City Schools of Decatur will be one of the top ten community school districts in the nation.

Presentation of June 30, 2019 Auditor's Discussion and Analysis

City Schools of Decatur

Board Meeting

100 years
Mauldin & Jenkins
a century of success

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Auditor’s Discussion and Analysis

- Engagement Team
- Results of the 2019 Audit
- Comments, Recommendations, and Other Issues
- Questions

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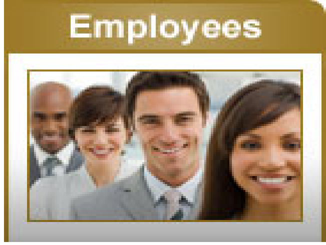

Engagement Team

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

General Information:

- Founded in 1918, large regional firm serving the Southeastern United States
- Offices located in Macon, Atlanta, Albany, Savannah, GA, Birmingham AL, Chattanooga TN, Columbia SC, and Bradenton FL with firm governmental leadership positioned in the Atlanta and Macon offices.

Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- Serve 9 of the largest 30 school districts in Georgia and Florida combined.
- Serve more governmental entities in Georgia than any other certified public accounting firm requiring over 100,000 hours of service on an annual basis.
- Serves over 130 governments receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Auditor of a substantial part of the State of Georgia including: approximately 25% of the State's General Fund; 13 of the State of Georgia's component units, and 2 State of Alabama entities.
- Approximately 100 professional staff persons with current governmental experience.
- Current auditor for over 480 total governments in the Southeast, including approximately:

  √ 120 Cities √ 55 Counties √ 55 School Systems and 45 charter schools √ 40 State entities

  √ 165 Special Purpose Entities (housing, industrial development, health & welfare, other educational retirement, libraries, and etc.) √ 100 Water & Sewer Systems, 20 airport operations, 10 gas systems, 15 electrical utilities, and 10 transit services

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Engagement Team (Continued)

Engagement Team Leaders for the City Schools of Decatur Include:

- Doug Moses, Engagement Partner – 20 years experience, 100% governmental
- James Bence, Quality Assurance Review Partner – 16 years experience, 100% governmental
- Allison Whitworth, Engagement In-Charge – 3 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 June 30, 2019 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 School System'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 School System's management.
- Report on 2019 Basic Financial Statements
  - Unmodified ("clean") opinion on the basic financial statements.
  - 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. Audit report date was **December 6, 2019**.
- Report on 2019 Federal Award Programs
  - Unmodified opinions or clean opinions on major federal award programs (Special Education Cluster and Title I Part A) audited in accordance with the Uniform Guidance. Audit report date was **December 6, 2019**.

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Results of June 30, 2019 Audit (Continued)

- Significant Accounting Policies
  - The significant accounting policies used by the School System are described in Note 1 to the basic financial statements.
  - The policies used by the School System are in accordance with generally accepted accounting principles and similar government organizations, with no significant new policies to qualitative aspects of its policies. The School System is not involved in any controversial or emerging issues for which guidance is not available.
  - In considering the qualitative aspects of its policies, the School System is not involved in any controversial or emerging issues for which guidance is not available.
- Management Judgment/Accounting Estimates
  - The School System uses various estimates as part of its financial reporting process – including valuation of accounts receivable and depreciation expense for its capital assets and the net pension liability.
  - 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 School System’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.

