GASB Update

June 18, 2024

David Bullock, CPA
State and Local Government Industry Leader | Partner

Today's Subject

For Fiscal Year Ending June 30, 2024

- GASB 99 – Omnibus (certain paragraphs)
- GASB 100 – Accounting Changes and Error Corrections

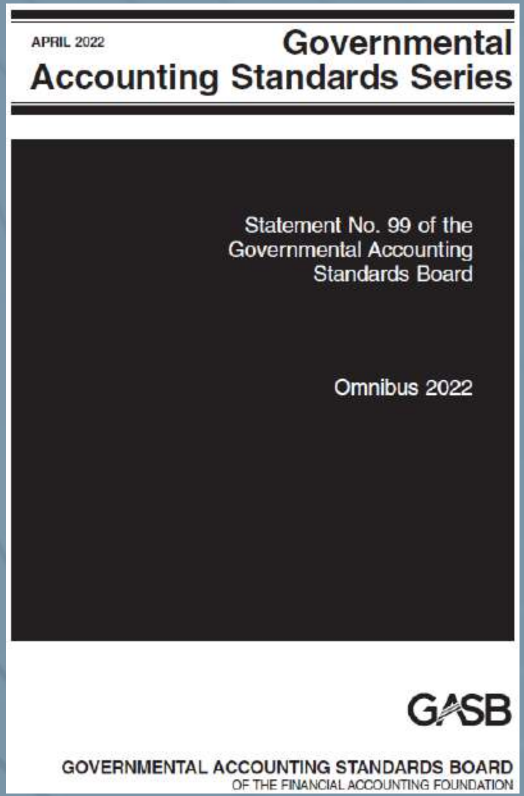
For Fiscal Year Ending June 30, 2025 and beyond

- GASB 101 – Compensated Absences
- GASB 102 – Certain Risk Disclosures
- GASB 103 – Financial Reporting Model Improvements

Recent GASB Statements

No.	Title	Issued	Effective for Periods Beginning After	For FYE 6/30 Organizations
99	Omnibus 2022 (Paragraphs 4-10 only) [1]	April 2022	June 15, 2023	FY 2023/24
100	Accounting Changes and Error Corrections	June 2022	June 15, 2023	FY 2023/24
101	Compensated Absences	June 2022	December 15, 2023	FY 2024/25
102	Certain Risk Disclosures	December 2023	June 15, 2024	FY 2024/25
103	Financial Reporting Model Improvements	May 2024	June 15, 2025	FY 2025/26

[1] Paragraphs 4-7 relate to financial guarantees and paragraphs 8-10 relate to derivative instruments.



GASB Statement No. 99

Omnibus

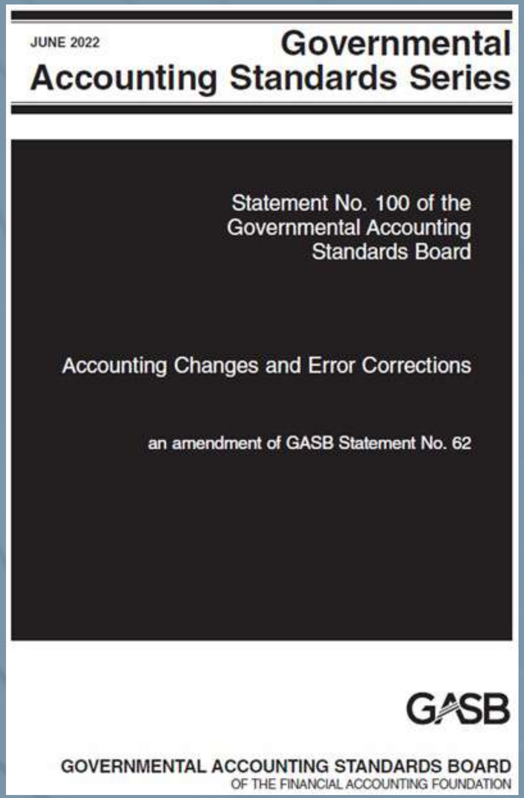
GASB 99 – Classifications

Financial Guarantees (Paragraphs 4-7)

- Addresses exchange and exchange-like financial guarantees
- Matching up the guidance with GASB 70 (Nonexchange Financial Guarantees)
- Guidance does not apply to guarantees related to 1) special assessment debt under GASB 6; 2) contracts under GASB 53; or 3) conduit debt under GASB 91.

Derivative Instruments (Paragraphs 8-10)

- New category of derivatives (amends GASB 53) … “Other Derivative Instruments”
- GASB 53 only defines investment derivative instruments and hedging derivative instruments.
- Provides accounting and disclosure guidance, separately from other derivative instruments.


JUNE 2022
Governmental Accounting Standards Series

Statement No. 100 of the Governmental Accounting Standards Board

Accounting Changes and Error Corrections

an amendment of GASB Statement No. 62

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

GASB Statement No. 100
Accounting Changes and Error Corrections

SLG UNIVERSITY | MGO.

GASB 100 – Classifications

Accounting changes

- Changes in accounting principles
- Changes in accounting estimates
- Changes to or within the financial reporting entity

Error corrections

Let's do a deeper dive into the classifications on the next four slides

GASB 100 – Changes in Accounting Principles

Once adopted, accounting principles should be applied consistently.

A change in accounting principles results from either:

1. Change from one generally accepted principle to another generally accepted principle that is justified on the basis that the newly adopted principle is "preferable".

> **Preferable =** qualitative characteristics to consider … understandability, reliability, relevance, timeliness, consistency, and comparability.

2. Implementation of new pronouncements.

Certain adoption and application of principles are not a change in accounting principles (e.g., first time or previously insignificant), and certain changes may be an error correction.

GASB 100 – Changes in Accounting Estimates

1. Accounting estimates are amounts subject to measurement uncertainty that are recognized/disclosed in financial statements.

2. Accounting estimates are outputs determined based on inputs such as data, assumptions, and measurement methodologies. A change in accounting estimate occurs when inputs change.

Changes to inputs: change in circumstance, new information, more experience, etc.

3. A change in measurement methodology should be justified on the basis that the newly adopted measurement methodology is "preferable" to the old methodology or that it is required by a GASB pronouncement (see "preferable" criteria on previous slide).

GASB 100 – Changes to or within the Financial Reporting Entity

Changes to or within the financial reporting entity result from:

- Addition or removal of a fund that results from the movement of continuing operations within the primary government, including its blended component units
- A change in a fund's presentation as major or nonmajor
- Addition or removal of a component unit to the reporting entity
- A change in a component unit's presentation as blended or discretely presented

Default to change to or within the financial reporting entity even if it also meets the definition of change in accounting principle based on preferability.

Not a change to or within the financial reporting entity

- Acquisitions, mergers, or transfers of operations (as defined by Statement 69) that result in the addition or removal of a discretely presented component unit
- A component unit reported pursuant to Statement No. 90, Majority Equity Interests

GASB 100 – Error Corrections

An error results from the following:

- 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 about conditions that existed as of the financial statement date.

A change from

(a) applying an accounting principle that is not generally accepted to transactions or other events that previously were significant to,

(b) applying a generally accepted accounting principle to those transactions or other events is an error correction.

GASB 100 – Reporting a Change in Accounting Principle

Single Period = should be reported retroactively by restating beginning net position, fund balance, or fund net position, as applicable, for the cumulative effect of the change.

Comparative financial statements = should be reported retroactively by restating financial statements for all prior periods presented, if practicable.

The cumulative effect of the change on periods prior to those presented should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest year presented.

GASB 100 – Reporting a Change in Accounting Principle (continued)

Note disclosures:

- 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.
- 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.
- For comparative financial statements, if prior periods presented are not restated because it is not practicable to do so, the reason why the restatement is not practicable.

In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed as required by paragraph 32 (tabular format).

GASB 100 – Reporting a Change in Accounting Estimate

Should be reported prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs.

Note disclosures:

- The nature of the change in accounting estimate, including identification of the financial statement line items (excluding totals and subtotals) affected.
- 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 100 – Reporting 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.

Note disclosures:

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 as required by paragraph 32 (tabular format).

GASB 100 – Reporting an Error Correction

Single Period = should be reported **retroactively** by restating beginning net position, fund balance, or fund net position, as applicable

Comparative financial statements = should be reported **retroactively** by restating financial statements for **all prior periods presented**

Cumulative effect on periods prior to those presented should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, or the earliest period presented

GASB 100 – Reporting an Error Correction (continued)

Note disclosures:

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. 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.

c. Comparative financial statements the effect of the error correction on the change in net position, fund balance, or fund net position, as applicable, of the prior period.

In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed as required by paragraph 32 (tabular format).

GASB 100 – Reclassifications Resulting from a Change in Accounting Principle or an Error Correction

For a change in accounting principle that does not have an effect on beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, follow the note disclosures required except the effects on beginning balances.

Comparative financial statements = amounts should be reclassified in all prior periods presented, if practicable. If not practicable, reason why should be disclosed.

For an error correction that does not have an effect on beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, follow the note disclosures required except the effects on beginning balances.

Comparative financial statements = amounts should be reclassified in all periods presented.

SLG UNIVERSITY | MGO.

GASB 100 – Other Financial Reporting Requirements

The aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, should be displayed for each reporting unit.

Paragraph 32 – Note disclosure requirements:

- The effects on beginning net position, fund balance, or fund net position, as applicable, of the earliest period adjusted or restated for the following that occurred during the period: (a) each change in accounting principle (including the implementation of new pronouncements that result in restatement), (b) each change to or within the financial reporting entity, and (c) each error correction.

- Those effects should be disclosed in a tabular format that reconciles beginning balances as previously reported to beginning balances as adjusted or restated for each reporting unit.

- If separately displayed by classification in the financial statements, those effects need not be repeated in the notes to the financial statements.

GASB 100 – RSI and SI

RSI (including MD&A) and SI should be consistent with the presentation of the basic financial statements (e.g., the MD&A should be restated in the same manner as the BFS).

