

# MaherDuessel

---

Pursuing the profession while promoting the public good®  
www.md-cpas.com

# Common Errors

---

SARA REED AND MAURA PAGANELLI

# MDCPA.CNF.IO

- ▶ Navigate to <https://mdcpa.cnf.io> and tap the session titled "Common Errors"
- ▶ OR just point your phone's camera at the QR code to join directly



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: What are the basic financial statements for local governments?**

# Management's Discussion & Analysis (MD&A)

---

- ❑ Scope of analysis is too narrow
  - MD&A must provide needed analysis for both the **government-wide** financial statements and **the individual major fund** financial statements
  - If the same transaction or event affects both, the analysis should be crafted in a manner that minimizes duplication
- ❑ Analysis in MD&A should also cover both revenue and expenses/expenditures
  - Expenditures are often neglected

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: When comparative financial statements are presented, the MD&A should include financial data and narrative analysis for:**

# Management's Discussion & Analysis (MD&A)

---

- ❑ Missing the third year when comparative financial statements are presented
- ❑ Include condensed financial data and comparative analysis for each of the last 3 years
  - Just including the numbers does not meet the requirements
  - Why did it happen?
  - Timing is not an explanation by itself
- ❑ A narrative analysis of changes between both sets of years is mandatory
  - Year 2021 and year 2020
  - Year 2020 and year 2019

# Management's Discussion & Analysis (MD&A)

---

## □ Example Analysis

- **What we generally see:** “Unrestricted net position of the governmental activities decreased by 3.4 million from the prior year resulting in a \$2.9 million deficit at the end of this fiscal year.”
- **What we should see:** “The deficit in unrestricted governmental net position arose primarily because of three factors. First, the City settled a significant property claim during the year, resulting in an additional expense in governmental activities of approximately \$2 million. Second, the City’s pension expense rose in the current year by \$1 million due primarily to unfavorable experience. Finally, property taxes dwindled in the current year due to a new abatement granted for a large section of the City’s commercial sector.”

# Management's Discussion & Analysis (MD&A)

---

- ❑ Restatements of net position must be presented in the condensed financial statements
- ❑ Budget analysis for the General Fund
  - And only for the General Fund
- ❑ If significant, address variances between:
  - Original and final amended budget
  - Final amended budget and actual results



# Management's Discussion & Analysis (MD&A)

---

- Discussion of capital assets and long-term debt
  - Reference to notes does not meet the requirement
  - Charts and tables may not replace the required narrative discussion
  - Recap activity that occurred during the year such as major acquisitions/disposals or new or retired debt

# Management's Discussion & Analysis (MD&A)

---

- ❑ Discuss differences resulting from implementation of new GASB pronouncements
- ❑ Economic Outlook – current known facts, events that have occurred
  - Avoid speculation
  - The facts and ONLY the facts
  - Do not include current year events
  - Information does not agree to the financial statements

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: What is the proper terminology for the government-wide statements?**

# Net Position

---

- There are three components of Net Position
  - Net investment in capital assets
  - Restricted net position
  - Unrestricted net position

# Example Presentation of Net Position

<u>Net Position</u>	
Net investment in capital assets	32,596,336
Restricted for:	
Pension	7,545,330
Human services	56,300
Roads and bridges	1,398,560
Hazardous material	120,656
Offender identification	458,237
Emergency communications	222,578
Domestic relations	814,924
Demolitions	34,856
Other purposes	32,669
Unrestricted	10,258,763
Total Net Position	<u><u>53,539,209</u></u>

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: What is the proper formula to calculate Net Investment in Capital Assets?**

# Net Investment in Capital Assets

---

- ❑ Miscalculation is the major common error
  - **ALL** capital assets should be reported regardless of restrictions
  - Utilizing all debt within the calculation rather than debt for capital purposes
  - Debt for a capital purpose should only be included in the calculation once the proceeds have been used to acquire, construct, or improve
  - If material amounts of debt proceeds were spent on assets that have not been capitalized or utilized to establish a debt service fund, these amount should be removed from the debt outstanding balances calculation