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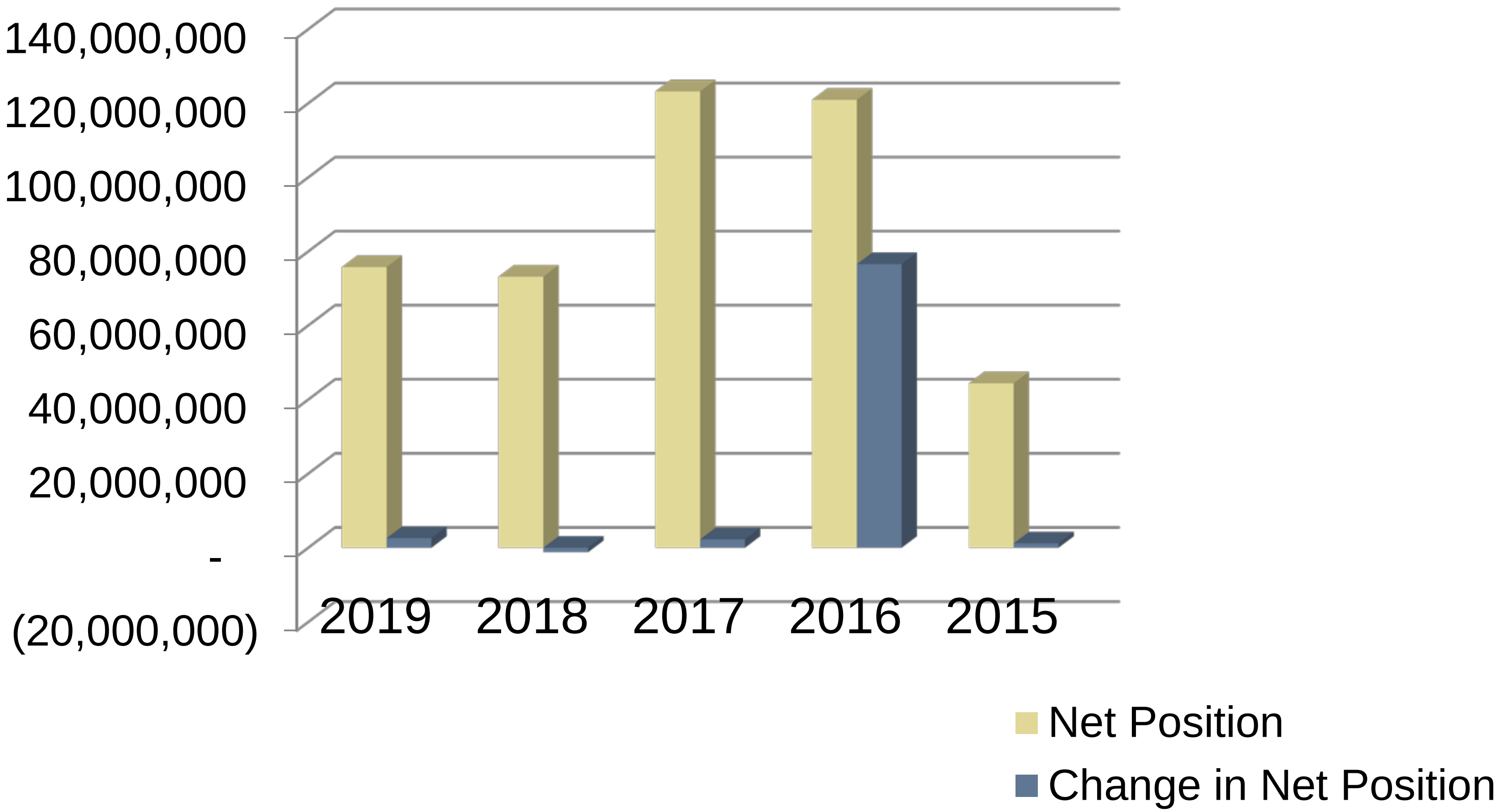
Results of June 30, 2019 Audit (Continued)

- Relationship with Management
  - We received full cooperation from the School System'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 School System and have been recorded in the School System's financial statements. The School System's accounting director has copies of these audit entries and will make them available during this presentation. There were no passed audit adjustments for the fiscal year ended June 30, 2019.
- 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 June 30, 2019 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 School System's basic financial statements and our report thereon does not extend beyond the information identified in our report. If the School System intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with a printers' proof for our review and approval before printing. The School System 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 School System and its financial reporting process.
  - There were no fees paid to M&J for management advisory services during fiscal year 2019 that might effect our independence as auditors.