For prior reporting periods that are earlier than those presented in the BFS, information for those prior periods that is presented in RSI and SI should not be restated for a change in accounting principles or a change to or within the financial reporting entity. Also, an explanation of why the information is not consistent should be provided in RSI or SI, as applicable.

For an error correction, all affected information should be corrected by restating the information for those prior periods in RSI (including MD&A) or SI, if practicable. Also, an explanation about the nature of the error should be provided in RSI or SI, as applicable.

GASB 100 – Illustration

Sample City

Notes to the Financial Statements

For the Year Ended December 31, 20X2

Note X - Changes to or within the Financial Reporting Entity

Change in Component Unit Presentation (Column A)

QRS Foundation was previously reported as a blended component unit (in Enterprise Fund D) because its board was substantively the same as the Sample City Council. However, new legislation was passed during the year that prevents members of the Sample City Council from serving on the board. Therefore, because the board no longer is substantively the same as the Sample City Council, QRS Foundation no longer meets the requirements for presentation as a blended component unit and is discretely presented for the fiscal year ended December 31, 20X2. The effects of that change to or within the financial reporting entity are shown in column A of the table below.

GASB 100 – Illustration (continued)

Addition of Discretely Presented Component Unit (Column B)

In 20X2, new legislation was passed that gives the Sample City Council the authority to approve and modify the budget of XYZ Foundation. Due to that change, XYZ Foundation now meets the requirements for inclusion as a discretely presented component unit for fiscal year ended December 31, 20X2. The effect of that change to or within the financial reporting entity is shown in column B of the table below.

Correction of an Error in Previously Issued Financial Statements (Column C)

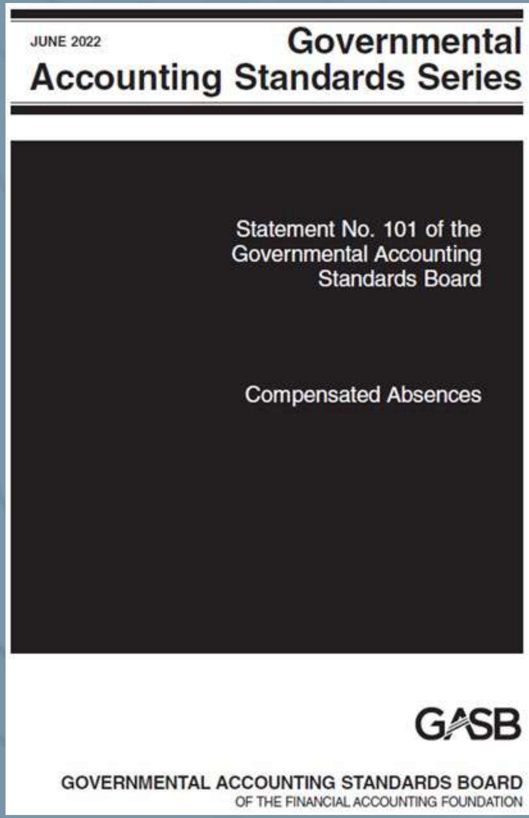
During fiscal year 20X2, Sample City determined that infrastructure assets related to a new development that were contributed by a private developer in the prior year were not reported. Therefore, capital assets, net of depreciation, were understated by $71.312 million for the fiscal year ended December 31, 20X1. In addition, public works revenue from capital grants and contributions was understated by $72.610 million and public works expense for related depreciation was understated by $1.298 million for the fiscal year ended December 31, 20X1. The effect of correcting that error is shown in column C of the table below.

GASB 100 – Illustration (continued)

	12/31/20X1 As Previously Reported	Change to or within the Financial Reporting Entity (A)	Change to or within the Financial Reporting Entity (B)	Error Correction (C)	12/31/20X1 As Restated
Government-Wide					
Governmental Activities	$ 768,033	$ -	$ -	$ 71,312	$ 839,345
Business-Type Activities	543,163	(2,184)	-	-	540,979
Total Primary Government	**$ 1,311,196**	**$ (2,184)**	**$ -**	**$ 71,312**	**$ 1,380,324**
Governmental Funds					
Major Funds:					
General Fund	$ 631,607	$ -	$ -	$ -	$ 631,607
Fund A	100,922	-	-	-	100,922
Nonmajor Funds	40,486	-	-	-	40,486
Total Governmental Funds	**$ 773,015**	**$ -**	**$ -**	**$ -**	**$ 773,015**
Proprietary Funds					
Major Funds:					
Enterprise Fund C	$ 418,910	$ -	$ -	$ -	$ 418,910
Enterprise Fund D	74,831	(2,184)	-	-	72,647
Nonmajor Funds	49,422	-	-	-	49,422
Total Proprietary Funds	**$ 543,163**	**$ (2,184)**	**$ -**	**$ -**	**$ 540,979**
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	$ 3,071,227	$ -	$ -	$ -	$ 3,071,227
Discretely Presented Component Units					
ABC Authority	$ 1,696	$ -	$ -	$ -	$ 1,696
QRS Foundation	-	2,184	-	-	2,184
XYZ Foundation	-	-	1,500	-	1,500
Nonmajor Component Units	2,730	-	-	-	2,730
Total Discretely Presented Component Units	**$ 4,426**	**$ 2,184**	**$ 1,500**	**$ -**	**$ 8,110**

GASB 100 – Illustration (continued)

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances				
	Funds	Government-Wide		Component Units	
	Enterprise Fund D	Governmental Activities	Business-Type Activities	QRS Foundation	XYZ Foundation
12/31/X1, as previously reported	**$ 74,831**	**$ 768,033**	**$ 543,163**	**$ -**	**$ -**
Change from blended to discrete presentation	(2,184)	-	(2,184)	2,184	-
Addition of discretely presented component unit	-	-	-	-	1,500
Error correction	-	71,312	-	-	-
12/31/X1, as restated	**$ 72,647**	**$ 839,345**	**$ 540,979**	**$ 2,184**	**$ 1,500**


JUNE 2022

Governmental Accounting Standards Series

Statement No. 101 of the Governmental Accounting Standards Board

Compensated Absences

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

GASB Statement No. 101
Compensated Absences

GASB 101 – Scope

This Statement establishes standards of accounting and financial reporting for:

- Compensated absences
- Associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB)

A compensated absence is leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits.

GASB 101 – Examples of Compensated Absences

Examples of compensated absences:

- Vacation leave
- Sick leave
- Paid time off (PTO)
- Holidays
- Parental leave
- Bereavement leave
- Certain types of sabbatical leave

Sabbatical leave during which an employee is not required to perform any significant duties for the government is a compensated absence.

GASB 101 – Recognition

Liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for:

- Leave that has not been used, and
- Leave that has been used but not yet paid or settled.

Those liabilities are not required to be aggregated for display in the basic financial statements.

Applicable salary-related payments should be included in the measurement of those liabilities.

GASB 101 – Unused Leave to be Included

A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Relevant Factors for "more likely than not" to be used

- Employment policies related to compensated absences
- Eligibility for future payment
- Historical trends
- Information known that that would indicate historical trends may not be representative of future trends/patterns

GASB 101 – Unused Leave to be Excluded

A liability should not be recognized for leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits.

A liability should not be recognized until the leave commences for compensated absences that are dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period (e.g., parental leave, military leave, and jury duty leave).

For the following types of compensated absences, a government should not recognize a liability until the leave is used:

- Leave that employees are able to take as needed without specific limits (sometimes referred to as unlimited leave)
- Holiday leave that is taken on a specific date not at the discretion of employees.

GASB 101 – Measurement

A liability for leave to be included should be measured using an employee's pay rate as of the date of the financial statements, unless one of the criteria is met:

- If some or all of the leave is more likely than not to be paid at a rate different from the employee's pay rate at the time the payment is made, a government should measure that portion of the liability using that different rate as of the date of the financial statements.

- If the leave is not attributable to a specific employee as of the date of the financial statements (for example, if leave has been donated to a shared employee leave pool), a government should measure the liability using an estimated pay rate that is representative of the eligible employee population.

- If some or all of the leave is more likely than not to be settled through noncash means other than conversion to defined benefit postemployment benefits, a government should measure the liability based on the amount for which it is more likely than not to be settled.

Changes to the measurement of the liability in future periods due to a change in pay rate should be recognized in the period of the change.

GASB 101 – Measurement (continued)

For leave that has been used:

- A liability should be reported when leave is used for time off but has not yet been paid in cash or settled through noncash means, including unlimited leave and holiday leave not at the discretion of employees.
- That liability, including any applicable salary related payments, should be measured at the amount of the cash payment or noncash settlement to be made for the use of the leave.

GASB 101 – Salary-Related Payments

Salary-related payments are obligations that a government incurs related to providing leave in exchange for services rendered (e.g., employer share of Social Security and Medicare taxes).

A government should include in the measurement of its liabilities for compensated absences salary-related payments that are directly and incrementally associated with the leave.

- A payment is directly associated if the amount of the payment is a function of salary to be paid.
- A payment is incrementally associated if the government will make a payment in addition to the payment for the salary.

For leave that has not been used, expense for salary-related payments related to defined contribution pensions or defined contribution OPEB should be recognized when the liability for that leave is recognized and should be reported as pension expense or OPEB expense, as applicable.

GASB 101 – Relationship to Postemployment Benefits

The projected effects on an employer's defined benefit postemployment benefits liability resulting from a payment for compensated absences should not be included in the liability for compensated absences.

Some governments allow or require compensated absences (often sick leave) to be paid to an employee upon termination of employment through a distribution to an individual account (instead of directly to the employee) to be used for specified purposes, such as payment of the employee's share of future healthcare premiums. Leave that (a) has not been used, (b) meets the recognition criteria in paragraph 9, and (c) is more likely than not to be paid in this manner should be included in a liability for compensated absences following the general measurement provisions in paragraphs 16 and 17.

GASB 101 – Governmental Funds

A liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles.

