

Emerging Issues in Government Accounting & Auditing

NC OSC Financial Conference
December 11, 2018



1

Today's Agenda

- State Fiscal Outlook
- Legislative and Regulatory Issues
- Uniform Guidance Implementation
- Accounting and Auditing Issues
- Other Emerging Issues



2

**Do You Ever
Feel Like This?**



3

State Fiscal Outlook

NATIONAL OVERVIEW



∨
GDP growth:
2.3% in 2017 compared
to 1.5% in 2016 (lowest
since 2011)
2.7% est. in 2018
2.4% forecast for 2019

∨
Stock Market:
2016 – DJIA up 13.5%
2017 – DJIA up 24%
2018 – DJIA up 6.6%
through 3rd quarter

∨
Recession:
WSJ panel of
economists predict 18%
probability of recession
in next 12 months (July
2018); the highest level
since October 2016.

∨
Unemployment:
3.7% in October 2018
(lowest level since
December 1969)
Wage and salary growth:
3.1% overall annual
increase in 3rd qtr. 2018

∨
Jobs:
October 2018 – 250,000
(97th straight month of
positive job creation)
2017 – 181,000
2016 – 195,000

∨
Interest rates:
Fed Reserve raised
rates .25% in September
2018. Eighth increase
since the Great
Recession.

Source: Wall Street Journal

5

STATE OVERVIEW



>
Governors' budgets for
fiscal 2019 recommend a
general fund spending
increase of **3.2 percent**,
as fiscal conditions have
improved compared to
this time last year.

Revenue growth picked up
in fiscal 2018 after 2 years
of weakness, and is
estimated at **4.9 percent**,
though growth varies by
state and the median is
lower at **2.7 percent**.

Only **9 states** have had to
make mid-year budget cuts,
and **47 states** reported
meeting or exceeding
budgeted revenue
projections for fiscal 2018.

Governors proposed
mostly modest tax changes
for fiscal 2019, some in
response to the new
federal tax law, with a net
revenue impact of **+\$2.8
billion**.

Most states continue to
strengthen their rainy day
funds, with the forecasted
median balance as a share
of general fund spending
rising to **6.2 percent** in fiscal
2019, from a recent low of
1.9 percent in fiscal 2011.

Medicaid spending is
projected to slow in fiscal
2019, with a median growth
rate of **1.9 percent** from all
funds (**1.5 percent** state
funds), but the program
continues to pose spending
pressures over the long term.

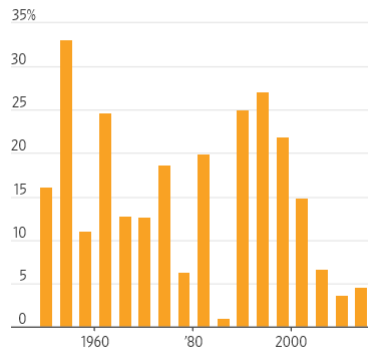
Source: NASBO Spring 2018 Fiscal Survey

6

Midterms Are a Boon for Stocks—No Matter Who Wins

Winning Streak

S&P 500 performance in the 12-month period following midterm elections



Source: Strategas Securities

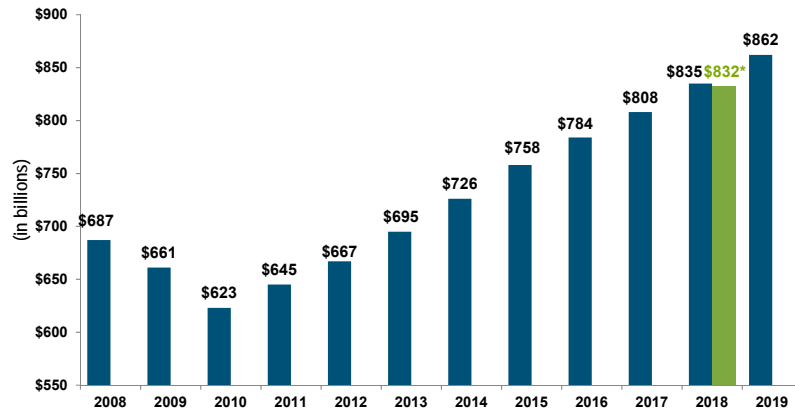
- The year after the midterms has historically been the best of the four-year cycle for stocks
 - The S&P 500 hasn't declined in the year after midterm elections since the 1946 cycle and has climbed 15% on average regardless of which party won or lost control of Congress
 - In comparison, the average annual gain in every year going back to 1946 is 8.8%, and it has slumped in 20 of those years, according to Dow Jones Market Data.