# Restricted Net Position

---

- ❑ Including amounts which were not restricted by an external source
- ❑ If permanent endowments are included in restricted net position, expendable and nonexpendable portions must be shown
- ❑ Restricted net position of the governmental activities does not need to equal the restricted fund balances in the governmental funds due to different measurement focuses and basis of accounting
- ❑ No restricted category can be negative



# Unrestricted Net Position

---

- ❑ Any balance that does not meet the requirements for the other two categories
- ❑ Designations should not be reported on the face of the statements, but the details can be disclosed in the notes
- ❑ It is possible for this balance to be negative

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: The government-wide statement of Activities lists all revenues, then all expenditures, then other financing sources and uses.**

# Statement of Activities

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 5,894,563	\$ 689,533	\$ 53,698	\$ 605	\$ (5,150,727)	\$ -	\$ (5,150,727)
Public safety	6,855,483	456,983	2,228,965	-	(4,169,535)	-	(4,169,535)
Highways, roads, and streets	2,555,698	78,553	-	3,069,854	592,709	-	592,709
Culture and recreation	1,245,869	458,326	369,857	750,000	332,314	-	332,314
Community development	1,235,699	2,258,964	-	-	1,023,265	-	1,023,265
Interest on long-term debt	825,006	-	-	-	(825,006)	-	(825,006)
<b>Total governmental activities</b>	<b>18,612,318</b>	<b>3,942,359</b>	<b>2,652,520</b>	<b>3,820,459</b>	<b>(8,196,980)</b>	<b>-</b>	<b>(8,196,980)</b>
Business-type activities:							
Water	8,856,953	9,685,684	-	-	-	828,731	828,731
Sewer	7,996,853	10,568,744	-	-	-	2,571,891	2,571,891
Solid waste	826,594	807,553	-	-	-	(19,041)	(19,041)
Other	695,876	985,302	-	-	-	289,426	289,426
<b>Total business-type activities</b>	<b>18,376,276</b>	<b>22,047,283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,671,007</b>	<b>3,671,007</b>
<b>Total primary government</b>	<b>\$ 36,988,594</b>	<b>\$ 25,989,642</b>	<b>\$ 2,652,520</b>	<b>\$ 3,820,459</b>	<b>(8,196,980)</b>	<b>3,671,007</b>	<b>(4,525,973)</b>

# Statement of Activities

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Taxes:			
Property	6,695,315	-	6,695,315
Earned income	7,423,658	-	7,423,658
Local service	2,654,387	-	2,654,387
Real estate transfer	3,561,478	-	3,561,478
Interest, rents, and royalties	436,589	258,608	695,197
Gain (loss) on disposal of capital assets	(2,569)	-	(2,569)
Insurance proceeds	37,856	-	37,856
Other	56,975	-	56,975
Transfers - internal activities	(558,693)	558,693	-
 Total general revenues and transfers	 <u>20,304,996</u>	 <u>817,301</u>	 <u>21,122,297</u>

# Statement of Activities

---

- ❑ Must distinguish between governmental and business-type activities
- ❑ Should not include fiduciary activities within this statement
- ❑ Governmental expenses should be presented by function
- ❑ Business-type expenses should be presented by different identifiable activities
- ❑ Revenues must be appropriately categorized – program or general
- ❑ Taxes are always general revenue even if restricted to a specific program
- ❑ Separate columns should be used to identify net program (expense) revenue for each function/program category

# Governmental Fund Financial Statements

---

- Major Fund Reporting – Common Issues
  - Not reporting a major fund when it meets the criteria for major fund status
  - Not clearly identifying which funds are major
  - Not updating the major fund determination analysis before issuance to ensure status hasn't changed
  - Not including deferred inflows and deferred outflows when calculating major funds

# Governmental Fund Financial Statements

---

- Major Fund Reporting
  - Financial statement element is at least 10% of governmental or enterprise fund element total

AND

- Same element is at least 5% of combined governmental or enterprise fund element total
- Funds that meet the threshold of a major fund must be reported as a major fund

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Which of the following funds should be considered major?**