The amount of compensated absences recognized as expenditures in financial statements prepared using the current financial resources measurement focus should be the amount that normally would be liquidated with expendable available financial resources.

GASB 101 – Note Disclosures

For the purpose of the long-term liabilities disclosure, a government should present either (a) the separate increases and decreases or (b) a net increase or a net decrease in its liability for compensated absences included in that disclosure.

- A government that presents a net increase or a net decrease should indicate that it is a net amount.

GASB Statement 34, paragraph 119b and 119d are no longer required!

b. Increases and decreases (separately presented)

d. Which governmental funds typically have been used to liquidate other long-term liabilities (such as compensated absences and pension liabilities) in prior years.

GASB 101 – Illustration 1: Recognition Criteria

Illustration 1a - Paid time off (PTO)

- PTO that is earned each month, carries over without limits at the end of the fiscal year, and for which any unused leave is paid upon termination of employment.
- Some governments offer their employees general PTO that can be used for vacation time, sick time, or other time off, at the discretion of the employee.
- The leave is attributable to services already rendered because employees earn a certain number of hours or days for each month that they are employed.
- The leave accumulates because it carries over at the end of the fiscal year.
- Because there are no limits on carrying over unused leave and any unused leave is paid upon termination of employment, all PTO is more likely than not to be used or paid.

Accordingly, all PTO is recognized as a liability for compensated absences.

GASB 101 – Illustration 1: Recognition Criteria

Illustration 1d - Sick leave (#3)

- Sick leave that is earned each month, does not carry over at the end of each calendar year, and is not paid upon termination of employment.
- Such leave is attributable to services already rendered because employees earn a certain number of hours or days for each month that they are employed.
- If the government's fiscal year does not coincide with the calendar year, sick leave accumulates because it does carry over at the end of the fiscal year, even though employees may only have until the end of the calendar year to use it.

The government estimates how much of the leave is more likely than not to be used as paid leave before the leave is forfeited at the end of the calendar year and recognizes that portion as a liability for compensated absences.

GASB 101 – Illustration 1: Recognition Criteria

Illustration 1f - Compensatory time

- Compensatory time that is earned as employees work overtime and carries over at the end of the fiscal year.
- Per state statute, unused compensatory time is not forfeited and is required to be paid upon termination of employment.
- Some governments offer employees compensatory time (often referred to as "comp time") if they work overtime or on holidays or weekends.
- Such leave is attributable to services already rendered because it is earned as the employees work overtime or on holidays or weekends.
- The leave accumulates because it carries over at the end of the fiscal year.
- Because there are no limits on carrying over unused compensatory time and any unused compensatory time is paid upon termination of employment, all of the compensatory time is more likely than not to be paid.

Thus, all compensatory time is recognized as a liability for compensated absences.

GASB 101 – Illustration 1: Recognition Criteria

Illustration 1g - Parental leave

- Many governments allow employees to take extended periods of paid leave due to the birth or adoption of a child.
- Parental leave is not subject to the recognition criteria.
- Instead, paragraph 14 states that parental leave is recognized when the leave commences.

A liability for the entire leave is recognized at the time an employee goes on leave.

GASB 101 – Illustration 2: Salary-Related Payments

Illustration 2a - Medicare and Social Security payroll taxes

- Employees of Stiso College are subject to those payroll taxes, which are calculated as a percentage of salary paid, up to the stated federal limits.
- The payment amount for those payroll taxes is a function of salary to be paid; therefore, the payments are directly associated.
- The government also will make an additional payment for those payroll taxes when compensated absences are paid (beyond the amount of the salary for the compensated absence), whether the compensated absences are paid as leave is used or upon termination of employment; therefore, those payments are incrementally associated as well.

Accordingly, those salary-related payments are included in the liability for compensated absences.

GASB 101 – Illustration 2: Salary-Related Payments

Illustration 2b - *Defined contribution pensions*

- Stiso College has a defined contribution pension plan.
- The plan terms require Stiso College to provide defined contribution pensions equal to a set percentage of salary paid for the pay period, excluding payments of unused leave upon termination of employment.
- Because the defined contribution pension provided under the plan terms is a function of salary to be paid, it is directly associated.
- However, Stiso College provides defined contribution pensions related to compensated absences only in circumstances in which they are used as paid leave, not for payment of unused leave upon termination of employment.
- Therefore, the defined contribution pensions are incrementally associated only with leave more likely than not to be used and are included in the measurement of salary-related payments only in those cases.

GASB 101 – Illustration 2: Salary-Related Payments

Illustration 2b - ***Defined contribution pensions (continued)***

- There will be no incremental defined contribution pension for leave that is paid upon termination of employment.
- Therefore, it is not incrementally associated with leave that is more likely than not to be paid in that manner.

To determine the amount of defined contribution pensions to include in the liability for compensated absences, Stiso College separately estimates the amount of leave that is more likely than not to be used as paid leave rather than paid upon termination of employment.

GASB 101 – Illustration 2: Salary-Related Payments

Illustration 2c - Medical Insurance for Active Employees

- At Stiso College, medical insurance premiums are paid at a flat monthly amount based on historical medical claims experience.

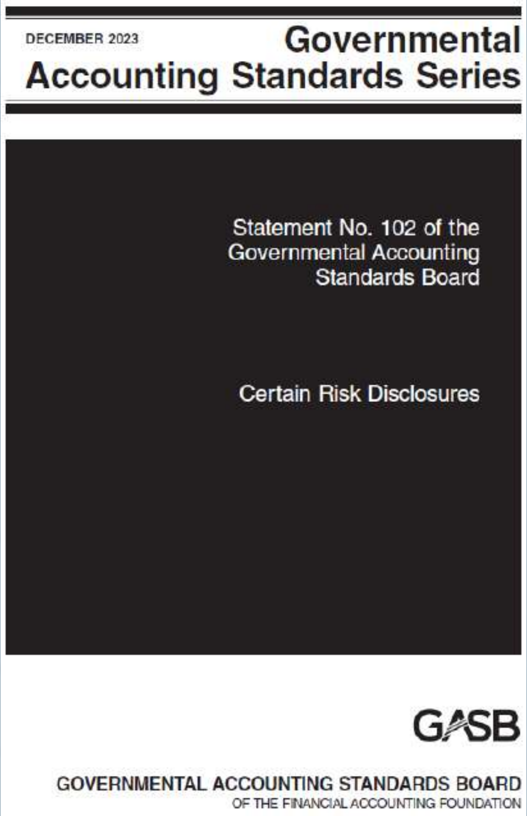
Because the payment amount is not a function of salary to be paid, it is not directly associated and is not included in the liability for compensated absences.

GASB 101 – Illustration 3: Note Disclosure

COUNTY OF KLAUS
NOTE X—DETAIL NOTES ON ALL FUNDS
LONG-TERM DEBT
Long-Term Liability Activity

Governmental Activities	**Beginning Balances**	**Additions**	**Reductions**	**Ending Balances**	**Amounts Due within One Year**
Bonds and Notes Payable:					
General Obligation Bonds	$ 9,520,000	$ 1,201,000	$ (600,350)	$ 10,120,650	$ 817,200
Notes Payable	945,600	75,000	(115,000)	905,600	116,500
Total Bonds and Notes Payable	10,465,600	1,276,000	(715,350)	11,026,250	933,700
Other Liabilities:					
Compensated Absences	310,430	143,545*	-	453,975	382,673
Other Obligations	40,820	-	-	40,820	-
Total Other Liabilities	351,250	143,545	-	494,795	382,673
Governmental Activities Long-Term Liabilities	$ 10,816,850	$ 1,419,545	$ (715,350)	$ 11,521,045	$ 1,316,373
Business-Type Activities					
Bonds and Notes Payable:					
General Obligation Bonds	$ 12,275,600	$ 890,000	$ (1,100,700)	$ 12,064,900	$ 988,700
Sales Tax-Backed Bonds	6,670,000	-	(810,000)	5,860,000	635,000
Total Bonds and Notes Payable	18,945,600	890,000	(1,910,700)	17,924,900	1,623,700
Other Liabilities:					
Compensated Absences	56,710	-	(24,985)*	31,725	19,570
Developer Agreements	1,920,909	87,220	(64,932)	1,943,197	-
Other Obligations	37,503	-	-	37,503	-
Total Other Liabilities	2,015,122	87,220	(89,917)	2,012,425	19,570
Business-Type Activities Long-Term Liabilities	$ 20,960,722	$ 977,220	$ (2,000,617)	$ 19,937,325	$ 1,643,270

*The change in the compensated absences liability is presented as a net change.



GASB Statement No. 102
Certain Risk Disclosures

SLG UNIVERSITY | MGO.

GASB 102 – Introduction

State and local governments may be vulnerable to a variety of risks.

The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

A government may be vulnerable to risks from certain **concentrations** or **constraints** that limit its ability to acquire resources or control spending.

GASB 102 – Concentrations

A concentration is a <u>lack of diversity</u> related to an aspect of a significant inflow of resources or outflow of resources.

Examples include, but are not limited to, the composition of any of the following:

a. Employers
b. Industries
c. Inflows of resources
d. Workforce covered by collective bargaining agreements
e. Providers of financial resources
f. Suppliers of material, labor, or services

GASB 102 – Constraints

A constraint is a <u>limitation</u> that is imposed by an external party or by formal action of a government's highest level of decision-making authority.

Examples include, but are not limited to, the following:

a. Limitations on raising revenue
b. Limitations on spending
c. Limitations on the incurrence of debt
d. Mandated spending

GASB 102 – Disclosure Criteria

A government should disclose in notes to financial statements the information required by paragraph 9 if all the criteria in subparagraphs (a)–(c) below are met. The disclosure criteria should be assessed for the primary government reporting unit and all other reporting units that report a liability for revenue debt.

a. A concentration or constraint (paragraphs 4–6) is known to the government prior to the issuance of the financial statements.
b. The concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact.
c. An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If mitigating actions taken by the government prior to the issuance of the financial statements cause any of the disclosure criteria not to be met, none of the note disclosures in paragraph 9 are required.

