



A & A Update

MSBO Finance Committee Meeting
March 16, 2018

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Topics to Discuss

Review of Uniform Guidance

- Written Procedures
- IC Vs Compliance
- Time Keeping
- Procurement

GASB Pronouncements

- GASB 68 – Any issues?
- GASB 75 - OPEB
- GASB 77 – Tax Abatements

Looking to the Future

- GASB 84 – Fiduciary Funds
- GASB 87 - Leases

Questions

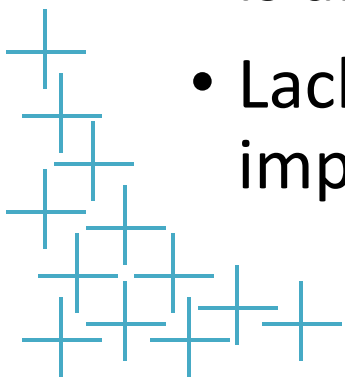


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UNIFORM GUIDANCE

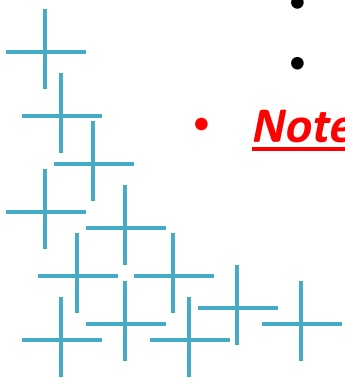
Uniform Guidance - Challenges

- Lack of familiarity with existing federal grant requirements
- Existing compliance policies and procedures severely lacking –need to build from the ground up
- Reading and interpreting the UG requirements, changes in UG requirements, new FAQ's –learning is an ongoing process
- Lack of staff resources and/or prioritizing of UG implementation efforts



Uniform Guidance – Written Procedures

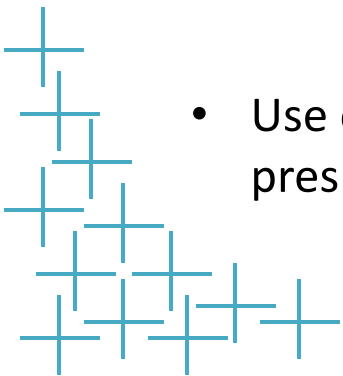
- Written Procedures are required!
- Areas that should be included:
 - Records that identify the source and application of funds for federally funded activities (200.302)
 - Effective control over and accountability for all funds, property, and other assets (200.302)
 - Cash management requirements (200.302)
 - Allowability of costs (200.302)
 - Conflict of interest policy (200.318)
 - Monitoring and risk assessment on subrecipients (200.331)
 - Travel policy (200.474(b)(3))
- **Note: Not a comprehensive list. Review UG for all requirements.**



Uniform Guidance – IC vs Compliance

Uniform Guidance – Internal Control Responsibility of Auditees

- **MUST** – Establish and maintain effective internal control over the federal award that provides reasonable assurance that the federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- **SHOULD** – Be in compliance with guidance in:
 - Standards for Internal Control in the Federal Government” (Green Book) issued by the Comptroller General of the United States, or
 - The “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- Use of “should” in Uniform Guidance indicates a “best practice” and is not a presumptively mandatory requirement



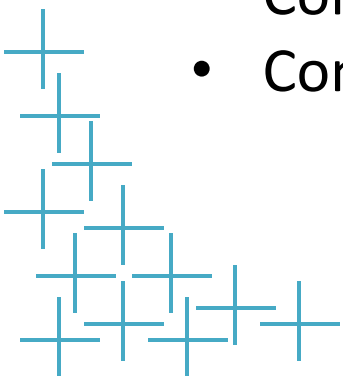
Uniform Guidance – IC vs Compliance

Understand the difference between control vs. procedure

- Controls: What the entity does to ensure compliance.
- Procedure: The path a transaction takes from beginning to completion.

Understand the difference between control vs. compliance

- Controls: What the entity does to ensure compliance.
- Compliance: Did entity comply?