# Example Major Fund Determination

	<u>Assets &amp;DO</u>	<u>Liabilities &amp;DI</u>	<u>Revenues</u>	<u>Expenditures</u>
General	12,356,982	5,639,859	32,658,987	23,584,796
Highway Aide	253,698	158,693	986,377	1,365,800
Airport	365,983	65,894	568,944	685,036
Road Equipment	1,596,036	26,958	456,893	558,964
Capital Improvements	7,869,365	598,633	336,589	3,896,875
2019 Bond	2,126,988	259,863	35,867	658,941
Human Services	2,598,638	1,862,598	4,689,004	4,389,658
Mental Health	1,598,637	296,850	3,695,234	3,936,958
Governmental Funds Total	28,766,327	8,909,348	43,427,895	39,077,028
<b>10% of Governmental Funds Total</b>	<b>2,876,633</b>	<b>890,935</b>	<b>4,342,790</b>	<b>3,907,703</b>
<b>Enterprise Funds</b>				
Water	8,698,378	3,569,846	7,580,069	5,986,325
Sewer	7,586,981	30,289,568	12,534,250	5,689,512
Solid Waste	1,945,682	854,221	3,246,889	2,786,598
Cafeteria	695,836	35,986	469,804	568,930
Swimming Pool	969,836	44,587	1,168,733	856,932
Enterprise Funds Total	19,896,713	34,794,208	24,999,745	15,888,297
<b>10% of Enterprise Funds</b>	<b>1,989,671</b>	<b>3,479,421</b>	<b>2,499,975</b>	<b>1,588,830</b>
Sum of Governmental and Enterprise Funds	48,663,040	43,703,556	68,427,640	54,965,325
<b>5% of Sum of Governmental and Enterprise Funds</b>	<b>2,433,152</b>	<b>2,185,178</b>	<b>3,421,382</b>	<b>2,748,266</b>

# Governmental Fund Financial Statements

- Example presentation of major funds

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

DECEMBER 31, 2020

	General Fund	Capital Projects Fund	Human Services Fund	Workforce Development Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Budgetary Information is required to be reported for:**

# Budget info

---

- ❑ In the Required Supplementary Information, GAAP only requires General Fund and major Special Revenue Funds if budget is legally adopted
  
- ❑ Common errors:
  - Only reporting general fund budgetary comparisons and not legally adopted special revenue fund budgetary comparisons
  - In the Supplementary Information, not reporting budgetary comparisons for non-major governmental funds that have legally adopted annual budgets
  - Not reporting the legal level of budgetary control

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: What is the proper hierarchy for levels of restrictions in governmental funds fund balance categories?**

# Governmental Fund Financial Statements

---

- There are five levels of restriction placed upon governmental funds fund balance
  - Nonspendable
  - Restricted
  - Committed
  - Assigned
  - Unassigned

# Governmental Fund Financial Statements

Fund Balance:	General Fund	Capital Projects Fund	Developers' Contributions Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory and prepaid expenditures	56,425	-	-	-	56,425
Restricted:					
Transportation improvement	-	-	-	3,102,668	3,102,668
Highways and streets	-	-	-	2,568,003	2,568,003
Recreation	-	-	-	1,258,642	1,258,642
Infrastructure improvement	-	-	7,635,248		7,635,248
Storm water maintenance	-	-	-	35,698	35,698
Public building improvements	-	-	-	558,936	558,936
Assigned:					-
Capital improvements	-	8,542,357	-	-	8,542,357
Unassigned	12,543,368	-	-	-	12,543,368
Total Fund Balance	<u>12,599,793</u>	<u>8,542,357</u>	<u>7,635,248</u>	<u>7,523,947</u>	<u>36,301,345</u>

# Governmental Fund Financial Statements

---

## □ Fund Balance – Common Issues

- Improper terminology including, reserved, unreserved, designated, and undesignated
- Must disclose what the highest level of authority is for committing fund balance
- If others besides the Board can assign funds this person/body must be disclosed
- Must disclose if there is a policy for which funds are utilized first, for example:

*The government's policy is to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is deleted first, followed by assigned fund balance. Unassigned fund balance is applied last.*