GASB 102 – Disclosure Principles

Information about risks related to a government's vulnerabilities due to certain concentrations or constraints should be disclosed in notes to financial statements according to the following general principles:

a. If comparative financial statements are presented, the reporting requirements only apply to the financial statements of the current period.
b. Certain disclosures required by paragraph 9 may supplement note disclosures required by other authoritative guidance. In those circumstances, the information required to be disclosed by this Statement should be combined with those note disclosures in a manner that avoids unnecessary duplication.
c. Information should be provided for the reporting units for which all the disclosure criteria in paragraph 7 are met. Information that is the same for more than one reporting unit should be combined in a manner that avoids unnecessary duplication.
d. Disclosure information is subject to the requirements in paragraph 63 of Statement No. 14, *The Financial Reporting Entity*, as amended.

GASB 102 – Disclosures in Notes to Financial Statements

For each concentration or constraint that meets all the criteria in paragraph 7, governments should disclose in notes to financial statements the information required by subparagraphs (a)–(c) below. A government should provide information in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact associated with the concentration or constraint. The disclosures should include descriptions of the following:

a. The concentration or constraint
b. Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
c. Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

GASB 102 – Illustration: Concentration

Workforce Covered by a Collective Bargaining Agreement

Facts and Assumptions

- As of December 31, 20X1, all transportation workers employed by the Sample Transportation District are members of the State Association of Transport Workers, a public employee union that collectively bargains with the District on behalf of those employees.
- The existing five-year labor contract expires on June 30, 20X2, and negotiations on a new contract have been contentious and ongoing since September 20X1.
- The transportation workers are responsible for the day-to-day operations of the transit system, which provides bus, train, and subway services.
- The District's financial statements for the fiscal year ended December 31, 20X1, were issued on March 22, 20X2.

GASB 102 – Illustration: Concentration

Workforce Covered by a Collective Bargaining Agreement (continued)

Conclusions

Concentration: All transportation workers employed by the District are subject to a collective bargaining agreement.

***Vulnerability to the risk of a substantial impact*:** Management of the District has determined that the labor concentration makes it vulnerable to the risk of a substantial impact because if the existing labor agreement lapses without a new agreement in place, the interruption of bus, train, and subway services that would result could cause a substantial financially disruptive effect on the normal functioning of the District.

Occurrence of an event or events and their timing: Based on the ongoing and contentious negotiations, management of the District has determined that it is more likely than not that the existing labor agreement will expire on June 30, 20X2, without a replacement having been ratified—an event that could cause a substantial impact to the District. The labor contract expiration would be within 12 months of the date the current financial statements were issued but has not yet occurred. For this reason, information about the event is not included in the disclosure.

***Mitigant*:** None.

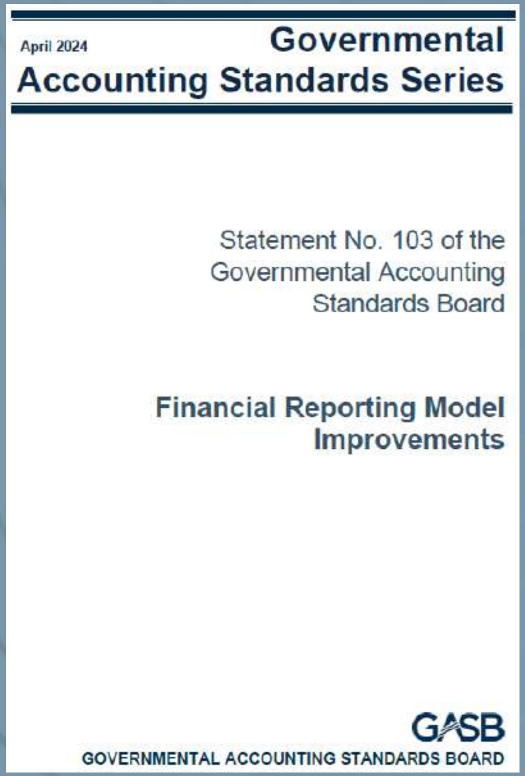
GASB 102 – Illustration: Concentration

Workforce Covered by a Collective Bargaining Agreement (continued)

Illustrative Disclosure

Note X. Concentration of Workforce Covered by Collective Bargaining Agreement

The District depends on its workforce to deliver transportation services. All of the District's transportation workers are covered by a collective bargaining agreement with the State Association of Transport Workers that expires on June 30, 20X2, and a labor disruption that decreases bus, train, and subway services could disrupt the normal functioning of the District's operations.



April 2024

Governmental Accounting Standards Series

Statement No. 103 of the Governmental Accounting Standards Board

Financial Reporting Model Improvements

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

GASB Statement No. 103

Financial Reporting Model Improvements

SLG UNIVERSITY | MGO.

GASB 103 – Scope

New/modified guidance as follows:

- Management’s Discussion and Analysis (MD&A)
- Unusual or infrequent items
- Presentation of proprietary fund statement of flows
- Information about major component units in BFS
- Budgetary comparison information
- Financial trends information in the statistical section

Notable exclusions from the exposure draft:

No change to basis of accounting/measurement focus of governmental funds financial statements

GASB 103 – MD&A

Information that management is aware of as of the date the financial statements are issued.

General MD&A requirements

- Precedes the basic financial statements and is considered RSI
- Objective and easily readable analysis
- Based on currently known facts, decisions, or conditions
- Financial managers are knowledgeable about the government, including transactions and events, fiscal policies, and conditions/results of operations
- Opportunity to present short-/long-term analyses (don’t duplicate transmittal letter)
- Written in a manner that can be understood by users who may not have a detailed knowledge of governmental accounting and financial reporting
- Include explanations and interpretations that help users understand the information provided

GASB 103 – MD&A

General MD&A requirements (continued)

- Discuss the current-year balances and results of operations in comparison with the prior year, with emphasis on the current year
  - MD&A is required to address both years presented in the comparative financial statements. Therefore, there should be three years of comparative data—the current year, the prior year, and the year preceding the prior year. [GASBIG 2015-1, Q7.5.4]
- Fact based
- Discuss the activities that have had either a significant positive impact or a significant negative impact in comparison with the prior year
- Assist users in understanding why balances and results of operations reported in the current year's financial statements changed from the prior year rather than simply presenting the amounts or percentages by which they changed
- Charts, graphs, and tables is encouraged to enhance the understandability of the information

GASB 103 – MD&A

General MD&A requirements (continued)

- If possible, the analysis in MD&A should avoid unnecessary duplication
- Certain explanations may be relevant to the discussion in multiple sections of MD&A
  - Those explanations may be repeated after they have been presented initially, but that is not required.
  - Determining whether to repeat explanations within multiple sections of MD&A is a matter of professional judgment.

Example: a tax rate increase enacted during the year may affect the results in both the government-wide financial statements and the governmental fund financial statements. After the increase is discussed in the analysis of the government-wide financial statements, that discussion could be referenced in the analysis of major funds, rather than duplicated, unless there is a significant change resulting from the use of a different measurement focus.

GASB 103 – MD&A

General MD&A requirements (continued)

- Focus on the primary government
- Distinguish between the primary government and its discretely presented component units
- Determining whether to discuss matters related to a discretely presented component unit is a matter of professional judgment and should be based on the nature and significance of the individual component unit's relationship to the primary government
- If appropriate, the reporting entity's MD&A should refer users to the component unit's separately issued financial statements

GASB 103 – MD&A

MD&A requirements (Paragraph 8)

- Requirements are discussed in general rather than specific terms to emphasize that financial managers should include the explanations that are most relevant to the information presented each year and should avoid "boilerplate" discussion.
- Information presented should be confined to the topics discussed in the following five sections
  - Overview of the Financial Statements
  - Financial Summary
  - Detailed Analyses
  - Significant Capital Asset and Long-Term Financing Activity
  - Currently Known Facts, Decisions, or Conditions

GASB 103 – MD&A

MD&A requirement highlights

- Condensed financial information is relatively consistent with some updates
- For detailed analyses … in addition to reporting the amounts or percentages of significant changes, the analysis should explain why those changes from the prior year occurred and indicate the magnitude of those changes
- Significant capital asset/long-term financing activity should include the following:
  - Capital assets include intangible assets under GASB 51 and intangible right-to-use assets under GASB 87 (leases), GASB 94 (PPP), and GASB 96 (SBITA)
  - Long-term financing includes debt and obligations from GASB 87 (leases), GASB 94 (PPP), and GASB 96 (SBITA)

Notable exclusions from new MD&A requirements:

- Budgetary information
- Information on modified approach to capital assets

GASB 103 – Unusual or Infrequent Items

Unusual in nature or infrequent in occurrence

- Unchanged definition … still utilize GASB 62
- Present inflows and outflows related to unusual or infrequent items individually as the last presented flow(s) of resources prior to the net change
- Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted on the financial statements
- Disclose in notes to financial statements the program, function, or identifiable activity to which an unusual or infrequent item is related, if applicable, and whether that item is within the control of management

GASB 103 – Proprietary Funds

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position

Distinguish between operating and nonoperating revenues and expenses, as well as separately report noncapital subsidies (a type of nonoperating revenue and expense)

New format

Operating revenues (detailed)
    Total operating revenues
Operating expenses (detailed)
    Total operating expenses
        Operating income (loss)
Noncapital subsidies (detailed)
    Total noncapital subsidies
        Operating income (loss) and noncapital subsidies
Other nonoperating revenues and expenses (detailed)
    Total other nonoperating revenues and expenses
        Income (loss) before unusual or infrequent items
Unusual or infrequent items (detailed)
    Increase (decrease) in fund net position
Fund net position—beginning of period
Fund net position—end of period

GASB 103 – Proprietary Funds

Definitions of Operating Revenues and Expenses and of Nonoperating Revenues and Expenses

- Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses
- Nonoperating revenues and expenses are (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses
- Revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements should be classified as operating revenues or operating expenses if those transactions constitute the proprietary fund's principal ongoing operations
  - For example, interest revenues should be reported as operating revenues by a proprietary fund established to provide loans to first-time homeowners

GASB 103 – Proprietary Funds

Definition of Subsidies

Resources received from another party or fund

- for which the proprietary fund does not provide goods and services to the other party or fund, and
- that directly or indirectly keep the proprietary fund’s current or future fees and charges lower than they would be otherwise

Resources provided to another party or fund

- for which the other party or fund does not provide goods and services to the proprietary fund, and
- that are recoverable through the proprietary fund’s current or future pricing policies

All other transfers

GASB 103 – Major Component Units

Information about Major Component Units in Basic Financial Statements

- In basic financial statements, governments should present each major component unit separately in the reporting entity's statements of net position and activities if it does not reduce the readability of the statements
- If presenting each major component unit separately reduces the readability of the statements, combining statements of major component units should be included in the reporting entity's basic financial statements after the fund financial statements

GASB 103 – Budgetary Comparison Information

Budgetary Comparison Information

- Budgetary comparison schedules should be presented as RSI for the general fund and each major special revenue fund that has a legally adopted annual budget

- Separate columns for the variances between
  a. original and final budget amounts (new)
  b. final budget amounts and actual results

- An explanation of significant variations between original and final budget amounts and final budget amounts and actual results also is required to be presented in notes to RSI (not MD&A)

Note: no longer "optional" to present the budgetary comparison information in the basic financial statements!