FISCAL 2018 GENERAL FUND SPENDING

SLIGHTLY EXCEEDS INFLATION-ADJUSTED PRE-RECESSION PEAK

General Fund Spending: FY 2008 – FY 2019

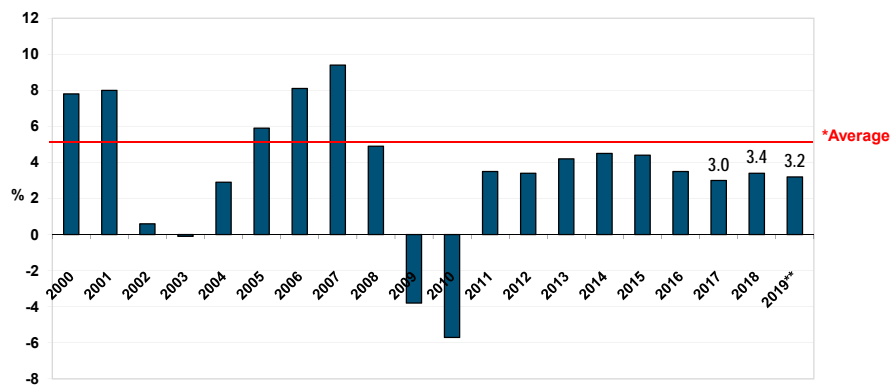


Source: NASBO Fiscal Survey of States; Fiscal 2019 figure is based on governors' recommended budgets.
 *Aggregate spending level needed to total at least \$832 billion in fiscal 2018 to be equivalent with or exceed real 2008 spending level.

STATE GENERAL FUND SPENDING EXPECTED TO SEE

MODEST INCREASE IN FISCAL 2019

Annual General Fund Expenditure Growth (%)



*40-year historical average annual rate of growth is 5.4 percent.

Fiscal 2019 percentage growth is based on recommended budgets (and enacted budgets for some biennial states that passed two-year budgets in 2017). Median growth rate for fiscal 2019 is **2.7 percent.