Financial Trends – Governmental Activities



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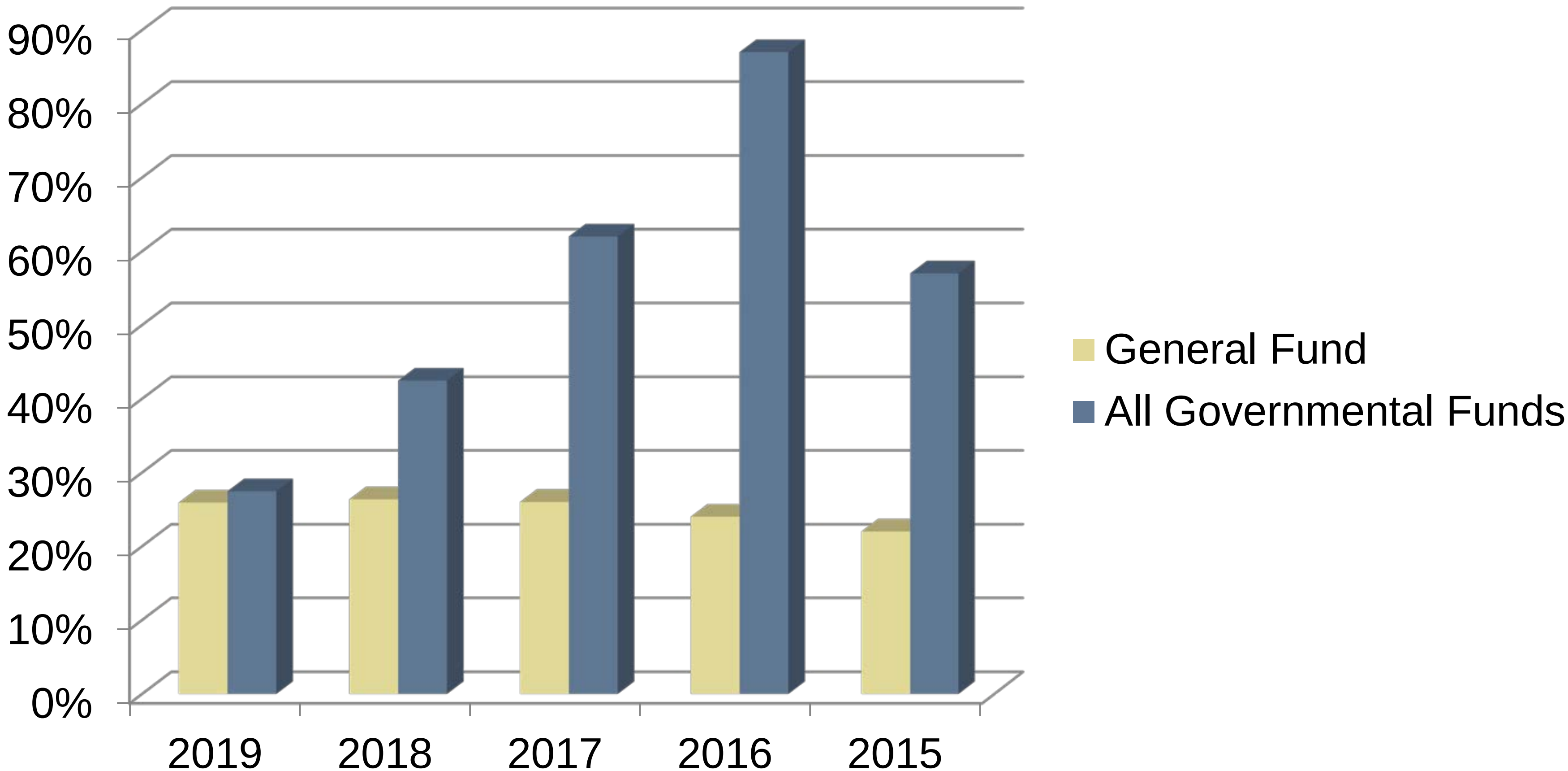
The students at 4/5 Academy at Fifth Avenue had a "Welcome Back Mr. Roaden" parade to let their principal know they were glad he feels better!