Uniform Guidance – Time Keeping

Charges must be based on records that accurately reflect the work performed; these records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
- Reasonably reflect the total activity for which the employee is compensated by the nonfederal entity, not exceeding 100% of compensated activities
- Comply with the established accounting policies and practices of the nonfederal entity
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and nonfederal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity

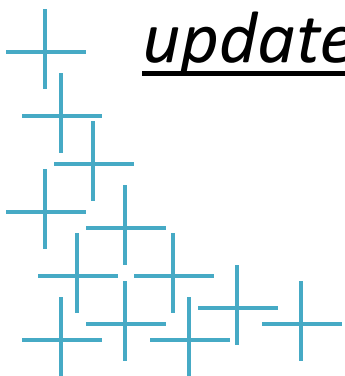


Uniform Guidance – Procurement Grace Period Election

Three full fiscal years after December 26, 2014

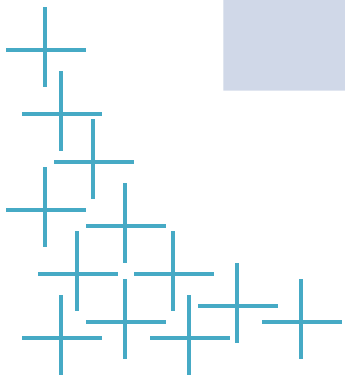
- December 31st year ends – go live 1/1/2018
- June 30th year ends - go live 7/1/2018
- September 30th year ends - go live 10/1/2018

Must document decision in internal procurement policy –
update for grace period extension



Uniform Guidance – Procurement

Procurement Levels	Thresholds
1. Micro Purchases	Less than \$3,500
2. Small Purchases	Up to \$150,000
3. Sealed Bids	Greater than \$150,000
4. Competitive Proposals	Greater than \$150,000
5. Sole Source (Noncompetitive)	Unique, Public Emergency



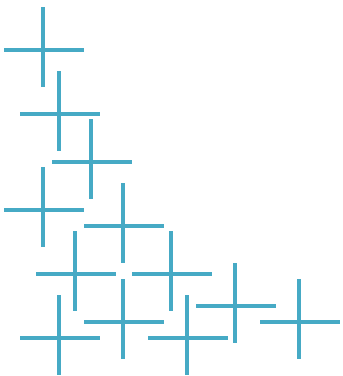


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GASB PRONOUNCEMENTS

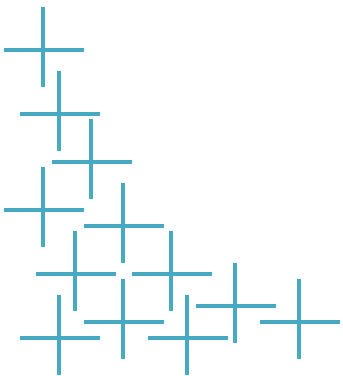
GASB 68 - Pensions

- What issues are you having?
- Any Best Practices?
- 147c?



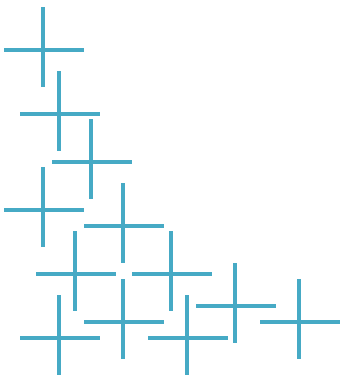
GASB 75 – OPEB

- Extension of GASB 68
- Requires the net OPEB liability (health care liability of MPERS) to be reported to Statement of Net Position
- Effective for June 30, 2018 year-ends
- Requires changes to be applied retroactively, if applicable



GASB 77 – Tax Abatements

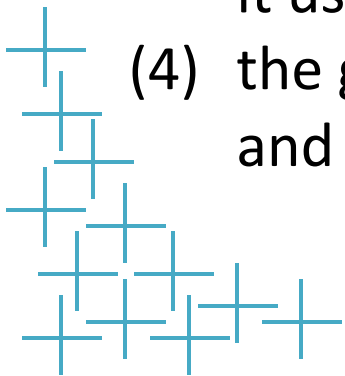
GASB 77, Tax Abatement Disclosures, require governments to disclose information about tax revenue they don't receive as a result of tax abatement agreements that a. they enter into and/or b. agreements that other governments enter into that reduce their own taxes.



GASB 77 – Tax Abatements

The goal is to enable users of the financial statements to better assess:

- (1) whether current-year revenues were sufficient to pay for current-year services,
- (2) compliance with finance-related legal or contractual requirements,
- (3) where a government's financial resources come from and how it uses them and
- (4) the government's financial position and economic condition and how they have changed over time.



