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Accounting Newsletter for Arizona School Districts

GASB Updates for Fiscal Years 2013-2015

by Casey R. Good, CPA, Senior Associate

The Governmental Accounting Standards Board (GASB) has been busy and several pronouncements are on the horizon that affect governmental financial reporting. This article provides you with a short summary of the upcoming pronouncements that are of particular interest for public school districts.

GASB 63 – Financial Reporting of Deferred Outflows, Deferred Inflows, and Net Position

GASB Statement No. 63 centers on financial statement elements and how they are currently defined. The assets, liabilities, revenues and expenses that we all know are still reported. However, effective for fiscal year 2013, the concept of net position replaces net assets and two new financial statements elements, deferred outflows of resources and deferred inflows of resources join the mix.

Statement No. 63 establishes the following financial statement elements that will be reported on the Statement of Financial Position (previously the Statement of Net assets):

- Assets: resources the government currently owns
- Deferred outflows: consumption of assets applicable to a future period
- Liabilities: current obligations to utilize resources
- Deferred inflows: acquisition of assets that will occur in a future period

(Continued on P.3)

Payroll and Benefit Reminders

by Diane Bradley, Administrative Partner, and Karin M. Smith, MBA, SFO, Consulting Manager

Are you ready for the Thanksgiving holiday?

For many Arizona school districts this year, a Thanksgiving week will include a payday. When a payday falls on a holiday, Arizona law mandates that employees should be paid on the day **preceding** the holiday (e.g., November 27th this year). If this affects your district, plan ahead to allow sufficient time for processing payment by Wednesday.

IRS Details on Employer Shared Responsibility Provisions Transition Relief for 2014

As reported in our last newsletter, the Federal government announced at the beginning of July that the shared responsibility penalty for employers would be delayed until 2015. On July 29, 2013, the IRS issued Notice 2013-45 which outlines more details about this transition relief (http://www.irs.gov/irb/2013-31_IRB/ar08.html) Please review the “Transition Relief” section of this notice to determine what impact this change will have on your district’s plans for the upcoming year.

(Continued on P.2)

Also in This Issue

Recruiting Volunteers	P.2
Tips from Recent HMU Trainings	P.3
Helpful Online Tools	P.4
HMU Events	P.5
Upcoming Deadlines	P.6



Recruiting Volunteers - Matching the Right People with the Right Opportunities

The recruitment of the right volunteers is crucial for any volunteer program. First the volunteer coordinator or manager should identify where volunteers can help most and what tasks they can perform. Then written job descriptions should be written to help volunteer recruiters and potential volunteers identify which characteristics and abilities are desired for each position. These initial steps will then facilitate the development of an ongoing volunteer recruitment process.

One style of volunteer recruitment is “targeted recruitment,” which identifies open volunteer positions and then targets groups or individuals who may have the skills or interests needed for the jobs. Using this recruiting method effectively involves several steps.



1. Develop a list of all volunteer jobs.
2. Identify types of skills/qualities desirable for specific jobs. (For example, if you are looking for an elementary school reading tutor, the volunteer needs to be comfortable with younger children and available during school hours.) Identify potential target groups (such as retired teachers, stay at home parents, or older students) and then determine where these target groups can be found (e.g., senior centers, libraries, and recreation centers).
3. Make an appeal to individuals in these target groups. Share your district’s goals and what can be offered to volunteers for their efforts. For example, the goal is to help students pass examinations and be more successful in school. This volunteer opportunity will benefit the community by advancing students’ skills and

(Continued on P.4)

Payroll and Benefit Reminders

(cont’d from P.1)

The IRS is still encouraging employers to voluntarily comply with the information reporting provisions for 2014 in preparation for 2015, but has deemed that no employer shared responsibility payments must be paid for 2014. This transition relief has no other effect on the effective date or application of other Affordable Care Act provisions.

More Payroll Tips

With the end of the year fast approaching, below are some reminders for your district’s payroll procedures:

- Create a timeline of all the important deadlines for employee related documents such as I-9, W-4, A-4 and E-Verify. Additionally, monitor to ensure all 941s, A1-QTRs, W-2s and 1099s are filed timely. There are stiff penalties if these forms are not completed in entirety and timely.
- Verify the exempt vs. non-exempt status of your employees to ensure they are properly classified. Be sure you are following all FLSA rules associated with the docking of non-exempt and exempt employees wages.
- Review IRS Publication 15-B (<http://www.irs.gov/pub/irs-pdf/p15b.pdf>) to ensure you are taxing all appropriate fringe benefits.
- Conduct an internal review on the segregation of duties within your payroll and human resources department. To protect your organization, ensure one person is not able to set up an employee, establish a rate of pay, process their bi-weekly pay, and issue a paycheck.