Fund Balance as a Percentage of Total Expenditures



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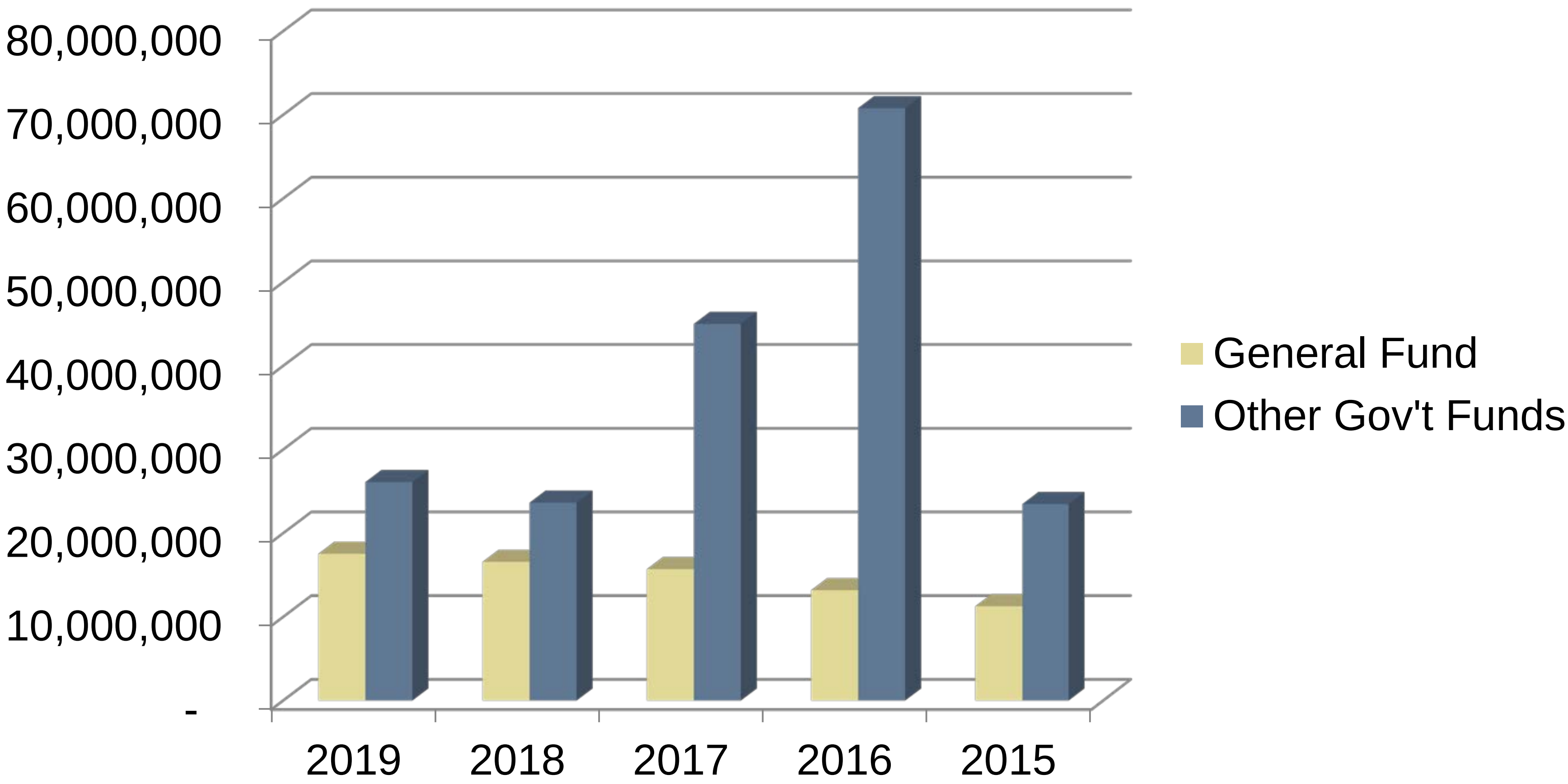
Financial Trends – Fund Balances




New Board of Education members Annie Caiola and Lewis Jones and returning Board member Bernadette Seals were sworn in by State Judge Eleanor Ross.