GASB 77 – Tax Abatements

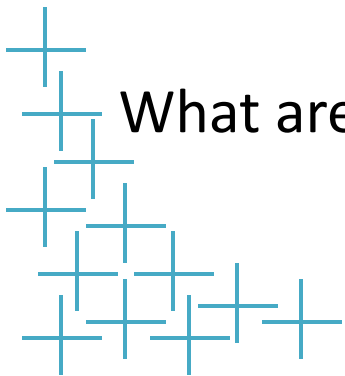
What does this mean for schools?

- IFT
- Renaissance Zones
- Brownfield/DDA

Where to gather the information?

- Tax Rolls?
- Confirmation?

What are you doing to gather this information?





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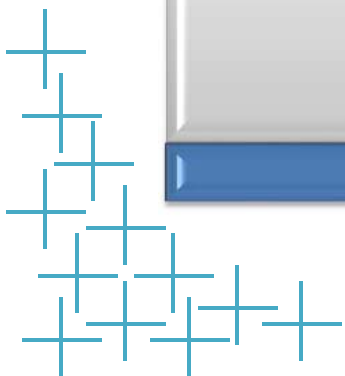
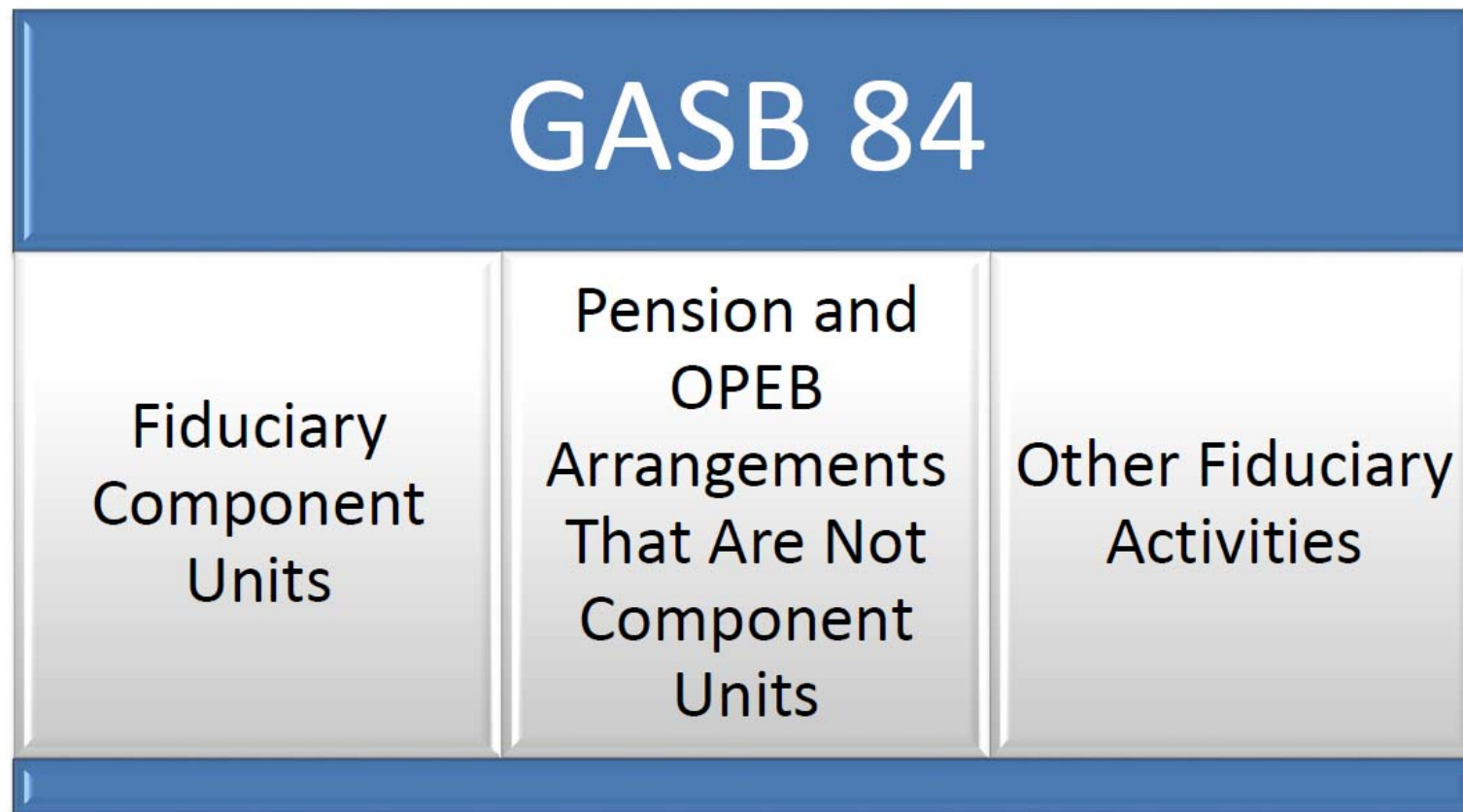
LOOKING AHEAD