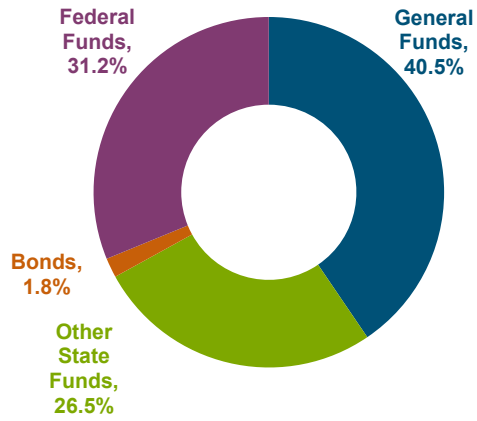
Source: NASBO Fiscal Survey of States



TOTAL STATE EXPENDITURES BY FUND SOURCE

FISCAL YEAR
2018

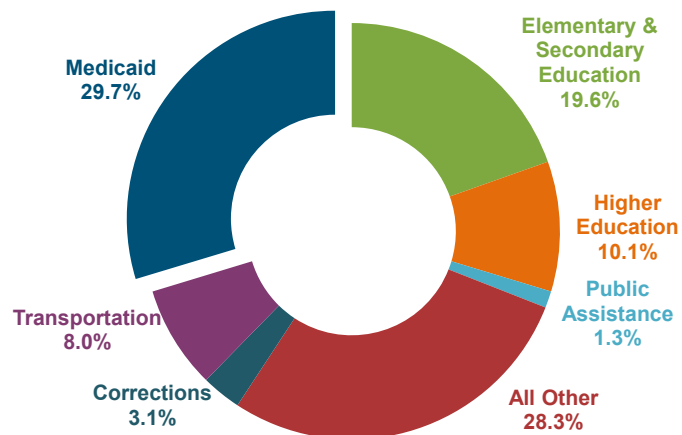
\$2.032 Trillion



Source: NASBO State Expenditure Report – November 2018



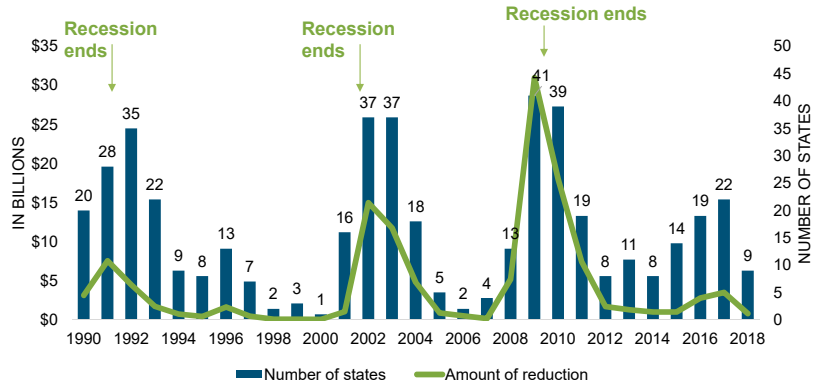
TOTAL STATE EXPENDITURES BY FUNCTION ESTIMATED FISCAL 2018



Source: NASBO State Expenditure Report – November 2018

> **ONLY 9 STATES MADE MID-YEAR BUDGET CUTS IN FISCAL 2018, TOTALING \$830 MILLION**

Budget Cuts Made After the Budget Passed



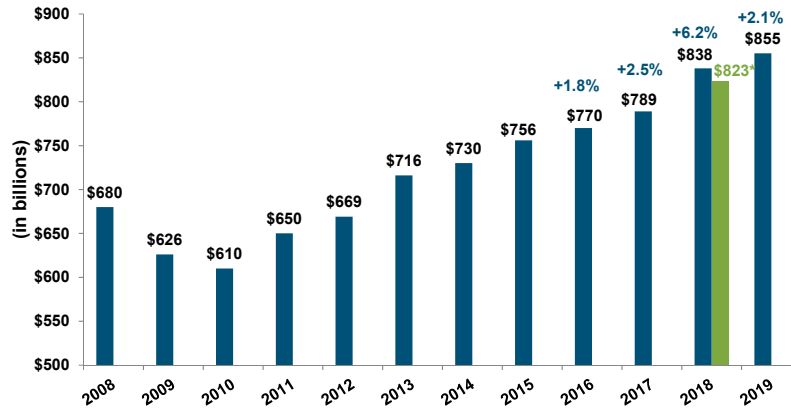
Source: NASBO Fiscal Survey of States



REVENUE GROWTH ACCELERATES IN FISCAL 2018 AFTER TWO YEARS OF WEAKNESS

Governor's Budgets - Modest Growth Expected in Fiscal 2019

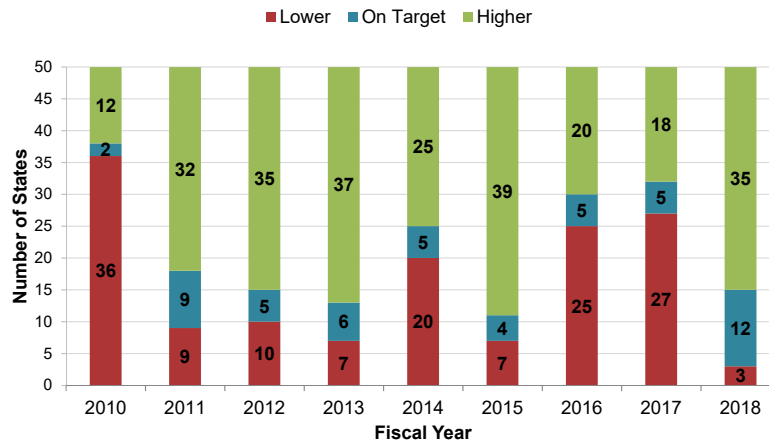
General Fund Revenue: FY 2008-FY 2019



Source: NASBO Fiscal Survey of States; Fiscal 2019 figure is based on recommended budgets. The median estimated growth rate for fiscal 2018 is **2.7 percent**; the median projected growth rate for fiscal 2019 is **2.8 percent**.
 *Aggregate revenue level needed to total at least \$823 billion in fiscal 2018 to be equivalent with or exceed real 2008 spending level.