# Governmental Fund Financial Statements

---

- Fund Balance – Common Issues (Continued)
  - Positive unassigned fund balance can only be reported in the general fund
    - Residual positive amounts in any other governmental fund would be classified as assigned fund balance
  - Can not have a negative assigned fund balance
  - Can not have a deficit in unassigned fund balance and a positive balance in assigned fund balance
  - Must report by purpose not function (Public Safety is a function whereas Revenue Stabilization is a purpose)
  - If the government has a minimum fund balance policy this must be disclosed in the notes

# Governmental Fund Financial Statements

---

- ❑ Other Financing Sources or Uses
  - Intended to isolate specific items that might otherwise distort revenue and expenditure trends
  - Only items specifically designated by authoritative standards may be classified as such
  - Sources:
    - Issuance of debt/capital lease
    - Premium on issuance of debt
    - Sale/disposal of capital asset proceeds
    - Insurance recoveries
    - Transfers in
  - Uses
    - Discount on issuance of debt
    - Payments to advance refunding escrow agent
    - Transfers out

# Notes - Overall

---

- ❑ Watch for simple wording or grammatical errors
- ❑ Need to evaluate the disclosure checklist in its entirety to ensure that the required disclosures are present
- ❑ Ensure that information essential for the fair presentation of the financial statements is presented in a complete and transparent manner to allow the users of the financial statements to understand the substance of the disclosure

# Notes - Investments

---

- ❑ Disclosure of the governments policy (or the fact that there is not a policy) for each of the following investment-related risks (as relevant) is required
  - Credit risk
  - Custodial credit risk
  - Concentration of credit risk
  - Interest rate risk
  - Foreign currency risk
  
- ❑ Only a policy formally adopted by the governing board qualifies as a policy for this purpose (ex: not past practice)

# Notes - Investments

---

- ❑ Investment-related risk disclosure errors
  - Only a policy **formally** adopted by the governing board qualifies as a **policy** for this purpose; governments have presented as policy positions that have **not** been formally adopted (for example: past practice)
  - Others have made no disclosure, even though their circumstances make it clear that a policy would be relevant to them

# Notes – Interfunds

---

- Reminder that the following disclosures are required for interfund balances and transfers:
  - Amounts due/from or transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type
  - A general description of the principal purpose of the governments interfund transfers
  - Purpose of interfund balances should be disclosed

# Notes – Capital Assets

---

- ❑ Must distinguish between governmental and business-type assets
- ❑ Must distinguish between non-depreciable and depreciable capital assets
- ❑ Ensure capital assets, accumulated depreciation, and depreciation expense tie exactly to the financial statements
- ❑ Include general description of any impairment losses if not apparent from the face of the financial statements
- ❑ Disclose the depreciation expense charged to each function in the statement of activities

# Notes – Debt Disclosures

---

- The following disclosures are required – GASB 88
  - Amount of unused lines of credit
  - Assets pledged as collateral for debt
  - Terms specified in debt agreements related to significant
    - Events of default with finance-related consequences
    - Termination events with finance related consequences, and
    - Subjective acceleration clauses



# Notes – Debt Disclosures

---

- ❑ Each of the disclosures should be separated for direct borrowings and direct placements
  - Direct borrowings – bank loans, loans from other governments and other similar arrangements
  - Direct placements – general obligation bonds

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Future principal and interest payments are required to be disclosed:**

# Notes – Debt Disclosures

---

- ❑ Debt service requirements to maturity, presenting principal and interest requirements separately for each of the five subsequent fiscal years and in five-year increments after that (not a **thereafter** total)
- ❑ Disclosures of beginning balances, additions, reductions, ending balance for each liability with increases and decreases reported separately

	Amounts Payable as of			Amounts Payable as of			Due Within One Year
	<u>December 31, 2020</u>	<u>New Debt</u>	<u>Repayment</u>	<u>December 31, 2021</u>			
Governmental Activities:							
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Direct borrowings - term loans	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-

	Governmental Activities			
	General Obligation Bonds		Direct Borrowings - Term Loans	
	Principal	Interest	Principal	Interest
2022	\$ -	\$ -	\$ -	\$ -
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027-2031	-	-	-	-
2032-2036	-	-	-	-
2037-2040	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Notes – Pension Disclosures

