



Iowa Governmental R O U N D T A B L E

MAY 13 | 7 AM - 4:40 PM CDT | LIVE VIRTUAL CONFERENCE | 9 HRS CPE

iscpa
IOWA SOCIETY OF CPAs

Iowa Governmental ROUNDTABLE

MAY 13 | 7 AM - 4:40 PM CDT | LIVE VIRTUAL CONFERENCE | 9 HRS CPE

Agenda

7-7:50 a.m. | Optional Bonus Session: Empowering Ethics - Transformational Leadership and the Emotional Intelligence Edge

Jeremy Wortman, Ph.D. | HRD Initiatives

CHANNEL 1

Note: Attend this session and receive one (1) additional hour of CPE credit (9 hours total). This session does NOT qualify for Yellow Book credit; qualifies for behavioral (nontechnical) ethics CPE credit.

7:50-8:05 a.m. | Break

8:05-8:15 a.m. | Welcome messages

Brad Theisen, CPA | 2024-2025 Committee Chair
Eide Bailly LLP

CHANNEL 1

8:15-9:20 a.m. | GASB Update

Lisa Parker, CPA, CGMA | GASB

CHANNEL 1

9:20-9:35 a.m. | Break

9:35-10:50 a.m. | Energy Credits and Inflation Reduction Act

Colette Gagnet, CPA | Eide Bailly LLP

CHANNEL 1

10:50-11:05 a.m. | Break

11:05 a.m.-12:10 p.m. | The AI Revolution: Emerging Opportunity for 2025 and Beyond

Chuck Gallagher

CHANNEL 1

12:10-12:55 p.m. | Lunch break

12:55-2 p.m. | Breakout sessions

ABC's of Arbitrage

Chris Berens, CPA | Berens-Tate Consulting Group

CHANNEL 1

Understanding and Minimizing Conflict of Interest Risk for Governmental Boards, Councils and other Elected Offices

Frances Haas and Brian Shust | Nyemaster Goode PC

CHANNEL 2

2-2:15 p.m. | Break

2:15-3:30 p.m. | Breakout sessions

Iowa Department of Management Update

Carrie Johnson and Ted Nellesen | Iowa Department of Management

CHANNEL 1

Internal IT Controls, Cybersecurity and Prevention

Andy Grice, CPA; Robin Nelson; and Jake Wagner | Creative Planning

CHANNEL 2

3:30-3:45 p.m. | Break

3:45-4:40 p.m. | Auditor's Office Update and Q&A

Brian Brustkern, CPA; Pam Bormann, CPA; and Melissa Finestead | Office of Iowa Auditor of State

CHANNEL 1

Special thanks...

to the 2024-2025 ISCPA Governmental Auditing & Accounting Committee for their help planning this year's conference!

Pam Bormann | Office of Auditor of State, Des Moines

Lianne Cairy | City of Marion, Marion

Kent Farver | Iowa Judicial Branch, Des Moines

Rachael Heuertz-Nelson | Williams & Company PC, Spencer

Brett Huth | Meriwether Wilson and Company PLLC, West Des Moines

Nicci Lamb | City of Urbandale, Urbandale

Shannon Larson | Deloitte, Davenport

Dustin Opatz | Creative Planning, Urbandale

Joe Pena | T P Anderson Company PC, Humboldt

Tim Stiles | City of West Des Moines, West Des Moines | **ISCPA Board of Directors Liaison**

Brad Theisen | Eide Bailly LLP, Des Moines | **Committee Chair**

Ni Wagner | Des Moines Airport Authority, Des Moines

Want to see your name on this list? Visit www.iacpa.org/membership/committees to join.