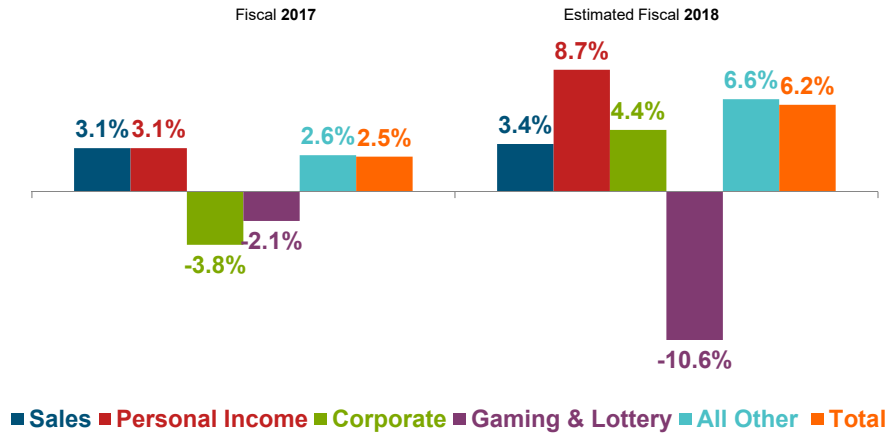
VAST MAJORITY OF STATES MET OR EXCEEDED REVENUE PROJECTIONS FOR FISCAL 2018

General Fund Revenue Collections Compared to Original Budget Projections

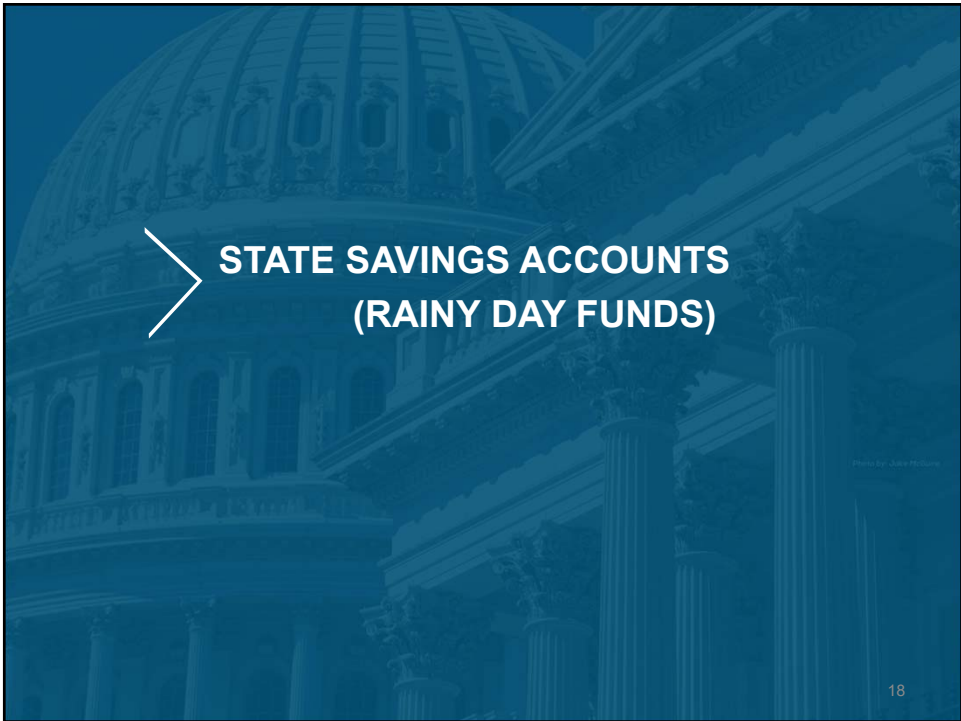


Source: NASBO Fiscal Survey of States.

REVENUE GROWTH BY PERCENTAGE STATE GENERAL FUNDS

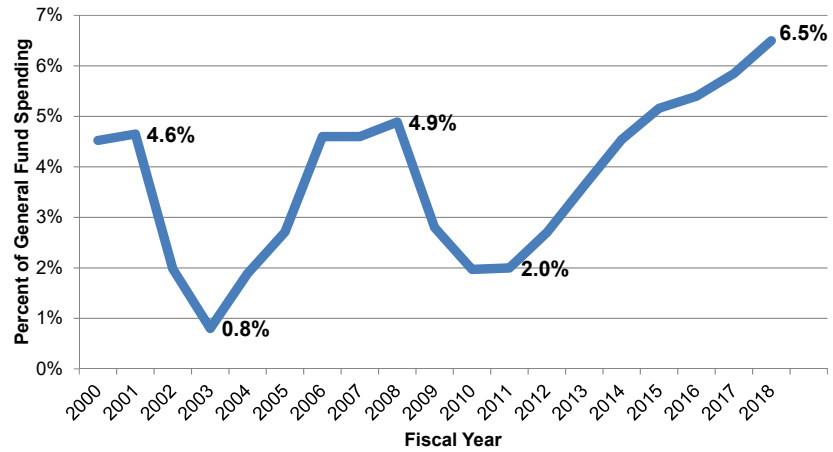


Source: NASBO State Expenditure Report – November 2018



➤ **MEDIAN RAINY DAY FUND LEVEL EXCEEDS PRE-RECESSION PEAK, CONTINUES TO RISE**

Median Rainy Day Fund Balance Over Time



Source: NASBO Fiscal Survey of States

13 states are under 3% in 2018

➤ **FEDERAL OUTLOOK FOR STATES**



> **FEDERAL UNCERTAINTY FOR STATES
THIS TIME LAST YEAR**

1

The Affordable Care Act, especially Medicaid – Per capita caps, Block Grants, Expansion

2

Tax Policy Considerations – municipal debt, border-adjusted corporate tax, state/local tax deductibility

3

Infrastructure

4

The Fiscal 2018 Budget



> **FEDERAL UNCERTAINTY FOR STATES
EARLY 2018**

1

The Affordable Care Act, especially Medicaid – Per capita caps, Block Grants, Expansion

2

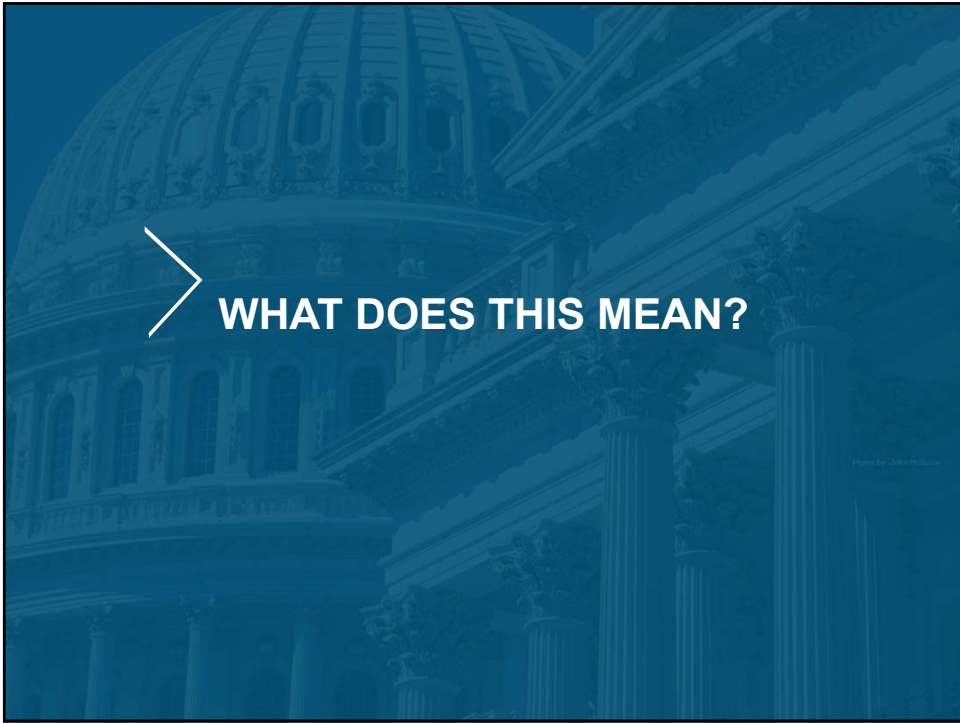
Tax Policy Considerations – municipal debt, border-adjusted corporate tax, state/local tax deductibility

