Other Matters

During our audit of the financial statements as of and for the year ended June 30, 2017, we noted some areas within the accounting and internal control systems that we believe can be improved. We have reported a couple of findings (a significant deficiency and a material weakness). Additionally, we noted certain items management should consider as part of its decision making process. Further, we noted other matters which we wish to communicate to you in an effort to keep the Academy abreast of accounting matters that could present challenges in financial reporting in future periods. Our recommendations and proactive thoughts and communications are presented in the following paragraphs.

Management Recommendations

Internal Control

During our review of internal controls related to financial close procedures and testing of the Academy's journal entries, we noted that the Business Manager initiates, approves, posts, and reviews manual journal entries. This represents a lack of segregation of duties and a control weakness. We recommend that management implement procedures to ensure that journal entries are reviewed by a second party different from the person that initiated or posted the entries.

During our review of the Academy's financial policies and procedures, we noted that the Business Manager and Head of School are authorized to make payments using the School Credit or Debit Card. However, the policy does not specify items that are allowed to be purchased, nor specify the transaction limits and it does not include any procedures for reviewing and reconciling the credit/debit card statements. We recommend the Academy revise the policy to address the types of purchases that are allowed, transaction limits, and the procedures for reviewing and reconciling all charges on the card statements.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

Reporting of Restricted Cash

During our testing of cash, we noted that management reported \$14,983 of cash donated for specific purchases as a "deposit payable" on the general ledger. An adjusting entry was required to show the amount as "restricted cash", reduce the deposit payable liability, and report the amount as donation revenues as the money was not payable to any party outside of the Academy, but will be used to purchase the items intended by the donor(s). We recommend that management develop and implement procedures to ensure account balances are appropriately recorded and reviewed and properly stated at year end.

Information Technology Security and Controls

During our review of the Academy's information technology (IT) and general computer controls through management's completion of internal control questionnaires, we noted the following: (1) IT is not evaluated regularly for risks, and any identified risks are appropriately addressed; and (2) An information security policy does not exist that defines information security objectives. This policy should be supported by documented standards and procedures where necessary. We recommend the Academy review its policies and procedures and incorporate the items noted above into those aspects of the policies and procedures that pertain to information technology, security and general computer controls.

1) New Governmental Accounting Standards Board (GASB) Pronouncements



As has been the case for the past 10 years, GASB has issued several other new pronouncements which will be effective in future years. The following is a brief summary of the new standards.

- a) **Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2017 resulting in the Academy's fiscal year ending June 30, 2018. This statement could easily be described as the GASB No. 68 for postemployment benefit plans due to the fact that it will closely follow the provisions of GASB No. 68 for pension plans.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable;
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms;

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

b) Statement No. 77, *Tax Abatement Disclosures* was issued in August of 2015, and is effective for financial statements for periods beginning after December 15, 2015 which includes the Academy's period ending June 30, 2017. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of the tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. **This Standard will become applicable to the Academy once the Academy has revenue streams subject to abatement (such as property taxes).**

c) Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14* was issued in January of 2016, and is effective for financial statements for periods beginning after June 15, 2016 resulting in the Academy's fiscal year ending June 30, 2018.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

This statement amends the blending requirements for the financial presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39.

- d) **Statement No. 83, *Certain Asset Retirement Obligations*** was issued in November 2016 and is effective for financial statements for reporting periods beginning after June 15, 2018 resulting in the Academy's fiscal year ending June 30, 2019.

This statement addresses 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. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

This statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should re-measure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

- e) **Statement No. 84, *Fiduciary Activities*** was issued in January 2017 and is effective for reporting periods beginning after December 15, 2018 resulting in the Academy's fiscal year ended June 30, 2019.

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The 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. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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.

This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

- f) **Statement No. 87, Leases** was issued in June 2017 and is effective for financial statements for reporting periods beginning after December 31, 2019 which results in the Academy's fiscal year ending June 30, 2021.

The 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. 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 foundational principle that leases are financings 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.

- g) **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:

- **Conceptual Framework** is 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 thing 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.
- **Economic Condition Reporting** is another long-term matter being looked into by GASB. Includes presentation of information on fiscal sustainability (including projections). Tabled for now pending resolution to issues raised on GASBs scope.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

2) Single Audit Standards

There continues to be changes to auditing standards relative to the conduct and reporting of Single Audits. This year's financial and compliance audit recognized the implementation of the new Uniform Grant Guidance (UG) which included significant changes to cost principles and other requirements for auditees receiving federal funds.

These changes are driven based on the grant award date as awarded by the federal agency. As such, auditors and auditees will follow requirements from both the "old" and "new" guidance for a few years to come.

Beginning with the fiscal year ended December 31, 2015, the following changes are effective:

- Threshold requiring a Single Audit (from \$500,000 to \$750,000);
- Major program thresholds; and

Percentage coverage thresholds (for low risk from 25% to 20% and for high risk from 50% to 40%).

Summation of Thoughts Noted Above

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures.