GASB 103 – Statistical Section (for BTA ACFRs)

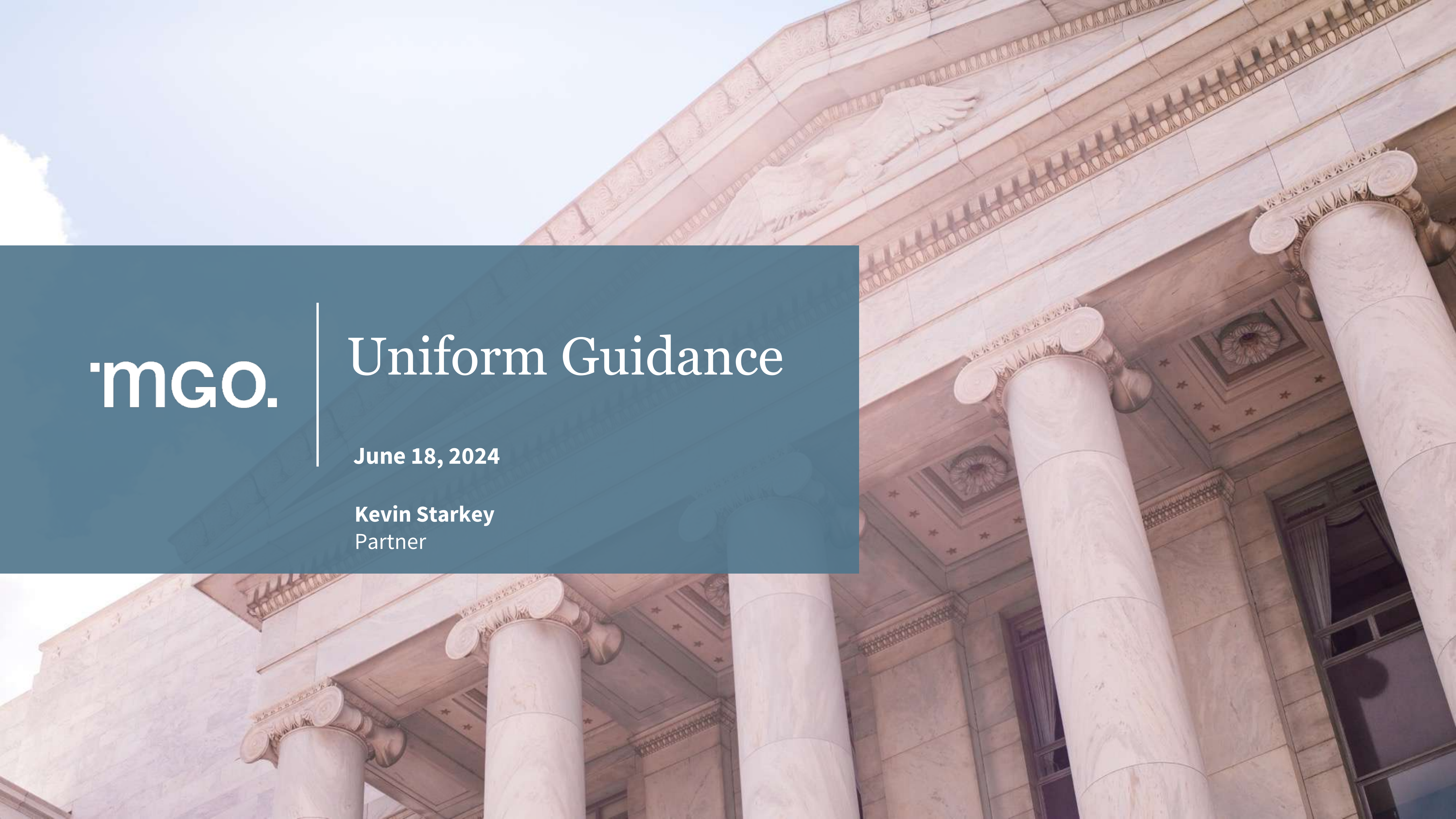
Information about Changes in Net Position

In the statistical section of separately issued financial reports, governments engaged only in business-type activities or only in business-type and fiduciary activities should present revenues by major source for their business-type activities, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses

Questions?

Thank You

David Bullock, CPA
Macias Gini & O’Connell LLP (MGO)
State and Local Government Industry Leader | Partner
Dbullock@mgocpa.com



Uniform Guidance

June 18, 2024

Kevin Starkey
Partner

Agenda

Updates

2024 Compliance Supplement

Upcoming Changes to Uniform Guidance

OMB Compliance Supplement

What is the OMB Compliance Supplement?

- Identifies the existing important compliance requirements that the federal government expects to be considered in a single audit.
- Provides information to the auditors to understand the federal program objectives, procedures, and compliance requirements.
- Includes audit objectives and suggested audit procedures for determining compliance with the noted requirements.
- https://www.whitehouse.gov/omb/office-federal-financial-management

2024 OMB Compliance Supplement

Part 3 – Clarified BABA Requirement:

- Non-federal entities must comply with the Build America, Buy America (BABA) Act requirements for all applicable federal awards subject to those requirements.

- **Requirement:**

  None of the funds made available for a federal financial assistance program for **infrastructure** may be obligated for a **project** unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.

2024 OMB Compliance Supplement

Definition of Infrastructure Project (2 CFR, Part 184.3):

Any activity related to the construction, maintenance, or repair of infrastructure in the United States regardless of whether infrastructure is the primary purpose of the project.

OMB Included Additional Procedure for Auditors

Part 3 – Procurement and Suspension and Debarment

- For each agreement selected where a waiver was not applicable, review the non-federal entity's documentation supporting that it monitored the contractor's compliance with the BABA domestic preference provisions in the agreement (2 CFR 200.318(b)).

2024 OMB Compliance Supplement

Part 5 – Clusters of Programs

Assistance Listing Number	Following Clusters were Removed
	Community Facilities Loans and Grants Cluster
10.766	Community Facilities Loans and Grants
10.780	Community Facilities Loans and Grants (Community Programs)
	Clean Water State Revolving Fund (CWSRF) Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds
	Drinking Water State Revolving Fund (DWSRF) Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds
66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds
	Hurricane Sandy Relief Cluster
93.095	HHS Programs for Disaster Relief Appropriations Act - Non-Construction
93.096	HHS Programs for Disaster Relief Appropriations Act -Construction

Assistance Listing Number	Following Cluster was Added
	Tribal Self-Governance and Determination Cluster
93.210	Tribal Self-Governance Program - IHS Compacts/Funding Agreements
93.441	Indian Self-Determination Program - IHS Contracts

Assistance Listing Number	Following Programs were Removed from the Identified Cluster
	Section 8 Project-Based Cluster
14.182	Section 8 New Construction and Substantial Rehabilitation
	Highway Safety Cluster
20.611	Incentive Grant Program to Prohibit Racial Profiling

2024 OMB Compliance Supplement

Part 8 – Appendix IV – Higher Risk Designation

Assistance Listing Number	Following Programs have been Designated as Higher Risk by OMB
15.252	Adandoned Mine and Land Reclamation
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.775/93.777/ 93.777	Medicaid Cluster

2024 OMB Compliance Supplement

Programs below were removed from being higher-risk:

Assistance Listing Number	Following Programs were Eliminated from the Higher Risk Designation by OMB
21.026	Homeowner Assistance Fund
21.029	Coronavirus Capital Projects Fund
84.425	Education Stabilization Fund
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
96.001/96.006	Disability Insurance/Supplemental Security Income

2024 OMB Compliance Supplement

Part 4 – Agency Program Requirements (FEMA)

Guidance below is directly from Part 4 of the Compliance Supplement for the Disaster Grants – Public Assistance (ALN 97.036) program

- Nonfederal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when:
  (1) FEMA has approved the nonfederal entity's Project, and
  (2) the nonfederal entity has incurred the eligible expenditures. FEMA's approval of a subaward is indicated when FEMA obligates the federal share of the eligible project cost to the recipient federal awards expended in years subsequent to the fiscal year in which the Project is approved are to be recorded on the nonfederal entity's SEFA in those subsequent years.

2024 OMB Compliance Supplement

Part 4 – Agency Program Requirements (FEMA)

Example:

1. If FEMA approves the Project in the nonfederal entity's fiscal year 2024 and eligible expenditures are incurred in the nonfederal entity's fiscal year 2025, the nonfederal entity records the eligible expenditures in its fiscal year 2025 SEFA.