3

Infrastructure – a “good” uncertainty

4

~~The Fiscal 2018 Budget~~
The Fiscal 2019 Budget - March 23, 2018



> **WHAT DOES THIS MEAN FOR YOU?**

- Better revenue situation for FY 2018 and 2019 than last two years.
- Revenue uncertainty with federal tax law changes-tax policy in mix.
- Mixture of tight labor market sectors and minimal pay increases
- Pension costs growing share and K-12 priority remains
- Federal funding in the short-run is not much of a threat.

Legislative and Regulatory Issues



Key Tax Issues

- Online Sales Taxes
 - *South Dakota vs. Wayfair*
- The Tax Cuts and Jobs Act of 2017
 - P.L. 115-97
 - Signed into law December 22, 2017
 - Most significant changes to the IRC in 30 years
 - Several key impacts on S&L governments



South Dakota v. Wayfair

- U.S. Supreme Court **overturned** 1992 *Quill v. North Dakota* on June 21, 2018
 - Allows state and local governments to require retailers with no in-state presence to collect sales taxes
 - Physical presence in state no longer needed
- Impact:
 - GAO [report](#) (December 2017) estimates that states lost \$8 billion to \$13 billion in sales tax revenue in 2017 which is a 2 to 4% increase
 - eCommerce sales in 2005 were \$87 billion compared to \$225.5 billion in 2012 (Dept. of Commerce)
 - Estimated to be \$462 billion in 2018



27

South Dakota v. Wayfair

- What's next?
 - States will need to get businesses to register under their systems and release rules and technical guidance
 - 14 states are collecting effective October 1, 2018
 - Another wave of states is expected on January 1, 2019
 - Possible legislation
 - [The Remote Transactions Parity Act](#) (HR 2193)
 - [Marketplace Fairness Act](#) (S. 976)
 - Introduced April 27, 2017 but stalled
 - Stop Taxing Our Potential (STOP) Act of 2018 (S. 1320)
 - Introduced on June 28, 2018
 - Some prefer a legislative solution for consistency



28

Tax Cuts and Jobs Act of 2017

- Potential impacts – S&L governments:
 - Will depend on how each state **conforms** to the new IRC. For example,
 - 20 states are automatic, 19 states pick specific date
 - 30 tie to AGI, 6 to taxable income
 - 24 tie to either the number of exemptions or the \$
 - 10 require same deduction on state return as on Fed
 - 6 states tie to new pass-through deduction

Tax Cuts and Jobs Act of 2017

- What are states going to do?
 - Will automatic states change to fixed date?
 - Many are looking to avoid inadvertent tax increases
 - Break tie to number of federal personal exemptions – MI, MD, NE, NY
 - Relax mandatory use of matching federal return's choice of itemized or standard deduction
 - Less conformity without increasing complexity

Tax Cuts and Jobs Act of 2017

- What did states do in 2018 sessions?
 - **28 states took some actions:**
 - AZ, AR, CT, FL, GA, HI, ID, IL, IN, IA, KY, MD, MI, MO, NE, NY, NC, NJ, OH, OK, OR, SD, TN, UT, VA, VT, WV, WI
 - **16 states did not or haven't yet:**
 - AL, CA, CO, DE, KS, LA, MA, ME, MN, MS, MT, NM, ND, PA, RI, SC
 - KS-tie vote in House, MN-Gov vetoed, ME-special session, MT, ND-no session
 - **6 states = NA:** AK, NH, NV, TX, WA, WY



31

Tax Cuts and Jobs Act of 2017

- Impact on municipal bonds
 - The good news:
 - Interest remains tax-exempt
 - Private activity bonds were left unchanged
 - Initial House version eliminated exemption
 - The bad news:
 - Advance refunding has been eliminated
 - Tax credit bonds have been repealed
 - Qualified school construction bonds (QSCB)
 - Qualified zone academy bonds (QZAB)
 - Clean renewable energy bonds (CREB)



32

Municipal Disclosures – SEC Proposes and Finalizes Amendments to Rule 15c2-12

- Proposal issued on March 1, 2017
 - Improves investor protection and enhances transparency in municipal securities market
 - Addresses concern about private bank lending
- Adds **two** new event notices under continuing disclosure undertakings
 - Currently there are 14 listed events
 - Requires notice within 10 days of the occurrence
- Final Rule issued on August 31, 2018
- Dates
 - Effective Date: October 30, 2018
 - Compliance Date: February 27, 2019



33

Municipal Disclosures –Amendments to Rule 15c2-12

- Two new events are:
 - Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material
 - Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties



34

Municipal Disclosures –Amendments to Rule 15c2-12

- “Financial Obligation” is defined as:
 - A debt obligation (e.g., bank loans, capital leases)
 - Derivative instrument, or a
 - Guarantee of either of the above
- Final Rule does **not** include in the definition of “financial obligations”
 - Operating leases
 - Monetary obligation resulting from a judicial, administrative, or arbitration proceeding
- Materiality also not defined in the Final Rule.