GASB 84 – Fiduciary Activities

- **What** – The Board issued Statement 84 in January 2017 to clarify when a governmental has a fiduciary responsibility and is required to present fiduciary fund financial statements
- **Why** – Existing standards require reporting but do not define what the activities are; use of private-purpose trust funds and agency funds is inconsistent
- **When** – Effective for reporting periods beginning after December 15, 2018



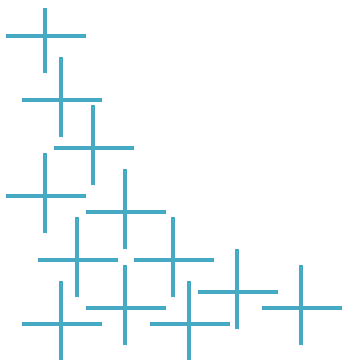
GASB 84 – Fiduciary Activities



GASB 84 – Fiduciary Activities

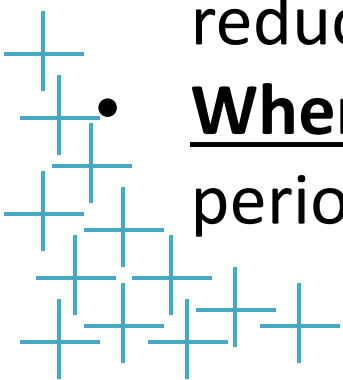
- There are currently four types of fiduciary funds:

Current Fiduciary Funds	GASB 87 Fiduciary Funds
Pension (and other employee benefit) trust funds	Pension (and other employee benefit) trust funds
Investment trust funds	Investment trust funds
Private-purpose trust funds	Private-purpose trust funds
Agency funds	Custodial funds



GASB 85 – Leases

- **What** – In June 2017, the GASB issued Statement 87, which established revised standards on lease accounting and financial reporting
- **Why** – The previous standards had been in effect for decades without review; FASB/IASB joint project updated their lease standards; opportunity to increase comparability, usefulness of information, and reduce complexity
- **When** – New standards are effective for reporting periods beginning after December 15, 2019.

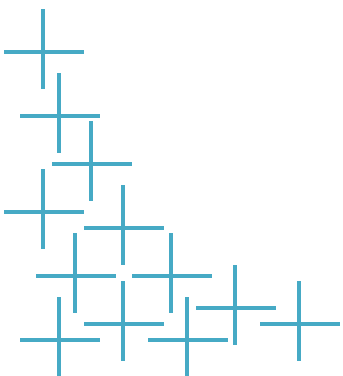


GASB 85 – Leases

- Definition of a “lease”:

A contract that conveys to right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction

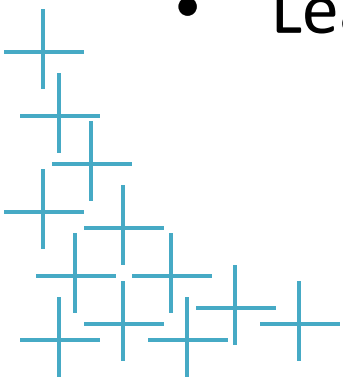
- No more capital or operating leases



GASB 85 – Leases

Lessee accounting – current financial resources measurement:

- Initial recognition (same as current guidance)
 - Expenditure – capital outlay
 - Other Financing Source
- Subsequent accounting (same as current guidance)
 - Lease payments – debt service expenditures





Questions?