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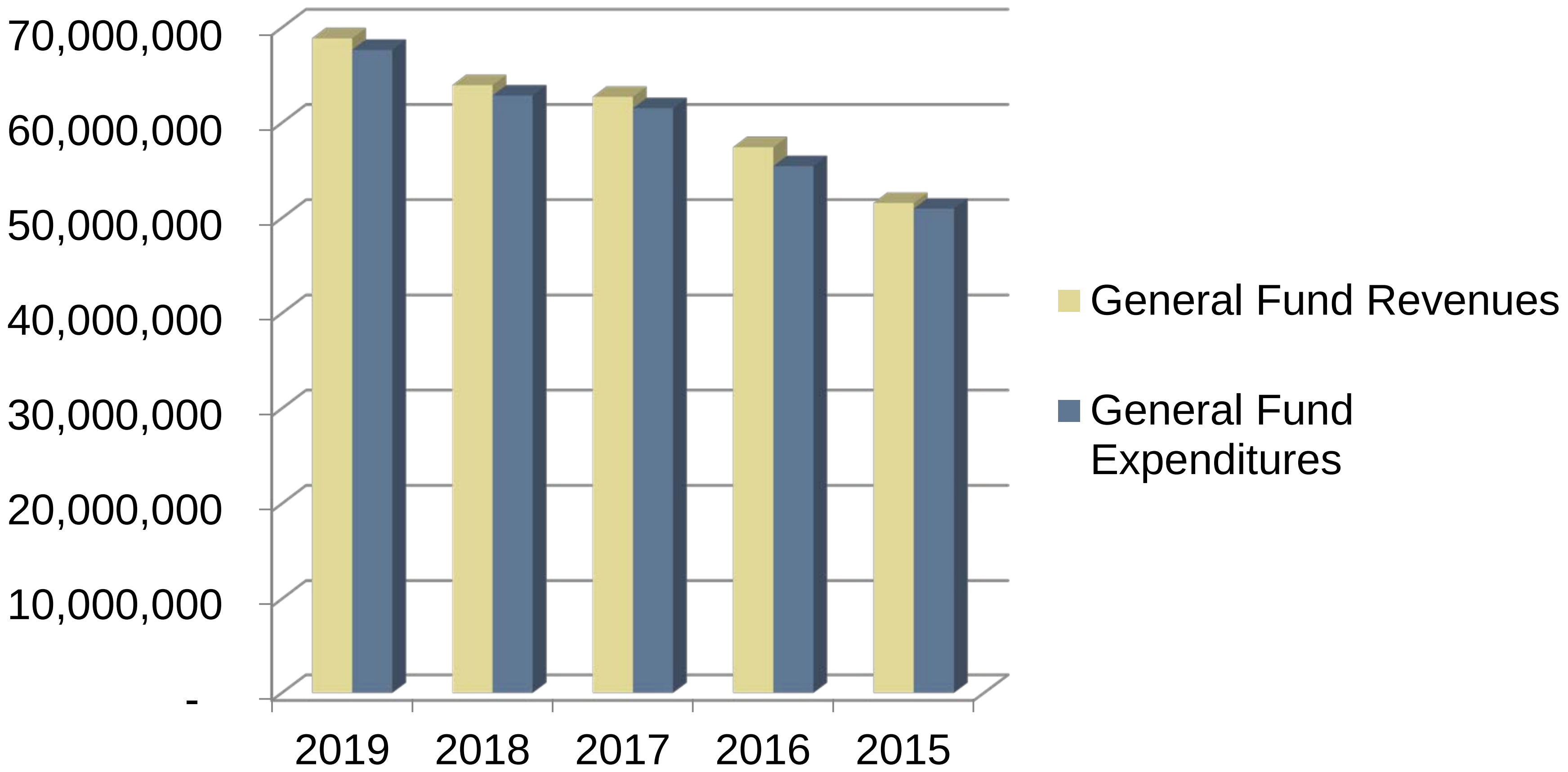
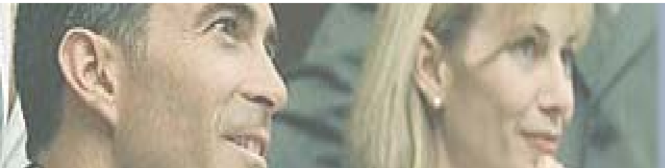
Financial Trends – General Fund Revenues vs. Expenditures





Comments, Recommendations, & Other Issues

- Financial Statement and Federal Award Programs' Findings
  - None reported.

- Audit Recommendations (Management Points)
  - During our testing of compensated absences, it came to our attention that one (1) District employee's annual leave is not maintained and kept within the payroll system, but rather is kept up with by the individual. We recommend all employees' annual leave be maintained within the payroll system so all hours can go through the same calculation and verification process.