Need help reviewing your current payroll practices? Contact Karin M. Smith, MBA, SFO, Consulting Manager, at 602-277-9449, ext 327 or karins@heinfeldmeech.com. ■

GASB Updates*(cont'd from P.1)*

- Net Position: residual of all other Statement of Financial Position elements

Net position is further broken out into three components: net investment in capital assets, a restricted component, and an unrestricted component. Although the titles of categories will change, there are no other substantial changes to the government-wide financial statements. Fund balance reporting on the governmental funds is unaffected.

GASB 65 – Items Previously Reported as Assets and Liabilities

While GASB Statement No. 63 establishes the new financial statement elements, Statement No. 65 examines items previously reported as assets and liabilities and specifically defines deferred inflows and outflows. Statement No. 65 will be in effect for fiscal year 2014 financial statements.

So what exactly are deferred inflows and outflows? Statement No. 65 defines seven financial statement items considered to be deferred inflows or outflows and reclassified two additional items as period expenses as opposed to assets or liabilities. Some common examples of specifically defined items include deferred grant revenues (inflow) and deferred charges on debt refunding (outflow).

The reclassified item that will most affect districts is debt issuance costs. GASB has determined that the debt issuance costs that were previously recorded as an asset (bond discount) or liability (bond premium) and amortized over the life of the debt should now be expensed in the period incurred. Districts that were carrying a premium or discount should expect to see a prior period adjustment to net position to properly account for this change.

*(Continued on P.4)***Tips from Recent HMU Trainings**

Karin Smith, the instructor from two of our recent HMU trainings, has provided the following lists of takeaways to provide tips to those who were unable to attend. These lists are also sent out after each event to our group for Arizona school districts on linkedin - any representative from a school district can join this group. To find the group online, click on the linkedin logo on the last page of this newsletter.

Student Activities, Auxiliary Operations & Tax Credit Programs

- Student Activities monies are monies raised by the efforts of students, spent by students, to benefit students.
- Auxiliary Operation monies account for bookstore operations and athletic ticket sales.
- Tax Credit funds can only be used on extra-curricular activities and character education programs.
- Cash handling duties shall be segregated between staff to ensure different employees are responsible for cash handling, authorization and record keeping.
- Deposits must be deposited in the appropriate bank account and made timely and intact. Deposits must be made within 5 days unless significant.

**Parent Teacher Student Organizations**

- Parent Groups and Boosters are separate legal entities from the school district and cannot use the District tax ID number for bank accounts, donations, etc.

(Continued on P.4)

Recruiting Volunteers

(cont'd from P.2)

increasing their employability. Indicate what is unique and special about your district's volunteer opportunities. For example, volunteers may work with the same students over a 2-year period instead of just one year.

4. Determine the best way to communicate your message to these targeted groups. Volunteer coordinators may find that personal conversations or presentations to small groups are effective. Volunteer recruiters may also seek candidates from the general community by using news stories, posters, advertisements, radio announcements, or printed messages in papers or newsletters.
5. Involve volunteers in the recruitment process. Current volunteers may be more effective in talking about their work and the rewards received from their service. Some organizations create a speakers bureau consisting of volunteers and staff who are trained in giving presentations to the public. ■

Tips from HMU Trainings

(cont'd from P.3)

- Districts should have established procedures for Parent Groups and Boosters to utilize district facilities, distribution of flyers, and fundraising.
- While District/School staff can and should participate in Parent Groups and Boosters, they should not be officers or signers on their bank accounts.
- Joint fundraisers between a Parent Groups and Boosters must follow the requirements outlined in the Attorney General Opinion I84-032.
- Parent Groups and Boosters should ensure they have proper segregation of duties for cash handling, record keeping and authorization. ■

Helpful Online Tools

Today there are a lot of free online resources and tools available, but we wanted to make sure that you were aware of these two sites:



ADE Federal Fiscal Monitoring page includes information on audit schedules and what to expect if you are selected for an audit - <http://www.azed.gov/grants-management/federal-fiscal-monitoring>

