AGENDA
POWHATAN COUNTY AUDIT COMMITTEE
REGULAR MEETING
MARCH 11, 2019
3:30 PM CALL TO ORDER

1. Approval of December 12, 2018 minutes
2. Election of Officers
3. Review of By-Laws and Charter
4. Status on Internal audit issues
5. Discussion of Uniform Guidance Requirement and GASB 87 Accounting for Leases
6. Set next meeting – June 10, 2019 3:30 PM

POWHATAN COUNTY AUDIT COMMITTEE MEETING
3834 OLD BUCKINGHAM ROAD
DECEMBER 12, 2018

Members Present: Larry J. Nordvig, District 2 Supervisor
Rick Cole, District 1 School Board
Valarie C. Ayers, District 3 School Board
Theodore L. Voorhees, County Administrator
Charla W. Schubert, Director of Finance

The Powhatan County Audit Committee held its quarterly meeting on Wednesday, December 12, 2018, at 4:00 p.m. The purpose of the meeting was to approve the minutes of September 17, 2018, update the committee on the bylaws and charter, and audit presentation.

The minutes from September 17, 2018 were presented. There was a motion by Mr. Nordvig to approve and second my Mr. Cole. Mrs. Ayers abstained as she was not present at that meeting. The minutes passed 2-1.

Mrs. Megan Argenbright presented the June 30, 2018 Comprehensive Annual Financial Report. The County received an unmodified opinion and had two minor management letter comments. She also went through the letter for those charged with governance with the committee.

The committee was updated on the Board of Supervisors approved the By-laws and Charter as was presented at their November 26, 2018.

The next quarterly meeting will be held March 11, 2019 at 3:30 pm.

Adjournment was at 4:51 pm.

Approved on

County of
Powhatan

AUDIT COMMITTEE
Powhatan, Virginia

By-Laws

ARTICLE I

PURPOSE

SECTION 1. The Audit Committee has been established as an advisory committee whose primary purpose is to assist the Board of Supervisors in fulfilling its oversight responsibilities for the overall stewardship of the County's financial affairs.

The responsibilities of the Audit Committee shall be:

a) Review and reassess the adequacy of this Charter at least every two years, with any revision submitted to the Board of Supervisors for approval.

b) Provide an avenue of communication among the Board of Supervisors, county management, and the independent auditors.

c) Ensure the County's internal control systems are in place and implemented, including information technology security and control.

d) Ensure County management implements audit report recommendations.

e) Approve the annual audit plan and all major changes to the plan.

f) Submit an Annual Report of Audit Committee actions and recommendations to the Board of Supervisors.

g) Recommend to the Board of Supervisors the selection of the independent auditors.

h) Continually evaluate the independence of the independent auditors.

i) Review the County's CAFR, management letter and management's response and forward findings to the Board of Supervisors.

ARTICLE II

MEMBERSHIP

SECTION 1. The Chairman of the Board of Supervisors of the County of Powhatan shall appoint two members of the Board of Supervisors and one citizen at large to be voting members of the Audit Committee. The Chairman of the School Board shall appoint two members of the School Board to be voting members. The County Administrator, and Director of Finance shall each be an ex-officio non-voting member of the Audit Committee.

SECTION 2. All members shall be appointed for a term of one year and may be reappointed indefinitely.

ARTICLE III

OFFICERS

SECTION 1. *Enumeration of Offices* The officers of the Committee shall be a Chairperson and Vice-Chairperson.

SECTION 2. *Election of Officers and Term of Office*. The officers shall each be elected at the first regularly scheduled meeting held in a year, take office immediately upon election, and serve a one year term or until a successor is elected at the subsequent meeting.

SECTION 3. Vacant terms of officers may be filled through action taken by the Committee. An officer appointed to fill a vacancy shall be appointed for the unexpired term of his predecessor in office.

SECTION 4. The Chairperson shall preside at all meetings of the Committee and perform such other duties as may be directed by the Committee.

SECTION 5. The Vice Chairperson shall serve as the Chairperson in the absence of the Chairperson.

SECTION 6. The officers shall serve without compensation for their services.

ARTICLE IV

RESIGNATIONS

SECTION 1. In the event that a member chooses to resign from the Audit Committee, such member should notify the Chairperson, in writing. The Chairperson will then immediately notify the members of the Committee of any such resignations. The resignation shall be effective when the notification is received by the Chairperson unless the notification specifies a later time.

ARTICLE V

QUORUM

SECTION 1. Three members, excluding the County Administrator and Director of Finance, shall constitute a quorum.

ARTICLE VI

MEETINGS

SECTION 1. *Regular Meeting*. A regular meeting of the Committee shall be held quarterly on the fourth Wednesday during the months of March, June, September, and December at a time and place to be designated by the Committee. All meetings will be open to the public, to the extent required by Virginia Law.

SECTION 2. *Special Meetings.* Special meetings may be called by the Chairperson, or the Vice Chairperson in the absence of the Chairperson, as deemed necessary or desirable. All Special Meetings will be noticed in accordance with Virginia Law.

SECTION 3. The Director of Finance will keep minutes of each meeting and offer them for Committee approval as the first item on the subsequent meeting agenda. The minutes should be distributed to Committee members in draft form within a reasonable time after the meeting and in advance of the subsequent meeting. A copy of the approved minutes will be submitted to the Office of the County Administrator.

SECTION 4. The Chairperson shall approve an agenda in advance of each meeting. The Committee may request any employee of the County or the independent auditors to attend a meeting of the Committee.

ARTICLE VII

AMENDMENTS

SECTION 1. Amendments can be made a regular scheduled meeting with a majority of committee members present.

County of Powhatan, VA
Audit Committee Charter

Committee Purpose

The Audit Committee has been established as an advisory committee whose primary purpose is to assist the Board of Supervisors in fulfilling its oversight responsibilities for the overall stewardship of the County's financial affairs.

Responsibilities

The Audit Committee will carry out the following responsibilities:

- Review and reassess the adequacy of this Charter at least every two years, with any revision submitted to the Board of Supervisors for approval.
- Provide an avenue of communication among the Board of Supervisors, county management, and the independent auditors.
- Ensure the County's internal control systems are in place and implemented, including information technology security and control.
- Ensure County management implements audit report recommendations.
- Approve the annual audit plan and all major changes to the plan.
- Submit an Annual Report of Audit Committee actions and recommendations to the Board of Supervisors.
- Recommend to the Board of Supervisors the selection of the independent auditors.
- Continually evaluate the independence of the independent auditors.
- Review the County's CAFR, management letter and management's response and forward findings to the Board of Supervisors.
- Foster a culture of audit readiness and strong financial management through establishment of enterprise business processes that provide evidentiary matter supporting audit compliance.

Composition

The audit committee will consist of seven members: two Board of Supervisors, two School Board members, one citizen at large, the County Administrator and the Director of Finance.

Meetings

The audit committee will meet at least four times a year (quarterly), with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

Effective date

ACCOUNTING AND OTHER MATTERS
(Continued)

The GASB issued **Statement No. 87, *Leases*** in June 2017. 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.

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.

Lease Term

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

a. 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.

b. 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.

c. 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.

d. 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.

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:

a. 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.

b. 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.

c. 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.

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.

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 nonlease 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 remeasuring the lease liability and adjusting the related lease asset by a lessee and remeasuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

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.

The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** in March 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for periods beginning after June 15, 2018.