Upcoming Yellow Book seminars

Yellow Book and Single Audits: How to Stay in Good Graces and Out of Bad Places with Your Peer Reviewer

August 12 | 7:30-11:30 CDT | Virtual seminar

Accounting and Auditing Update for Not-for-Profits

August 20 | 7:30-3:30 p.m. CDT | Virtual seminar

Best Practices in Not-for-Profit Accounting and Reporting

August 21 | 7:30-11:30 a.m. CDT | Virtual seminar

The Most Critical Challenges in Not-for-Profit Accounting Today

August 21 | Noon-3:30 p.m. CDT | Virtual seminar

Fraud in Single Audits

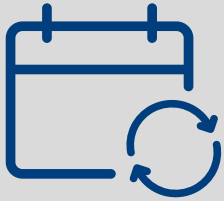
November 11 | 7:30-11:30 a.m. CDT | Virtual seminar

Yellow Book: Staying Compliant with Government Auditing Standards

November 13 | 7:30 a.m.-3:30 p.m. CDT | Virtual seminar

Leave your feedback, win a \$50 gift card!

We value your feedback. Please take a few moments to complete the brief evaluation survey to let us know your ratings on the speakers and topics. As a thank you for completing the survey, you will be entered to **win a \$50 gift card**. Look for the survey in your email inbox following the conference.



TIME TO RENEW YOUR MEMBERSHIP

Renew now to unlock FREE CPE worth more than your dues! Plus access premier learning, networking, and volunteer opportunities. Don't miss out!



YELLOW BOOK

*Staying Compliant with
Government Auditing Standards*

NOV 13 | 8 HRS CPE
7:30 AM - 3:30 PM CST



MEMBERSHIP PERK ALERT!

FREE CPE for ISCPA Members.

As part of our commitment to providing ongoing learning opportunities, we have designed a comprehensive series to help you expand your knowledge and skills.



Yellow Book and Single Audits:

*How to Stay in Good Graces and Out of
Bad Places with Your Peer Reviewer*

AUGUST 12 | 4 HRS CPE
7:30 - 11:30 A.M. CDT



Make connections!

Engage others in conversations from your members-only online community, **ISCPA Link**. Join discussions, post questions, add resources and find events from this valuable source of information.



stay informed



Update your member profile and get the resources, information and news you need - and how you want it delivered.

FRAUD IN SINGLE AUDITS

NOV 11 | 4 HRS CPE
7:30 - 11:30 AM CST



Celebrate the profession at ISCPA's biggest night of the year!

Join us for the debut of the Circle of Excellence Awards, an unforgettable evening honoring new CPAs, scholarship recipients, award winners, and more. Enjoy social hour, dinner, and celebrate with your peers at this can't-miss event!



Meet the speakers

Chris Berens, CPA, provides services related to tax-exempt debt for a significant number of public sector entities throughout the country, including arbitrage rebate, escrow verification, parity analysis, and IRS Form 990 (Schedule K). His work has encompassed over 6,000 debt issues in excess of \$150 billion dollars. He is a CPA and is an associate member of the National Association of Bond Lawyers. Prior to joining the Consulting Group, he was the Public Sector Industry Director for the Nebraska/Iowa practice of an international accounting firm.

Pam Bormann, CPA, is a Director in the Financial Audit Division for Iowa Auditor of State's Office. Pam is a graduate of the University of Northern Iowa and has served the office since 1987. Her responsibilities include supervising and reviewing local government audits and City examination engagements and providing technical assistance to local governments and their auditors. Pam has worked on city, county, community school district, community college, university and State agency audits, including the statewide Single Audit. She is also actively involved in the Auditor's Office Quality Review Program of CPA firm reports and workpapers, performing peer reviews for the National State Auditors Association as well as reaudits of local governments. Pam is also a Certified Governmental Financial Manager and a member of the Iowa Society of Certified Public Accountants and the Association of Government Accountants.

Brian Brustkern, CPA, is the Deputy in Charge of the Financial Audit Division of the Iowa Auditor of State's Office. He is a graduate of the University of Northern Iowa and joined the staff of the Auditor's office in 1993. Brian's responsibilities include directing the activities of the audit teams, reviewing the audit results and ensuring compliance with office and professional standards. He also participates in various local government training programs and provides technical assistance to local governments and their auditors. Brian is a CPA and is a member of the American Institute of Certified Public Accountants, the Iowa Society of Certified Public Accountants, and the City and County Finance Committees.