35

Municipal Disclosures –Amendments to Rule 15c2-12

- What should be disclosed?
 - A description of the material terms of the financial obligation, including:
 - Date of incurrence
 - Principal amount
 - Maturity and amortization
 - Interest rate (or method of computation of the interest rate)
 - Default rates



36

Economic Growth, Regulatory Relief, and Consumer Protection Act

- SB 2125
 - Signed into law by President on May 24, 2018
- Two key provisions:
 - Treats municipal securities as 2B liquid assets
 - Maintains funding for GASB as provided in section 978 of Dodd-Frank Act

OMB Uniform Guidance

Uniform Guidance Implementation – Current Developments

- OMB issued latest round of [FAQs](#) in July 2017
 - 24 new FAQs bringing total to 122
- OMB released [M-17-26](#) on June 15, 2017
 - Reduces burden for federal agencies
- 2018 Compliance Supplement
 - A “skinny supplement”
- OMB issued [addendum](#) in May 2017
 - Delays new procurement rules until FY beginning on or after December 26, 2017 (200.110)
- OMB released [M-18-18](#) on June 20, 2018
- President’s Management Agenda – March 2018
- Draft 2019 SF-SAC (Data Collection Form) – April, November 2018
- Proposed Rule change expected in Fall 2018
- 2019 Compliance Supplement



39

2018 Compliance Supplement

- OMB will be issuing the Compliance Supplement every two years
 - Future issue date would be January
 - 2018 Compliance Supplement will be a “skinny” version to address major changes from 2017
 - 251 pages (was supposed to be approx. 35 pages)
 - Released in May 2018 (was supposed to be February 2018)
 - Federal agencies would use 2018 to take a hard look at their compliance requirements
 - Practical transition issues
 - What will be auditors’ responsibilities in 2018?



40

Implementation Issue: Pension and OPEB Costs Allowability

- Section 200.431(g)(3)
 - “For entities using accrual based accounting, the cost assigned to each fiscal year is determined in accordance with GAAP”
 - GASB 68 calculated pension costs differ from the amounts funded
 - HHS DCA is currently allowing amounts funded in excess of GASB 68 amount (but awaiting OMB guidance)
 - OMB hopes to release a proposed revision in summer 2018
- Similar issue for OPEB costs



41

Implementation Issue: Leases

- Section 200.465(c)(5)
 - “Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount that would be allowed had the non-Federal entity purchased the property on the date the lease agreement was executed.”
 - GASB 87 establishes a single model for lease accounting, and eliminates all distinctions between operating and capital leases
 - How will the provisions of UG that specifically reference GAAP capital leases be applied?
 - Will UG’s capitalization threshold \$5,000 apply?



42

OMB M-18-18: Micro-Purchase & Simplified Acquisition Thresholds

- Issued June 20, 2018
- Based on recent statutory changes to the NDAA, this memo raises the thresholds for **all** recipients:
 - Micro-purchases to \$10,000 and
 - Simplified acquisitions to \$250,000
- Also implements an approval process for certain institutions that want to request micro-purchase thresholds higher than \$10,000
 - Recipients should contact their cognizant agency for indirect costs for information
- Effective upon issuance of OMB memo
 - OMB granting an exception to use higher thresholds until FAR is finalized
- Recipients should document changes in procurement policies



43

President's Management Agenda

- Issued March 20, 2018
 - Contains various cross-agency priority (CAP) goals
- [Results-Oriented Accountability for Grants](#)
 - Seeks to rebalance compliance efforts with a focus on results
 - Standardize grant reporting data and improve data collection in ways that will increase efficiency, promote evaluation, reduce reporting burden
 - OMB [Federal Register Notice](#) on November 7, 2018
 - 426 proposed grants management common data standards
 - Comments due January 15, 2019 [here](#)
 - Measure progress and share lessons learned and best practices to inform future efforts, and support innovation to achieve results



44

Draft 2019 SF-SAC (Data Collection Form)

- [Published](#) for comments in Federal Register on April 3, 2018
 - Comment period ends June 4, 2018
 - Should be used for audits covering fiscal periods ending in 2019, 2020 or 2021.
 - Audits with FY ending prior to January 1, 2019 must use the appropriate year form
 - New form is designed to enable streamlined reporting (a DATA Act goal)
- [Published](#) for comments in Federal Register on November 6, 2018
 - Comment period ends December 6, 2018



45

Draft 2019 SF-SAC (Data Collection Form)

- New items:
 1. Notes to the Schedule of Expenditures of Federal Awards (SEFA) (Part II, item 2)
 2. Written communications (management letters) issued to the auditee (Part III, item 2(f))
 3. Text of the audit findings (Part III, item 5)
 4. Corrective action plan (Part IV)
 5. Auditee certification statement (Part V, item 1)
 6. Auditor statement (Part V, item 2)
- Census currently working on a template to automatically generate the SEFA