2. If the nonfederal entity incurs eligible expenditures in its fiscal year 2024 and FEMA approves the nonfederal entity's Project in the nonfederal entity's fiscal year 2025, the nonfederal entity records the eligible expenditures in its fiscal year 2025 SEFA with a footnote that discloses the amount included on the SEFA that was incurred in a prior year.

Uniform Guidance Updates

Overview of the Uniform Guidance

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance or UG)

- a government-wide framework for grants management
- current regulation that implements the Single Audit Act Amendments of 1996

Objectives

- Removes previous conflicting guidance and establishes standard language;
- Focuses audits on areas that have been identified as at risk for waste, fraud, and abuse;
- Lays the groundwork for Federal agencies to standardize the processing of data;
- Clarifies and updates cost reporting guidelines for award recipients.

SLG UNIVERSITY | MGO.

Key sections of the Uniform Guidance

6 Subparts

- A. Acronyms and Definitions
- B. General Provisions
- C. Pre-Federal Award Requirements and Contents of Federal Awards
- D. Post-Federal Award Requirements
- E. Cost Principles
- F. Audit Requirements

11 Appendices

- Appendix IV – Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
- Appendix V to VII – cost allocation plans for State/Local Governments

Uniform Guidance updates

Why is the Uniform Guidance being revised?

- OMB is required to update the UG every five years
- OMB issued a Federal Register notice proposing changes to the UG on October 5, 2023
- Over 800 comments were received by OMB by the end of the comment period (December 4, 2023)

Uniform Guidance updates

- On April 4, 2024, the OMB released an update to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

- Codified at 2 CFR, Part 200

- Most significant revisions to the Uniform Guidance since becoming effective 10 years ago.

- Effective for awards made on or after October 1, 2024.

Uniform Guidance updates

Objectives for revising the guidance:

(1) Incorporate statutory requirements and administration priorities

(2) Reducing agency and recipient burden

(3) Clarifying sections that recipients or agencies have interpreted in different ways

(4) Rewriting applicable sections in plain language, improving flow, and addressing inconsistent use of terms with the guidance

Goal was to improve federal financial assistance management, transparency, and oversight through more accessible and understandable guidance.

Uniform Guidance updates

Cybersecurity Internal Controls (200.303(e))

Cybersecurity internal control requirements were added, however there is no mandate concerning a specific framework. OMB will be considering providing more specific guidance in the future.

Equipment (200.313)

Acquisition threshold was increased from $5,000 to $10,000 concerning the definition of equipment.

Uniform Guidance updates

Procurements by States and Indian Tribes (200.317)

Allows Tribal governments that are recipients of federal funds to use their own procurement standards.

However, if no such policies exist, then the procurement standards in 200.318 through 200.327 must be followed.

Uniform Guidance updates

Modified total direct costs (MTDC) (200.333)

The amount of subawards that recipients can apply to their indirect rate is increased from $25,000 to $50,000.

MTDC is defined as all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first **$50,000** of each subaward (regardless of the period of performance of the subawards under the award).

SLG UNIVERSITY | MGO.

Uniform Guidance updates

De minimis Indirect Cost Rates (200.414)

Recipient and subrecipient that do not have a current federal negotiated indirect cost rate may elect the **15%** of modified total direct costs (MTDC).

Federal agencies and pass-through entities may not require recipients and subrecipients to use a de minimis rate lower than the negotiated indirect cost rate.

Uniform Guidance updates

Clarification of pension costs (200.431(g)) and post-retirement health plan costs (200.431(h))

Costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method ~~in accordance with~~ recognized by GAAP and following the recipient's or subrecipient's established written policies ~~of the non-federal entity~~.

New:

Payments for unfunded pension or post-retirement health plan (PRHP) costs must be charged in accordance with the allocation principles of this subpart. Specifically, the recipient or subrecipient may not charge unfunded pension or PRHP costs directly to a federal award if those unfunded pension or PRHP costs are not allocable to that award.

Uniform Guidance updates

Audit Requirements (200.501)

Increased threshold from $750,000 to $1 million in expenditures of federal awards for being required to have a single audit or program-specific audit.

Report submission (200.512(a)(1))

The federal cognizant or oversight agency may authorize individual audit submission extensions when the nine-month timeframe would place an undue burden on the auditee.

- Federal agency contacts are listed in Appendix III of the OMB Compliance Supplement.

Uniform Guidance updates

Questioned Costs

Clarified definition (200.1)

- Removed reference to audit finding.

Expanded reporting requirements on audit findings (200.516)

- When there are known questioned costs, but the dollar amount is undetermined or not reported, the auditor should include a description of why the dollar amount was undetermined or otherwise could not be reported.

Uniform Guidance updates

What has NOT changed…

Percentage of Coverage percentages would remain at 20% and 40%

Questioned cost reporting threshold would remain at $25K

Percentage of loans in a program for it to be considered a loan program would remain at 50%

Questions?

Avoid Audit Findings

Annie Louie
Partner

In this section…

Single Audit Findings and Their Impacts

Common Shortfalls

Terminologies and abbreviations

AICPA	American Institute of Certified Public Accountants
ALN	Assistance listing number
COVID-19	Coronavirus disease 2019
FAC	Federal audit clearinghouse
GAAP	Generally accepted accounting principles
GAQC	AICPA Governmental Audit Quality Center
OMB	Office of Management and Budget
PTE	Pass-through entity
SEFA	Schedule of expenditures of federal awards
UG	Uniform Guidance

Single audit findings

- Financial Statements
- Compliance
- Control Deficiencies in Design or Operation
    - Significant deficiencies
    - Material weaknesses
- Known Fraud
- Material Misrepresentation in Client’s Status of Prior Year Finding

Impact of findings

Low-risk auditee status

- Annual single audits and timely filing with FAC
- Unmodified opinion(s) on financial statements in accordance with GAAP or basis of accounting required by state law
- Unmodified in-relation-to opinion on the SEFA
- No material weaknesses in internal control over financial reporting
- No auditor reporting of going concern
- No program had any of the following in either of the two preceding years in which they were Type A programs:
  - material weaknesses in internal control over compliance
  - modified opinion on a major program
  - known or likely questioned costs > 5% of expenditures for a Type A program

Impact of Findings

Major program determination – Type A Programs

- Audited as a major program in at least one of the two most recent audit periods
- In the most recent audit period, the program must have not had:
  - Material weaknesses over compliance
  - A modified opinion on the program's compliance
  - Known or likely questioned costs that exceed 5% of the total federal awards expended for the program

Common Shortfalls

Not understanding all funding requirements

Terms and conditions of the federal award

- Federal Funding Accountability and Transparency Act (FFATA) Reporting
  - Required for prime (direct) grant recipients to report first-tier subawards
  - Filing required by the end of the month following the month in which the prime recipient *awards* any sub-grant greater than or equal to $30,000.
- Cluster are generally defined in the OMB Compliance Supplement or as designated by a State for Federal awards the State provides to its subrecipients that meet the definition of a cluster of programs.

Not understanding all funding requirements

SEFA Reporting

- Insufficient communication between fiscal and program teams
    - Services incurred but unclaimed as of year-end were not reported
    - Not understanding the difference of subrecipients vs contractors
    - Erroneously including encumbrances as expenditures
- Improper source of information

Not understanding all funding requirements

What resources are available?

- OMB Compliance Supplement
  - Minimum procedures expected by federal government for single auditors
  - Part 5 Cluster of Programs
  - Appendix III Federal agency single audit coordinators, Key management liaison, and program contacts
- Your entity's single audit liaison
- Your auditors

Insufficient internal controls

- Design of controls – Do controls adequately address current circumstances?
- Operating effectiveness – Are controls being executed as designed?

Insufficient internal controls

COVID-19 Waiver Expirations

- Many waivers were tied to the national emergency and public health emergency declarations related to the COVID-19 pandemic, which ended on May 11, 2023.

- Examples
    - Eligibility determinations
    - Housing quality inspections

Insufficient internal controls

Cross-departmental Programs

- Certain federal programs allowed broad categories of expenditures, which may have been claimed across multiple components within the entity
  - U.S. Department of Health and Human Services: Provider Relief Fund (PRF)
  - U.S. Treasury: Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program

Insufficient internal controls

Lack of Resources

- Internal control is generally defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

- Examples:
  - Reports were not submitted by due dates
  - Subrecipient monitoring was limited to desk reviews
  - Eligibility reassessments were not consistently reviewed due to program personnel having reduced accessibility to physical files

Insufficient internal controls

Recommendations

- Continual risk assessment
  - Ask "why" in the review and redesign of processes
- Leverage technology to reduce manual processes where possible
- Encourage cross-training and team collaboration
- Use temporary or external resources

Lack of documentation

- Required documents not collected or maintained
  - Suspension and debarment verification – no documentation was retained to demonstrate a vendor was not suspended or debarred from participating in federally funded contracts prior to entering into a covered transaction
- Inadequate record retention
  - Certified payrolls required by David Bacon Act – Due to a change in personnel, certified payrolls were not located for review and may have been displaced.
- Insufficient information in documents to support conclusions drawn
  - Housing inspections – the initial inspection report noted deficiencies that required corrections. The re-inspection report concluded all repairs were made; however, there were no documentation supporting the repairs for failed items included in the HQS inspection report.

Q: What is the solution?

Inadequate subrecipient monitoring

Not Properly Identifying Subrecipients

- Subrecipient
  - Performance is measured in relation to federal program objectives
  - Responsible for programmatic decision-making
  - Complies with federal program requirements
  - Subject to single audit
- Contractor
  - Provides goods or services that are ancillary to the operation of the federal program
  - Follows the terms and conditions of the contract
  - Not subject to single audit

Resource: AGA's Subrecipient vs. Contractor Checklist

https://www.agacgfm.org/Resources/intergov/SubrecipientvsContractor.aspx

Inadequate subrecipient monitoring

Inadequate Performance of Pass-through entity (PTE) Responsibilities

- Communicating terms and condition of awards
- Performing risk assessment of each subrecipient
- Consider posing specific subaward conditions, if appropriate
- Monitor the activities of subrecipients
- Consider enforcement actions against instances of noncompliance

Q: What are best practices?