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

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. We normally see approximately 100 people per quarter. We obtain the input and services of experienced outside speakers along with providing the instruction utilizing our in-house professionals. We hope the Academy staff and officials have been able to participate in this opportunity, and that it has been beneficial to you. Examples of subjects addressed in the past few quarters include:

- Accounting for Debt Issuances
- American Recovery & Reinvestment Act (ARRA) Updates
- Best Budgeting Practices, Policies and Processes
- CAFR Preparation (several times including a two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Collateralization of Deposits and Investments
- Evaluating Financial and Non-Financial Health of a Local Government
- GASB No. 60, Service Concession Arrangements (webcast)
- GASB No. 61, the Financial Reporting Entity (webcast)
- GASB No.'s 63 & 65, Deferred Inflows and Outflows (webcast)
- GASB No.'s 67 & 68, New Pension Stds. (presented several occasions)
- GASB Updates (ongoing and several sessions)
- Grant Accounting Processes and Controls
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- Internal Revenue Service (IRS) Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances & Disclosure Requirements
- Policies and Procedures Manuals
- Segregation of Duties
- Single Audits for Auditees
- Special Purpose Local Option Sales Tax (SPLOST) Accounting, Reporting & Compliance
- Uniform Grant Reporting Requirements and the New Single Audit

Brookhaven Innovation Academy

Auditor's Discussion & Analysis (ADA)

June 30, 2017

Governmental Newsletters. We produce newsletters tailored to meet the needs of governments. The newsletters have addressed a variety of subjects and are intended to be timely in their subject matter. The newsletters are authored by Mauldin & Jenkins partners and managers, and are not purchased from an outside agency. The newsletters are produced and delivered periodically [approximately ten (10) times per year], and are intended to keep you informed of current developments in the government finance environment.

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@micpa.com (send corresponding copy to afraley@micpa.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.

CLOSING

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures. If you have any questions regarding any comments, suggestions or recommendations set forth in this memorandum, we will be pleased to discuss it with you at your convenience.

This information is intended solely for the use of the Academy's management, and others within the Academy's organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve the Brookhaven Innovation Academy and look forward to serving the Academy in the future. Thank you.



Client: **03012559 - Brookhaven Innovation Academy**
 Engagement: **2017 Audit - Brookhaven Innovation Academy**
 Period Ending: **6/30/2017**
 Trial Balance: **0200.100 - General Fund Trial Balance Database**
 Workpaper: **0204.100 - Combined Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 6				
To reclass TRS payable from Accrued Salaries and Benefits to TRS Payable				
100-0000-0422-00000	Accrued Salaries & Benefits -		42,791.52	
100-0000-0473-00000	Payroll Liabilities - TRS Payable			42,791.52
Total			42,791.52	42,791.52
Adjusting Journal Entries JE # 7				
To Reclassify A/P as Fundraising Revenue and Cash as Restricted Cash				
100-0000-0491-00000	Deposits Payable -		14,983.23	
MJ11112	Restricted Cash		14,983.23	
100-0000-0101-00000	Checking -			14,983.23
100-9990-1225-00000	- Fund Raising (School Based) & Field Trips			14,983.23
Total			29,966.46	29,966.46
Adjusting Journal Entries JE # 8				
To add the July portion of the QBE Allotment				
100-0000-0153-00000	Accounts Receivable -		86,726.50	
100-1639-0000-00000	- State Commission Charter Supplement			86,726.50
Total			86,726.50	86,726.50
Adjusting Journal Entries JE # 9				
To reverse adjustments incorrectly included in the TB.				
100-1639-0000-00000	- State Commission Charter Supplement		54,630.00	
100-4080-0000-00000	- Amended Formula Adjustment			26,565.00
100-4092-0000-00000	- Charter Commission-Admin			28,065.00
Total			54,630.00	54,630.00
Adjusting Journal Entries JE # 10				
To reclass Capital Lease Payable as Capital Lease proceeds				
100-0000-0452-00000	Capital Lease Payable -		350,395.63	
100-0000-0452-00000-1	Capital Lease Proceeds			350,395.63
Total			350,395.63	350,395.63
Adjusting Journal Entries JE # 11				
To reclass principal payments on capital lease.				
100-9990-5100-82000	Principal payments		82,963.00	
100-9990-1000-44400	FFE Lease Costs - Kingsbridge Lease Payments			82,963.00
Total			82,963.00	82,963.00
Total Adjusting Journal Entries			647,473.11	647,473.11
Total All Journal Entries			647,473.11	647,473.11

Client: *03012559 - Brookhaven Innovation Academy*
 Engagement: *03012559 - Brookhaven Innovation Academy*
 Period Ending: *June 30, 2017*
 Workpaper: *Passed Audit Adjustments*

Account	Description	W/P Ref	Debit	Credit
Passed Adjusting Journal Entry #1		5702.000		
To propose and pass on adjustment to rent expenditures for escalating rent payments in future periods. The adjustment would have record rent on the GAAP basis vs. cash basis.				
	Building Rent Expenditures		21,516.00	
	Deferred Rent			(21,516.00)
Total			<u>21,516.00</u>	<u>(21,516.00)</u>