46

Draft 2019 SF-SAC: SEFA Notes

FORM SF-SAC	Report ID:	Version:
PART II: FEDERAL AWARDS - Continued		
2. Notes to the Schedule of Expenditures of Federal Awards (SEFA)		
Note 1: Describe the significant accounting policies used in preparing the SEFA (2 CFR 200.510(b)(6)).		
<input type="text"/>		
Note 2: Did the auditee elect to use the de minimis cost rate? (2 CFR 200.414(f))		
<input type="checkbox"/> Yes, the auditee elected to use the de minimis cost rate. <input type="checkbox"/> No, the auditee did not elect to use the de minimis cost rate. <input type="checkbox"/> Both. Please explain.		
<input type="text"/>		
Additional Notes		
Note 3: <input type="text"/>		
<input type="text"/>		



Draft 2019 SF-SAC: Audit Findings

FORM SF-SAC	Report ID:	Version:
PART III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued		
5. Text of the Audit Findings		
a. Audit Finding Reference Number	b. Audit Finding Text	
YYYY-###	<input type="text"/> <p>Enter the text of the finding exactly as it appears in the Schedule of Findings and Questioned Costs. You may copy and paste this text directly from the audit report.</p>	
<p>This column is populated automatically from Part III, Item 4(a).</p> <p>One row is created for each unique reference number.</p> <p>This page cannot be used if no audit findings are reported on Part III, Item 3(c) (each award listed "Y" in Part III, Item 3(c)).</p>	<p>This column will display the text of the audit finding. If there are any charts or tables within the text of the audit finding, "See Schedule of Findings and Questioned Costs for chart/table" will be displayed in place of the chart or table. If the auditee qualifies as an Indian Tribe and opts not to authorize the FAC to make the reporting package publicly available, "Exemption for Indian Tribes" will be displayed in this column in place of the finding text for each Audit Finding Reference Number.</p>	



Draft 2019 SF-SAC: Corrective Action Plan

FORM SF-SAC		Report ID:	Version:
PART IV: CORRECTIVE ACTION PLAN			
1. Audit Finding Reference Number	2. Text of the Corrective Action Plan		
YYYY-##	Enter the text of the Corrective Action Plan exactly as it appears in the reporting package. You may copy and paste this text directly from the audit report.		
<p>This column is populated automatically from Part III, item 4(e). One row is created for each unique reference number. This page cannot be used if no audit findings are reported on Part III, item 1(c) (each award listed "X" in Part III, item 1(c)).</p>	<p>This column will display the text of the corrective action plan. If there are any charts or tables within the text of the CAP, "See Corrective Action Plan for chart/table" will be displayed in place of the chart or table. If the auditee qualifies as an Indian Tribe and opts not to authorize the FAC to make the reporting package publicly available, "Exemption for Indian Tribes" will be displayed in this column in place of the CAP text for each Audit Finding Reference Number.</p>		



49

Draft 2019 SF-SAC (Data Collection Form) – November 2018

- Revises existing data elements (not in the April 2018 release):
 - Added a checkbox for each audit finding and corrective action plan (CAP) asking the user if there are any charts or tables that could not be copied or pasted to analyze how often this occurs
 - Added a new yes/no question regarding whether the auditors communicated to the auditee, in a written document, any issues that were not audit findings (e.g., management letters)
- Adds new data elements:
 - Collect the date the auditor's report(s) were received by the auditee
 - Collect items that were modified when a revision has been conducted.



50

2019 Compliance Supplement

- OMB is considering some interesting concepts:
 - 20 percent of agency programs are being examined for scrubbing and streamlining
 - Compliance review areas limited to 6 compliance areas
 - All 12 compliance areas remain applicable
 - Program specific
 - Rotate on a year to year basis
 - Timing:
 - Vett Draft in December 2018
 - Final in February 2019



51

Transparency Issues

FFATA, DATA, GREAT
Act



52

Increasing Transparency: The Continuing Story

- FFATA (2006)
 - Ongoing monthly reporting of federal awards and contracts at prime/first-tier sub levels
- DATA (2014)
 - Amends FFATA
- GREAT (2018)
 - Proposed legislation to further DATA



53

DATA Act: Timeline/Deadlines

- May 2015
 - Establish data standards
- May 2017
 - Federal agencies must report spending data using data standards
- August 2017
 - OMB must report Section 5 pilot results
- May 2018
 - Federal agencies must post spending data in machine-readable formats



54

Strategies to Reduce Grant Recipient Reporting Burden

- [OMB M-18-24](#)
 - Released September 5, 2018
 - DATA Act required OMB to provide guidance to Federal agencies to implement lessons learned from Section 5 pilot
 - Applies to all CFO Act agencies
 - Intended to align with the results of the pilot and other agency grant-related reform initiatives with the President's Management Agenda (PMA)

Strategies to Reduce Grant Recipient Reporting Burden

- Among the requirements:
 - Use government-wide data standards to modify existing or design new grant systems
 - Work with other agencies and OMB to reduce the number of existing legacy systems and grant recipient burden via sharing quality services and systems
 - Assess existing grant making policies to identify unnecessary or duplicate data collection or reporting requirements