Comments, Recommendations, & Other Issues (Continued)

- Audit Recommendations (Management Points) - Continued
  - During our discussion with management and testing of capital leases, the District entered into a capital lease agreement to purchase a bulk of computers in which individually, the computers were less than the District's capitalization threshold of $5,000. The District properly reported the capital leases in its long-term debt schedule and properly recorded the transactions in its general ledger under the modified accrual basis of accounting; however, the District did not report the equipment in its capital assets schedule due to the individual items being less than its capitalization threshold. We recommend the District update its capital assets and capital purchase policy to state that bulk purchases of similar items that have an aggregate value of $5,000 or more be captured as a fixed asset regardless of individual price of item. After further discussions with management, the District did in fact add these assets to its fixed asset schedule and will move forward with updating its policy as recommended.

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Comments, Recommendations, & Other Issues (Continued)

- **New GASB Pronouncements**
  - **GASB Statement No. 84, *Fiduciary Activities***, This statement establishes criteria for identifying fiduciary activities with a focus on: 1) whether a government is controlling the assets of the fiduciary activity; and, 2) the beneficiaries with whom a fiduciary relationship exists. Applicable for June 30, 2020.
  - **GASB Statement No. 87, *Leases,*** will require all lease agreements to be recorded as a liability under full accrual accounting. Many of these leases were previously considered operating leases and payments were expensed as incurred with no liability accrued. Applicable for June 30, 2021.
  - **GASB Statement No. 89**, ***Capitalized Interest,*** requires that construction period interest no longer be capitalized for proprietary funds. This statement is only applied prospectively in the year implemented. Applicable for June 30, 2021.
  - **GASB Statement No. 90, *Majority Equity Interests*,** will change the accounting for a government's investment in another entity in which it acquires a majority equity interest in that entity. Certain investments will be measured using the equity method, some at fair value, and some will result in the acquired entity being reported as a component unit. Applicable for June 30, 2020.
  - **Statement 91, *Conduit Debt*** was issued in May 2019, and is effective for reporting periods beginning after December 15, 2020 (meaning June 30, 2022). Under this standard, GASB has re-defined conduit debt and clarified the circumstances under which it is to be recorded as well as the related disclosures that are required.

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. GASB anticipates a final standard expected in early 2022.
  - *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. The final standard is expected in 2023.

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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:

- CAFR 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, Recommendations, & Other Issues (Continued)

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS (Continued)

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, 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@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.)

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Comments & Questions?

We appreciate the opportunity to serve the City of Decatur Board of Education and look forward to continuing to work with the District in upcoming years!

100 years

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a century of success

Client: ***0207765 - City of Decatur Board of Education***
Engagement: ***0307765 - City of Decatur Board of Education***
Period Ending: ***6/30/2019***
Trial Balance: ***0200.100 - GF Trial Balance Database***
Workpaper: ***0204.100 - GF Adjusting Journal Entries Report.***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		**PBC**		
To reclass due to/from fiduciary funds				
MJ100-1	Due to Fiduciary Fund		38,699.54	
MJ100-2	Interfund Cash			38,699.54
Total			**38,699.54**	**38,699.54**
Adjusting Journal Entries JE # 2		**PBC**		
To record property tax entries				
100-0-0000-0121-	ALLOWANCE FOR UNCOLLECTIBLE TAXES		14,523.56	
100-0-0000-0481-	UNAVAILABLE REVENUE		70,246.83	
100-0-0000-0121-	GENERAL TAXES RECEIVABLE			84,770.39
Total			**84,770.39**	**84,770.39**
Adjusting Journal Entries JE # 3		**PBC**		
To reclass principal and interest expenditures on building lease				
100-0-9990-5100-	INTEREST PAYMENT		4,378.31	
100-0-9990-5100-	PRINCIPAL PAYMENT			4,378.31
Total			**4,378.31**	**4,378.31**

Client:	***0207765 - City of Decatur Board of Education***
Engagement:	***0307765 - City of Decatur Board of Education***
Period Ending:	***6/30/2019***
Trial Balance:	***0200.705 - SA Trial Balance Database***
Workpaper:	***0204.705 - SA Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		**PBC**		
To reclass due to/due from Fiduciary Funds				
MJ #2	INTERFUND CASH		38,699.54	
MJ #3	DUE TO GENERAL FUND			38,699.54
Total			**38,699.54**	**38,699.54**