---

- ❑ Must disclose the type of pension/OPEB plan (defined contribution; single-employer, multi-employer, or cost-sharing multi- employer defined benefit plan)
- ❑ Dating disclosures problems – not including the proper measurement and actuarial valuation dates
- ❑ Missing actuarial assumptions and other inputs, such as dates of experience studies and sources of mortality assumptions
- ❑ Missing disclosure on whether the pension plan issues a stand alone financial statement and how to obtain the report
- ❑ Deferred inflows and outflows of resources not agreeing to the financial statements

# Notes – Pension Disclosures

---

- ❑ Covered Payroll vs. Covered Employee Payroll
  - Covered Payroll – payroll on which contributions to the pension/OPEB plan are based (***pensionable payroll***)
  - Covered-employee payroll – payroll of employees that are provided with pensions/OPEB through the plan including certain forms of payment that are not included in calculating the pension/OPEB of an employee (***total payroll***)
- ❑ Must include 10 years for RSI Pension Schedules
- ❑ Positive Net Pension Balance should be considered an asset

# Component Units

---

- ❑ Organizations for which the primary government is financially accountable
- ❑ Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause financial reporting to be misleading
- ❑ A primary government cannot be treated as a component unit of any other government

# Component Units

---

- ❑ Must properly determine presentation within the primary governments report
- ❑ Discretely Presented if:
  - Appoint majority of the board plus financial benefit/burden relationship exists OR ability to impose will
  - If didn't appoint board then, financial benefit/burden AND fiscal dependency



# Component Units

---

## ❑ Blended

- Same governing body AND financial benefit/burden exists AND the primary government operationally runs the component unit
- OR the component unit operates exclusively for the benefit of the primary government
- OR almost all the debt of the component unit is repayable by the primary government

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: How should the following Potential Component Unit (PCU) be presented in the primary governments (PG) report: The PCU was formed to undertake capital projects on behalf of the PG. The PG is considered to be financially accountable for the PCU, has the**

# Component Units

---

- ❑ Discretely presented component units must be presented as a column within the government wide financial statements.
- ❑ If there are multiple discretely presented component units a combined presentation may be utilized but a consolidating schedule showing each unit must be shown, either as:
  - Part of the basic financial statements
  - In the notes
- ❑ Blended component units are included within a fund of the primary government, this fund should be disclosed

# Component Units

---

- ❑ Must disclose all component units and the rationale utilized for the determination of type
- ❑ Must provide sufficient detail to justify both the inclusion of a component unit and decision for presentation
  - Often for blended component units a government will disclose that the governing body is substantively the same but will fail to disclose financial benefit/burden or operational responsibility
  - Often for discrete component units a government will reference that a component unit is fiscally dependent, but not fully disclose if the component unit has the potential to provide specific financial benefits or impose specific financial burdens on the government
- ❑ Must disclose how to obtain separately issued component unit financial statements or indicate they are not issued

# SEFA

---

- ALN, not CFDA
- List individual federal programs by federal agency
- If received as a subrecipient, include the name of the pass-through entity and identifying number
- Provide totals for each federal program and cluster
- Include amount provided to subrecipients
- Specifically identify COVID-19 funding

## EXAMPLE CLIENT

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Federal ALN</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Education:</b> ←					
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063	n/a	7/1/20-6/30/21	\$ 1,250,287	\$ -
Federal Work-Study Program	84.033	n/a	7/1/20-6/30/21	55,441	-
Federal Supplemental Educational Opportunity Grants	84.007	n/a	7/1/20-6/30/21	170,329	-
Federal Direct Student Loans	84.268	n/a	7/1/20-6/30/21	3,105,268	-
Student Financial Assistance Cluster Subtotal				4,581,325	-
Education Stabilization Fund:					
COVID 19 - Higher Education Emergency Relief Fund (HEERF) Student Aid	84.425E	n/a	3/16/20 - 5/1/22	350,000	-
COVID 19 - HEERF Institutional Portion	84.425F	n/a	3/16/20 - 5/1/22	875,000	-
Passed through the Pennsylvania Department of Education:					
COVID 19 - Governor's Emergency Education Relief Fund	84.425C	123-45-6789	11/1/20- 6/30/23	59,017	-
Total Education Stabilization Fund				1,284,017	-
Passed through the Pennsylvania Department of Education:					
Adult Education - Basic Grants to States	84.002	AE-055-22-9876	7/1/20-6/30/21	402,721	236,000
Career and Technical Education - Basic Grants to States	84.048	AE-071-10-3462	7/1/20-6/30/21	98,134	-
Total U.S. Department of Education				6,366,197	236,000