Melissa Finestead, CFE, is a manager in the Iowa Auditor of State's Office and has worked for the office for almost 15 years. Melissa is a graduate of the University of Northern Iowa and is a Certified Fraud Examiner. Melissa's primary responsibilities include supervising and reviewing performance and investigative audits.

Colette Gagnet, CPA, is a consultant with Eide Bailly LLP and has 18 years of experience providing tax consulting services and analyzing complex tax situations from both sides of the desk. She spent roughly 10 years providing tax saving solutions for clients before going in house to focus on credits and global acquisitions for a Fortune 200 company. In returning to the client service side, focused on R&D credits and Section 174 studies. In joining Eide Bailly's NTO, she is focusing her efforts on energy credits and incentives while being a resource for the R&D and M&A teams.

Chuck Gallagher, CSP, is a recognized authority in the speaking world, and an esteemed voice in the realm of artificial intelligence (AI). But he's not your average tech guru. With a knack for turning the complex into intelligible subject matter, Gallagher brings a refreshing blend of insight and humor to his talks, making the future of AI not only understandable but also exciting. Whether he's unpacking the ins and outs of AI for business leaders or exploring the ethics of automated systems, Gallagher keeps his audiences hooked with his dynamic style and engaging anecdotes. Drawing from his rich background in business and ethical leadership, he brings a practical perspective that helps audiences connect the dots between technology and their daily lives.

Meet the speakers

Andy Grice, CPA, is an Audit Shareholder with Creative Planning LLC. He started in public accounting as an auditor at BerganKDV and continues to focus on the audit practice. He primarily concentrates in the area of local governments and nonprofits, specifically with cities, school districts, charter schools, colleges, universities, and other government agencies. He has extensive experience with financial reporting in accordance with GAAP, CAFR requirements, analysis of internal control, implementing new GASB Standards, performing audits of financial statements and single audits in accordance with the OMB Uniform Guidance. He also possesses general tax knowledge for nonprofits and local governments. He is a CPA and a member of the American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants, Minnesota Association of School Business Officials, and Minnesota Government Finance Officers Association.

Frances Haas, is an Attorney with Nyemaster Goode PC and routinely handles complex issues for employers regarding disability discrimination, the accommodation process, harassment, discrimination, retaliation, Family and Medical Leave Act, equal pay, and wrongful termination. She negotiates collective bargaining agreements on behalf of management, as well as other labor disputes. She also takes on higher education cases in matters involving Title IX, Title VII, and the Iowa Civil Rights Act. In addition, Fran leads webinars and speaks frequently on employment and higher education issues, with an emphasis on mental health and substance abuse issues in the workplace. She also develops robust in-house training for her clients so that all team members are prepared to issue-spot as tricky issues arise. Fran also is an experienced investigator, and is frequently retained by organizations to investigate internal claims of harassment, discrimination, and retaliation.

Carrie Johnson began her career working with local governments at the Iowa League of Cities. She worked for the League for more than eight years in various roles in the membership services area. After taking some time off to be at home with her daughter, Carrie rejoined the workforce with Public Financial Management, Inc., a financial advisory firm that works with many Iowa cities and counties. In 2010, Carrie joined the Iowa Department of Management as property valuation and county budget administrator. In her current role, she works with the property valuation system and the utility replacement tax. She also works with county budgets and annual financial reports, as well as county hospital, county/city assessor, and county agricultural extension budgets.

Ted Nellesen is a Senior Fiscal and Policy Analyst, local government budgets, for the Iowa Department of Management. Ted joined the Department of Management in July 2012, taking over city, township and miscellaneous levy authority budgets. Prior to joining the Department of Management, Ted worked as a consultant for Public Financial Management (PFM), a municipal finance advisory firm. Ted obtained his Bachelor of Arts in Political Science from Iowa State University in 2005 and his Master of Public Administration from Drake University in 2010.