The *Association of Certified Fraud Examiners* has a lot of great free resources available online, including a "Fraud Talk" monthly podcast. Download or listen here: www.acfe.com/podcast/ ■

GASB Updates

(cont'd from P.3)

GASB 68 – Accounting and Financial Reporting for Pensions

GASB Statement No. 68 will affect all Arizona school districts beginning in fiscal year 2015 due to their participation in the Arizona State Retirement System. Statement No. 68 requires government employers that participate in defined benefit pension plans to report a proportionate share of the net pension liability and pension expense in their financial statements. The amount of the liability and expense will be determined using actuarial valuations. In addition, more extensive note disclosures will be required that detail the types of benefits and covered employees, how plan contributions are determined, and the assumptions and methods used to calculate the pension liability.

For more information on these and other GASB Statements, you can also visit www.gasb.org ■

HMU Events

Details and links to online registration can be found at www.heinfeldmeech.com/hmu. For more help, contact Susan at 520-742-2611, x107 or hmu@heinfeldmeech.com.

Payroll Essentials for Arizona School Districts (workshop)

Location: Mesa, AZ (Mesa Convention Center)

Date: Thursday, December 5 (*registration ends 11/26/13*)

1099 Requirements and Best Practices (webinar)

Date/Time: Monday, January 6, 1:00-2:15 pm (*registration open by mid-November*)

Preventing Fraud with Internal Controls (workshops)

Location/Date: Vail, AZ - Wednesday, January 15

Location/Date: Mesa, AZ - Thursday, January 16

(*registration open by late November*)

Keep ADM in Compliance - Recording & Reporting Student Attendance (workshops)

Location/Date: Flagstaff, AZ - Monday, February 3

Location/Date: Mesa, AZ - Tuesday, February 4

(*registration open by mid-December*)

Capital Assets Accounting for School Districts (workshop)

Location: Mesa, AZ (Mesa Convention Center)

Date: Monday, March 3 (*registration open by mid-January*)



H&M News

H&M welcomes *Grand Canyon Unified School District* as a new client - we are excited that you have chosen H&M and look forward to helping you achieve new levels of accounting and managerial success!

Marvin Mendieta, Audit Manager, recently became a Certified Government Financial Manager (CGFM), recognized by the Association of Government Accountants.

Legal and Tax Advice Disclaimer: The information presented in this newsletter does not constitute legal advice or tax advice. Heinfeld, Meech & Co., P.C. makes no claims about its accuracy, completeness, or currency of information presented, including any external references provided. Legal and tax advice, including tax advice, must always be tailored to your circumstances, and no content of this newsletter should be viewed as a substitute for the advice of a competent attorney. Please consult legal counsel for advice pertaining to your specific organization.

Puzzler

Decipher the hidden meaning: (Answer on p. 6)

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Upcoming School District Deadlines

<u>Due Date</u>	<u>Item</u>
November 15	<p>Classroom Site Fund Narrative Results Report due to Superintendent of Public Instruction (A.R.S. §15-977)</p> <p>AFR or summary must be published (A.R.S. §15-904)</p> <p>Student immunization report due to local health department and DHS (A.A.C. R9-6-707 and A.R.S. §15-874)</p> <p>The publisher's affidavit of publication for the AFR must be filed with the Superintendent of Public Instruction (or no later than 30 days after publication).</p> <p>Deadline for application or reapplication to career ladder advisory committee for approval to budget for career ladder program (A.R.S. §15-918)</p>
December 15	Revised expenditure budget must be presented at a public meeting.
December 18	Revised budget should be filed with County School Superintendent and electronically submitted to the Superintendent of Public Instruction. (A.R.S. §15-905)
December 31	Report to Superintendent of Public Instruction on number of applicants hired prior to completion of fingerprint check & number of applicants for whom fingerprint checks have not been received for 120 days & after 175 days of hire (A.R.S. §15-512)

About H&M

Heinfeld, Meech & Co., P.C., CPAs and Business Consultants, has offices in Tucson, Phoenix and Flagstaff, Arizona. With more than 27 years of experience, we are the recognized leaders in the State of Arizona in the field of school district accounting and auditing.

Our active involvement with national and state associations keep us up-to-date about emerging issues affecting your school district. We offer this free newsletter as part of our commitment to providing resources and training to school district business personnel.

For more about our firm, please visit our web site at www.heinfeldmeech.com.



Answer to Puzzler (Page 5): "Last but not least"