Inadequate subrecipient monitoring

Reporting and Reviewing Subrecipient Expenditures

- SEFA
- Questioned costs

Resource: GAQC Web event – Key Recipient Roles and Responsibilities in a Single Audit

https://www.aicpa-cima.com/resources/video/key-recipient-roles-and-responsibilities-for-single-audits

Subrecipient monitoring – the flip side

**What if we received the funding from a PTE
and it is not clear whether we are a subrecipient or contractor?**

- The short answer is ask!
- Maintain all supporting documentation for how conclusions were reached.

Resources

GAQC Resources

- GAQC Web event, Preparing for Your First Single Audit: An Auditee Perspectives
  https://www.aicpa.org/resources/video/gaqc-web-event-archive-preparing-for-your-first-single-audit

MGO Perspectives

- Procurement and Purchasing Best Practices for State and Local Governments
  https://www.mgocpa.com/perspective/procurement-and-purchasing-best-practices-for-state-and-local-governments
- State and Local Cybersecurity Improvement Act Update: Get Started Protecting Sensitive Data and Systems
  https://www.mgocpa.com/perspective/state-and-local-cybersecurity-improvement-act-update-get-started-protecting-sensitive-data-and-systems
- How Strong Is Your Grant Compliance Framework?
  https://www.mgocpa.com/perspective/how-strong-is-your-grant-compliance-framework

Questions?

SLG UNIVERSITY | MGO.

Thank You

Kevin Starkey, CPA
Macias Gini & O’Connell LLP (MGO)
Assurance Partner
KStarkey@mgocpa.com

Annie Louie, CPA, CGMA, CISA
Macias Gini & O’Connell LLP (MGO)
Assurance Partner
ALouie@mgocpa.com

SLG UNIVERSITY | MGO.

Digital Transformation for the Public Sector CFO

June 18, 2024

Kyle O'Rourke, Advisory Partner at MGO
Louis Stratton, Director of Strategic Partnerships at DebtBook

Agenda

Learning Objectives

Speaker Intros

The Need to Evolve

Digital Transformation and Automation

Taking the Next Step

Learning Objectives

1. Discuss trends impacting the accounting profession and human capital
2. Understand keys to digital transformation
3. Consider next steps in your organization’s transformation journey

Speaker Introductions

Speakers

Kyle O’Rourke is a partner on MGO’s Public Sector Advisory practice. He is a management consultant and internal audit professional that provides operational transformation consulting , risk and internal audit, and other advisory services to public sector clients. Kyle is a leader in the profession, having served on the Board of the IIA Chicago Chapter for five years and having previously served in CAE roles, including City Auditor for the City of Palo Alto, California. Most recently, Kyle was the Treasurer of a multi billion-dollar green tech start-up leading key initiatives including Public Company Readiness efforts.

Louis Stratton is the managing director of strategic partnerships at DebtBook. He is a Certified Public Accountant (CPA) who now works with innovative fintech companies to transform the lives of finance and accounting professionals. In addition to serving public sector clients in his accounting role and holding leadership positions at Blackbaud and Porte Brown, Louis has also served as an adjunct professor of accounting, auditing, finance, and management.

The Need to Evolve

The 2022 Gartner Finance Transformation Survey shows **over 70% of transformations being either less impactive or moving slower than expected.**

The Case for Transformation and Automation

Up to

40%

of human work hours are spent on repetitive tasks

Up to

$1.3M

in losses by organizations due to inefficient processes

70-80%

of rule-based processes can be automated

SLG UNIVERSITY | MGO.

The Accountant Shortage

- **Current accountant shortage of 300,000+ professionals**
- **75 percent of certified public accountants (CPAs) will retire during the next 15 years**
- **More than 1 million fewer students are in college post-Covid, and undergraduate enrollment is predicted to decline from 2025 onwards**

The long-term trends is fewer accounting graduates and fewer CPAs, causing a major shortage in the profession.

Digital Transformation: Radically changing how we interact, work, and live

REAL-TIME INFORMATION
Stakeholders want and need more

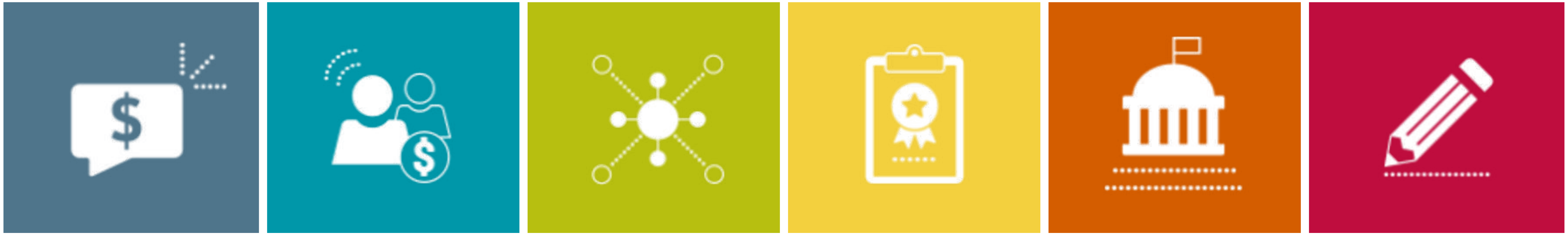
ON-DEMAND
Always “on” and always social

INCREASE VELOCITY
Rapid innovation driving change

VISIBILITY TO INFORMATION
Access to information by those who need it

Pressures on Public Sector Organizations

Financial pressures on public sector organizations are both the case for transformation and automation as well as an impediment to investment.



Lack of funding	Limited resources	Disparate systems	Rising compliance costs	New and increasing regulations (SAS No. 145)	Time consuming, manual processes

Digital Transformation and Process Automation

The ‘What Ifs’ Lead to Automation and Transformation

Modern technology is transforming business processes using process automation.

The *What Ifs*:

What if you could focus more of your time on managing services, serving internal customers, and serving the community at large through your work?

What if technology drove efficiency and connection, not complexity?

What if a long term transformation was an imperative, not a choice?

Desired Allocation of Time

Seeking Solutions to Financial Pressures

1 Revenue

2 – Expenses

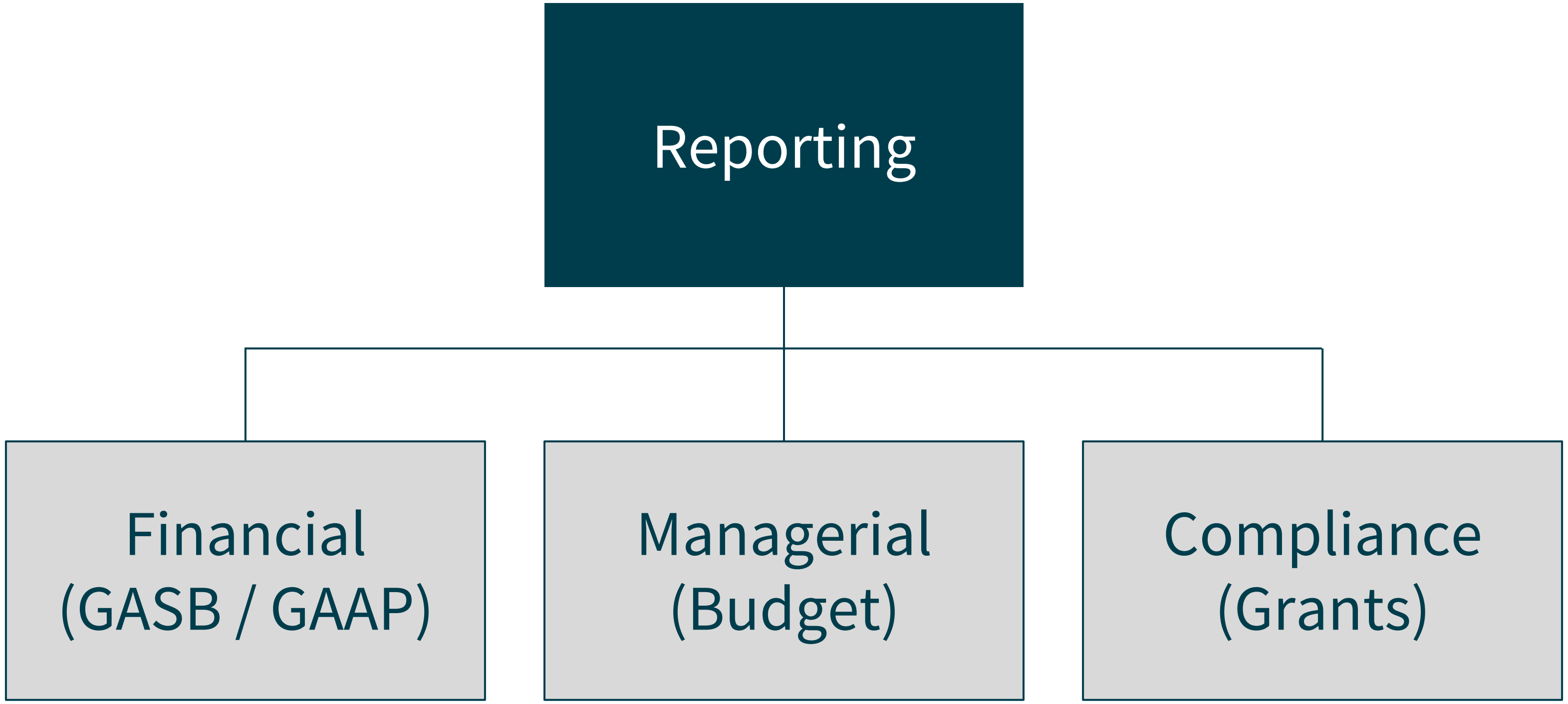
3 = Change in Net Position

1. Levy taxes or broaden tax base
2. Charge fees for service
3. Improve collections
4. Improve revenue systems and processes

SLG UNIVERSITY | MGO.

