

# **Discussion of New Federal, State, and Accounting Requirements**

## **For Financial Accounting and Reporting by Cities**

### **1. Federal Government-Office of Management and Budget (OMB)**

#### **a. Uniform Guidance for Federal Awards (Grants)**

- i. Purpose is to standardize guidance on federal awards
- ii. Effective for any federal funding issued after 12/26/2014
- iii. Standardizes terminology (ex. equipment versus supply)
- iv. Standardizes notices of funding opportunities (this is what will be in the notice and how long opportunity to apply will be available)
- v. Minimum indirect cost rate of 10% (i.e. administrative costs)
- vi. Raises single audit threshold from \$500,000 to \$750,000

### **2. State Government-State Law**

#### **a. Formally Documented Internal Controls**

- i. Purpose is to ensure compliance with law, prevent waste, and ensure operations are properly recorded
- ii. Requires local governments to establish and maintain formally documented system of internal controls
- iii. Local governments must comply by June 30, 2016
- iv. State revising its internal control manual
- v. MTAS will be available to help

#### **b. Timely Closing of Local Government Accounting Records**

- i. Purpose is to ensure timely closing of accounting records for audit
- ii. Requires local governments to close their accounting records with 2 months after their fiscal year-end
- iii. Local governments must comply by June 30, 2016
- iv. Fiscal year 2016 will need to be closed by August 31, 2016

### **3. Governmental Accounting Standards Board (GASB)-Accounting Standards**

#### **a. Pension Standards**

- i. Purpose is to ensure awareness of government pension obligations and that unfunded pension liabilities are included in a government's financial statements
- ii. Effective for Fiscal Year 2015 (in which audit is currently in progress)
- iii. For governmental funds, its portion of the unfunded liability is now included for reporting purposes in the government-wide financial statements
- iv. For Water & Sewer, its portion of the unfunded liability is recorded in the fund's expenses and liabilities
- v. For fiscal year 2015, the City's unfunded pension liability is \$8,003,807.
  1. Governmental funds portion is 88.2%, or \$7,059,358.
  2. Water & Sewer's portion is 11.8%, or \$944,449.