

# ***Denning, Downey & Associates, P.C.***

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## **Letter from an Auditor**

Dear Montana Local Government:

For those that follow along with this newsletter you probably noticed I did not send one out in October. To be blunt October was a sucky month for me and my family. My mother-in-law very suddenly passed away. This created a large hole in the family that will take some time to heal. I severed my tendon in my thumb (cutting up a deer that earlier I had hit with my truck) and yes, I feel like an idiot. Surgery was successful but I have a cast for 6-8 weeks. To top the month off, I had not 1 but 2 root canals.

OK, enough of my whining. On the bright side the office is running smooth and most of our clients have sent information to us for the audit.

### **Federal Compliance Supplement (Cheat Sheet for Auditors)**

The Compliance Supplement is the guide put out by the OMB that tells auditors what the feds want us to look at when doing your federal audit. We are impatiently waiting for addendum #1 which covers the ARPA and Education Stabilization Funds (ESF). So, if you have questions about these programs and have been directed to your auditor for advice it may take a couple more weeks. If you want to know what the auditor will be looking for then you can download the guide for yourself ([www.whitehouse.gov/wp-content/uploads/2021/08/OMB-2021-Compliance-Supplement\\_Final\\_V2.pdf](http://www.whitehouse.gov/wp-content/uploads/2021/08/OMB-2021-Compliance-Supplement_Final_V2.pdf)).

### **Schedule of Expenditures of Federal Awards (SEFA)**

The SEFA is a summary of all of your federal grants. And yes, the word grant includes loans and subsidies. Basically, if the fed touched it, it is probably considered a grant for the SEFA. Many of these start with the federal government but flow through the State departments. In the past to get on the SEFA you must have incurred the expense (not received the money) in your audit year. The COVID grants changed all that. For Fiscal year 20/21 audits we may have to look backward into Fiscal year 19/20 to report it on the SEFA.

### **New GASB #98 (How to Cuss Like The GASB)**

This is the easiest of all the GASB's I have read. It is only 5 paragraphs long.

The annual report prepared by most governments is commonly referred to as a CAFR (Consolidated Annual Financial Report). Apparently, the word CAFR is an ethnic slur that ranks among the most offensive terms in South African English. So GASB #98 changed the name to ACFR (Annual Comprehensive Financial Report). Good to know and no charge for the implementation.

### **COVID 19 Revenge of the Animals (The 3<sup>rd</sup> Movie)**

Covid seems to get weirder and weirder every day. The first movie "COVID 19" was watched by the whole world. Then the sequel "Delta" came out. While not as popular as the first movie it still received world wide reviews. Now the third movie "COVID 19 revenge of the animals" may be coming out. The Lincoln Zoo in Nebraska reported the deaths of 3 snow leopards that tested positive. Now the

USDA has a study of 481 White-Tailed Deer in 4 states that detected antibodies in 33 percent. This of course begs the question. At what temperature do you have to cook deer meat to kill the COVID?

### **Donations to Governments**

We get this question all the time so I thought I would share.

Government: Do we have to create a Non-Profit corporation (501c3) so individuals can deduct their donation to our government?

Auditor: Oftentimes a donor requests a Non-Profit TIN# so they can deduct the donation on their tax return. IRS Code 26 U.S.C. section 170(C)1 defines “charitable contribution” (which is tax deductible) to include a government if the contribution is for public purposes. I feel it’s best for the government to provide a thank you letter stating the date and amount of the contribution along with the government’s TIN.

### **Paradox of Abundance**

Not too many years ago (before the internet) obtaining information about a government was difficult and time consuming. The GASB was new with few rules on reporting or footnotes. Now audit reports can be found on the internet and increase in size every year. As an example, the 2003 CAFR for the City of Spokane was 222 pages long. The same report in 2019 was 345 pages. A 55% increase in size. Most of that additional information is specific for a particular user thus beneficial to a few, yet information overload for the many (average taxpayer). More doesn’t always mean better; however, I do not see this trend reversing. The purpose of this newsletter is to make simple the complex.

### **GASB #84**

Don’t forget this new rule is in effect for your FY20/21 AFR. If you are a County or a local government with Trust and Agency funds you will have to reclass some of your funds as Custodial, Special Revenue and Pension. Additionally, you will have a new financial statement, “Statement of Changes in Fiduciary Net Position”. If you are a school with a Student Activity account or endowments you may have to make changes. The GASB is a short but a difficult read. The DOA has a PowerPoint presentation on their website that helps explain it. If you have questions make sure to contact your auditor.

### **McCone County Commissioner Gets a “Cougar”**

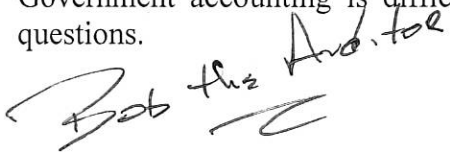
At the MACo conference last month Commissioner James Moos won the raffle for a Colt barreled, Ruger framed, (Colt + Ruger = Cougar) customized, 44 magnum, single action revolver. The gun was donated by our firm and raised over \$1,700 for the local Boys and Girls club. Thank you to all who contributed to this fund raiser.

### **Countdown to December 15<sup>th</sup>.**

If you are a local government (other than a school) then don’t forget your AFR or ACFR is due by December 31<sup>st</sup>. Nobody wants to work over the holidays on this so the deadline is really December 15<sup>th</sup>.

### **Don’t forget to call**

Government accounting is difficult and constantly changing. Don’t forget to call if you have any questions.



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Thought for the day: When life gives you melons, you might be dyslexic.