# Data Collection Form (DCF)

---

- ❑ Needs to be in the same ALN order as the SEFA
- ❑ If direct or pass-through on SEFA, make sure DCF agrees
- ❑ If pass-through, include identify pass-through entity and identifying number from the SEFA
- ❑ Be sure all clusters are identified on the DCF, if applicable
- ❑ Use “Additional Award Identification” column to designate COVID-19 funding or ALN’s with a letter

1. Federal Awards Expended During Fiscal Period															1. Major Program Information and Audit Findings			
Schedule of Expenditures of Federal Awards																		
Row Number (auto-generated)	CFDA #		Additional Award Identification <sup>3</sup>	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total <sup>4</sup> (auto-generated)	Cluster Total <sup>5</sup> (auto-generated)	Loan Programs		Federal Award Source			Passed Through		Major Program		Number of Audit Findings
	Federal Awarding Agency Prefix <sup>1</sup>	CFDA Three-Digit Extension <sup>2</sup>									Loan/Loan Guarantee (Loan)	If Loan, the End of the Audit Period Outstanding Loan Balance <sup>6</sup>	Direct Award (Direct)	If not Direct, list Name of Pass-through Entity	If not Direct, list Identifying Number Assigned by the Pass-through Entity, if assigned <sup>7</sup>	Federal Award Passed Through to Subrecipients	If Passed Through, provide Amount Passed Through	
					(\$)		(\$)	(\$)	Y/N	(\$)	Y/N			Y/N	(\$)	Y/N		



5	84	425	COVID-19/E	COVID-19 EDUCATION STABILIZATION FUND
6	84	425	COVID-19/F	COVID-19 EDUCATION STABILIZATION FUND
7	84	425	COVID-19/C	COVID-19 EDUCATION STABILIZATION FUND



**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))

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

4,000  
characters

Note 2: Did the auditee use the de minimis cost rate? (2 CFR 200.414(f))

- Yes  
 No  
 Both

Please explain.

The auditee did not use the de minimis cost rate.

4,000  
characters

**Additional Notes**

All additional notes included in the reporting package must be entered in this section and will be automatically numbered sequentially by the IDES system as they are entered.

Note 3: Basis of Presentation

75  
characters

---

# American Rescue Plan Act

## ARPA “Quiz”

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: New ARPA programs are deemed to be high risk by the OMB.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Payments made to entities for lost revenue/negative economic impact grants are considered subrecipient payments.**

### ***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Grants to non-profits for a specific purpose such as homeless assistance, where the non-profit is determining eligibility for the program, are considered to be subrecipient payments.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: In your revenue loss calculation you should not include debt proceeds.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: The reporting period for ARPA funding matches the audit year.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: A volunteer fire department should be included in the revenue loss calculation if you guarantee the debt of the fire department building.**



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: If ARPA funds are used for a construction project, there are additional procurement and bonding requirements for any part of the project funded by federal dollars.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Most local governments will have a report due on April 30, 2022 to report expenses for all of 2020.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Water and Sewer revenue should be included in the revenue loss calculation.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Funding for ARPA is considered to be passed through from the State.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: You should confirm federal revenues with the state during the audit.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: ARPA funding can NOT be utilized for debt or pension payments.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: Resources received through ARPA are subject to eligibility requirements and to purpose restrictions.**

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: A local government should recognize all ARPA funding as revenue when it is received.**



# Questions? Contact Me!

---



**Sara Reed**  
Manager

sreed@md-cpas.com



**Maura Paganelli**  
Manager

mpaganelli@md-cpas.com

Don't Forget To  
Check-Out Before  
You Leave!