Strategies to Reduce Grant Recipient Reporting Burden

- Centralized Certifications and Representations
 - Effective January 1, 2019, the SF-424B will become optional and agencies shall make plans to phase out its use in Funding Opportunity Announcements
 - Effective January 1, 2020, SAM will become the central repository
 - Registration in SAM is required annually
 - Agencies will use SAM information to comply with award requirements and avoid increased burden and costs of separate requests



57

Strategies to Reduce Grant Recipient Reporting Burden

- Agency Evaluation of Recipient Data
 - By April 30, 2019:
 - Each agency must evaluate all systems and other methods currently used to collect info from grant recipients and determine if the same data is being collected by the agency multiple times
 - Use information from this review to construct a strategy (in conjunction with the objectives of CAP Goal #8) to eliminate duplicative requests with the agency.



58

GREAT Act

- The Grant Reporting Efficiency and Agreements Transparency (GREAT) Act
 - Continuation of the vision of the DATA Act
 - Requires data structure (taxonomy) to cover all the data elements required of **recipients** of federal funds



59

GREAT Act

- Legislative Update
 - House (H.R. 4887)
 - Introduced January 29, 2018
 - Passed House on September 26, 2018
 - Senate (S. 3484, the companion bill)
 - Introduced on September 24, 2018
 - Passed out of Committee on Homeland Security and Government Affairs by voice vote on September 26, 2018



60

GREAT Act

- House and Senate bills have same requirements:
 - Establish government-wide data standards for information related to federal awards reported by recipients of federal awards (within 1 year).
 - Issue guidance to grantmaking agencies on how to utilize new technologies and implement new data standards into existing reporting practices with minimum disruption (within 2 years).
 - Amends the Single Audit Act to provide for grantee audits to be reported in an electronic format consistent with the data standards (guidance to be issued within 2 years)



61

Accounting Issues



62

GASB's Current Projects – The “Big Three”

- In 2018, the GASB is working on three related efforts that will help reshape state and local governmental accounting and financial reporting
 1. The financial reporting model reexamination
 2. Revenue and expense recognition, and
 3. Research reexamining most existing note disclosure



63

GASB's Reexamination of the Reporting Model – What's Next?

- Timing
 - Deliberations begin in October 2015
 - December 2016: Invitation to Comment
 - September 2018: Preliminary Views
 - April 2020: Exposure Draft
 - November 2021: Final Statement
 - Implementation dates: sometime in 2022, 2023

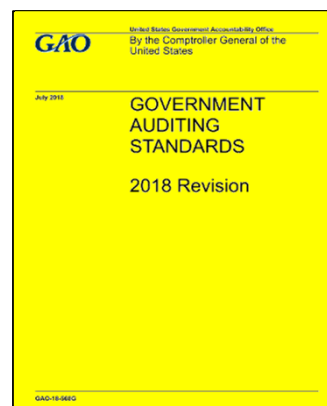


64

Auditing Issues

Update on the Developments in Government Auditing Standards

- 2018 *Government Auditing Standards* Revision (aka, Yellow Book or GAGAS)
- Exposure Draft was issued on April 5, 2017
 - 95 comment letters with over 1,700 individual comments received
- Final version issued July 17, 2018
 - First revision since 2011



Effective Date

- 2018 Revision is effective for
 - Financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020, and
 - Performance audits beginning on or after July 1, 2019
- Early implementation is not permitted



67

AICPA Professional Ethics Division: *State and Local Government Entities*

- [Exposure Draft](#) issued July 7, 2017
 - Formerly Entities Included in State and Local Government Financial Statements (ET sec. 1.224.020)
 - Addresses a member's (of the AICPA) independence with respect to entities that are required to be included in a state or local government's financial reporting entity
- Final expected in late 2018
 - PEEC decided at November 2018 meeting to re-expose for 60 days to address questions about overall clarity
 - Expected to be released in December 2018



68

AICPA Professional Ethics Division: *State and Local Government Entities*

- Makes use of terms *downstream*, *upstream* and *brother-sister entities*
 - Downstream: refers to those entities that are “below” the f/s attest client in its organization structure
 - e.g., financial statement attest client is the primary government, funds and component units to be evaluated are those required to be included in the primary government’s financial reporting entity
 - Upstream: refers to those entities that are “above” the f/s attest client
 - e.g., financial statement attest client is a fund or component unit
 - Brother-sister: refers to other funds and component units that the member does not provide attest services to but are included in the same upstream financial reporting entity as the financial statement attest client



69

Other Emerging Issues

Things on the radar...



70

XBRL Developments: State and Local Governments

- XBRL US has formed a state and local government workgroup
 - Developing a taxonomy for a CAFR
- Florida [HB 1073](#)
 - Authorizes the creation of Florida Open Financial Statement System
 - An interactive data repository for government financial statements
 - Requires the Florida CFO to determine whether a suitable XBRL taxonomy has been developed.
 - Effective for FY ending on or after September 1, 2022
- Will other states follow?



71

These continue to
be interesting
times...



72

Questions or Comments?

R. Kinney Poynter, CPA
NASACT
kpoynter@nasact.org
(859) 276-1147