Considering Complexities of the Finance Department

Focus on Reporting



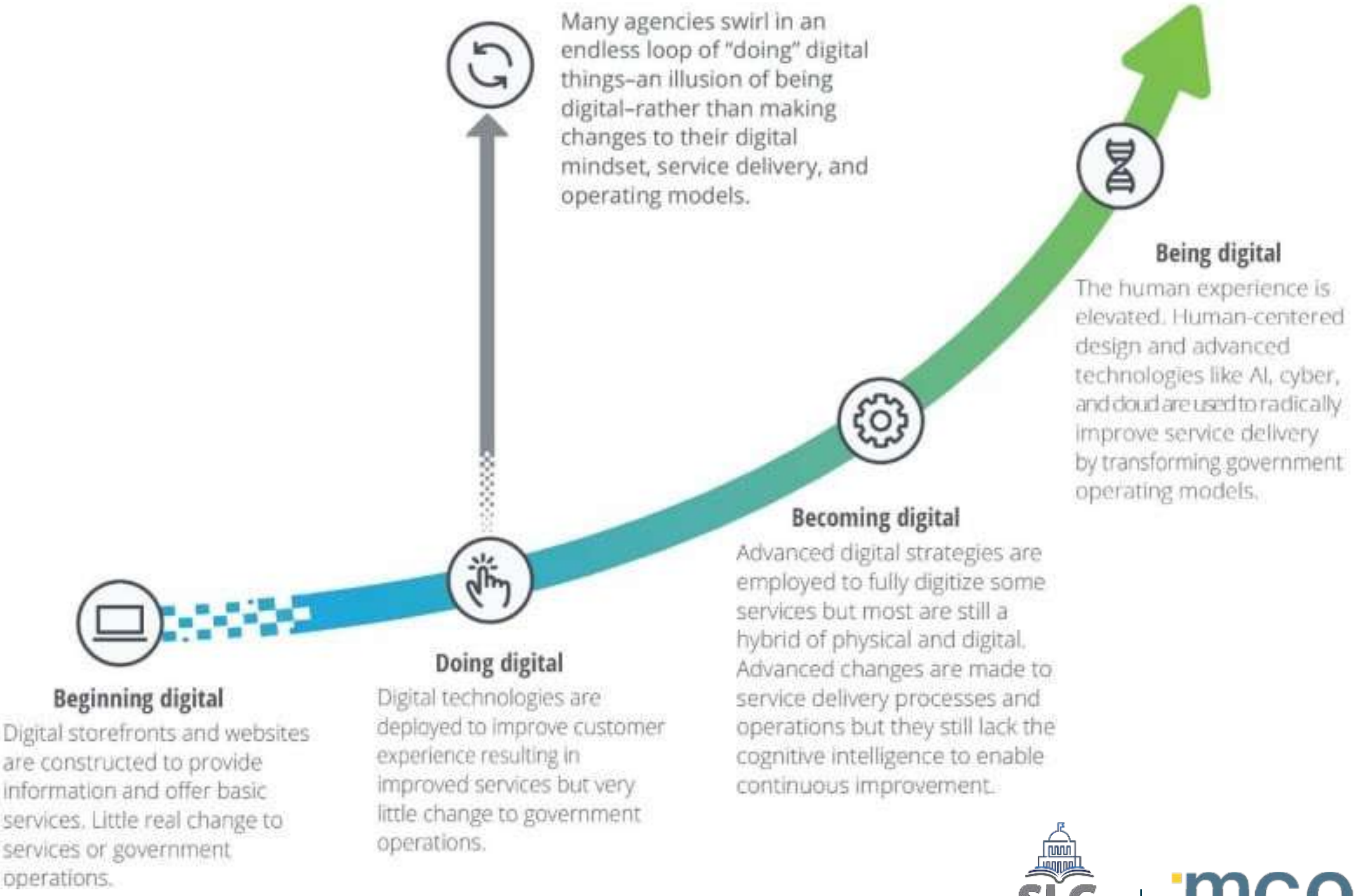
Taking the Next Step

Digital Transformation Journey – from Doing to Being

Governments must move from "doing" digital to "being" digital

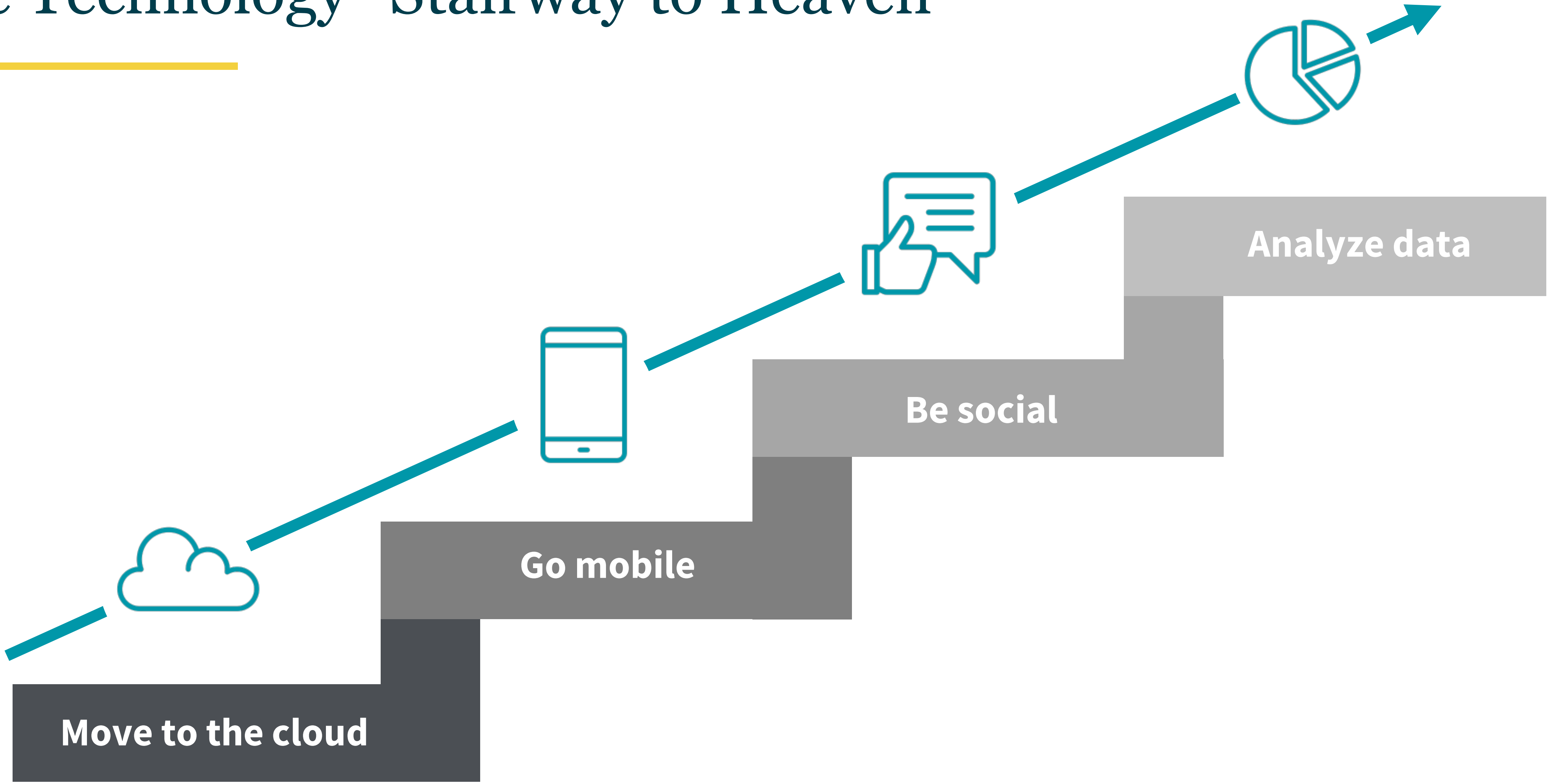
Too many government agencies feel that developing digital services is adequate for becoming a digital organization; however, digital transformation focuses on fundamentally shifting an organization's operations and mindsets from "doing" digital to "being" digital.

Source: Deloitte analysis.



SLG UNIVERSITY | MGO.

The Technology "Stairway to Heaven"



***Escape Velocity**: Free your companies future from the pull of the past
Geoffrey Moore

Fast-moving mobile professionals need real-time information, on-demand, via mobile device!

Integrate
Automate
Collaborate

- Create meaningful connections
- Power your mission
- Drive service

Questions?

Thank You

Kyle O'Rourke, CIA, CRMA, CGAP
Macias Gini & O'Connell LLP (MGO)
Advisory Services Partner
KOrourke@mgocpa.com

Louis Stratton
DebtBook
Director of Strategic Partnerships
Louis.Stratton@debtbook.com

Energy Tax Credits Panel

June 18, 2024

Agenda

Panel Discussion

Clean energy and other related capital expenditures can qualify for federal credits, and understanding the scope and timing could result in significant resources coming back to your organization.

Questions?

Thank You

David Bullock, CPA
Macias Gini & O'Connell LLP (MGO)
State and Local Government Industry Leader
| Partner
DBullock@mgocpa.com

Danielle Bradley, MBA
Macias Gini & O'Connell LLP (MGO)
Tax Credits and Incentives Director
DBradley@mgocpa.com

SLG UNIVERSITY | MGO.

Thank You

Nikolai J. Sklaroff
San Francisco Public Utilities Commission
Capital Finance Director
nsklaroff@sfwater.org

Chris Lover
PFM Financial Advisors LLC
Managing Director
loverc@pfm.com

SLG UNIVERSITY | MGO.

Thank You

Devin Brennan
Orrick
Partner, Public Finance
dbrennan@orrick.com

Wolfram Pohl
Orrick
Tax Partner
wpohl@orrick.com