Robin Nelson is a Shareholder/Security Manager/Senior Engineer at Creative Planning Business Services where he oversees the technical consulting done by the members of Creative Planning's St. Cloud technical team.

Meet the speakers

Lisa Parker, CPA, CGMA, is a Senior Project Manager with the GASB. Prior to joining the GASB in 2008, Lisa worked for Runyon Kersteen Ouellette CPAs for 10 years, the town of Old Orchard Beach, Maine as finance director and interim town manager for two years, and the city of Saco, Maine as finance director for eight years. Lisa is a member of the Association of Governmental Accountants, the AICPA, and the Maine Society of Certified Public Accountants, where she served as president. Previously, Lisa was president of the Maine Governmental Finance Officers Association, an executive board member of the New England Governmental Finance Officers Association, and a member of a national GFOA standing committee.

Brian Shust is an Attorney with Nyemaster Goode PC. Teamwork and service are central tenets of Brian's law practice, starting with his 10 years on active duty in the U.S. Air Force Judge Advocate General's (JAG) Corps. In his combined transactional and litigation practice, Brian applies his service-minded approach and unique experience to client advocacy and business counseling. As a JAG officer, he provided legal advice during every facet of the government contracting life cycle. He counseled on soliciting, awarding, and administering contracts, including ensuring regulatory compliance. He led the JAG Corps acquisition integrity office, overseeing over 125 fraud attorneys and advising federal investigators on the legal issues surrounding procurement fraud and corruption. His diverse contracts experience allows him to identify what it means to be a successful business and how to win contracts. Brian has extensive litigation and investigation experience, which helps him negotiate practical solutions to protect client interests. He defended the Air Force against contract protests and claims in federal courts and boards, and he was military prosecutor for several years. He values a big-picture approach coupled with zealous advocacy.

Jake Wagner is the Technology Solution Sales Manager for Creative Planning where he is responsible for sharing, coaching and training partners on managed IT best practices.

Jeremy Wortman, Ph.D., is the owner of HRD Initiatives, a consulting company specializing in leadership development, organizational development and talent management solutions. Jeremy works with executive teams in determining talent management strategies, building leadership talent, implementing solutions and coaching individual leaders. He has more than 20 years of experience in organization and leadership development with a significant amount of his time at TD Ameritrade where he was the Director of Organizational Effectiveness. He has extensive knowledge of organizational psychology and has developed strategies and programs that build better individuals and organizations using a strengths-based approach. Jeremy has focused his expertise within the accounting profession since 2004. He is a frequent speaker at regional, national and international conferences on the topics of ethical decision-making, leadership development and talent management. His clients range from small accounting firms to the top ten largest in the United States, many of whom are found on Accounting Today's Best Firms to Work for list. Jeremy attended the University of Nebraska where he earned his Ph.D. in Organizational Behavior, Leadership and Organizational Development and a Masters in Business Administration. He holds undergraduate degrees in Economics and Human Resources. Jeremy is a member of the American Psychological Association, the Society of Industrial and Organizational Psychology, and the Academy of Management. He is also active in his local community as the former President of the Young Alumni Board for the College of Business Administration at the University of Nebraska, where he was also an adjunct professor from 1999 to 2016.



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**Optional Bonus Session: Empowering Ethics -
Transformational Leadership and the Emotional
Intelligence Edge**

Jeremy Wortman



Unlocking Ethical Leadership

Participant and Resource Guide
May 2025

Opening Activity, Think Of...

Your worst leader/boss ever

Your best leader/boss ever

Today's Agenda

- Overview of how leaders develop
- Explore why employee engagement is so much more valuable than job satisfaction
- Explore the Full-Range of Leadership
- Action plan to become a Transformational Leader
- Investigate the Platinum Rule
- Explore, and action plan around, Emotional Intelligence

How Leaders Develop

Three Phases of Leadership Development

- I. Leading _____
- II. Leading _____
- III. Leading the _____

Leadership Development is the Function of:

- I.
- II.
- III.

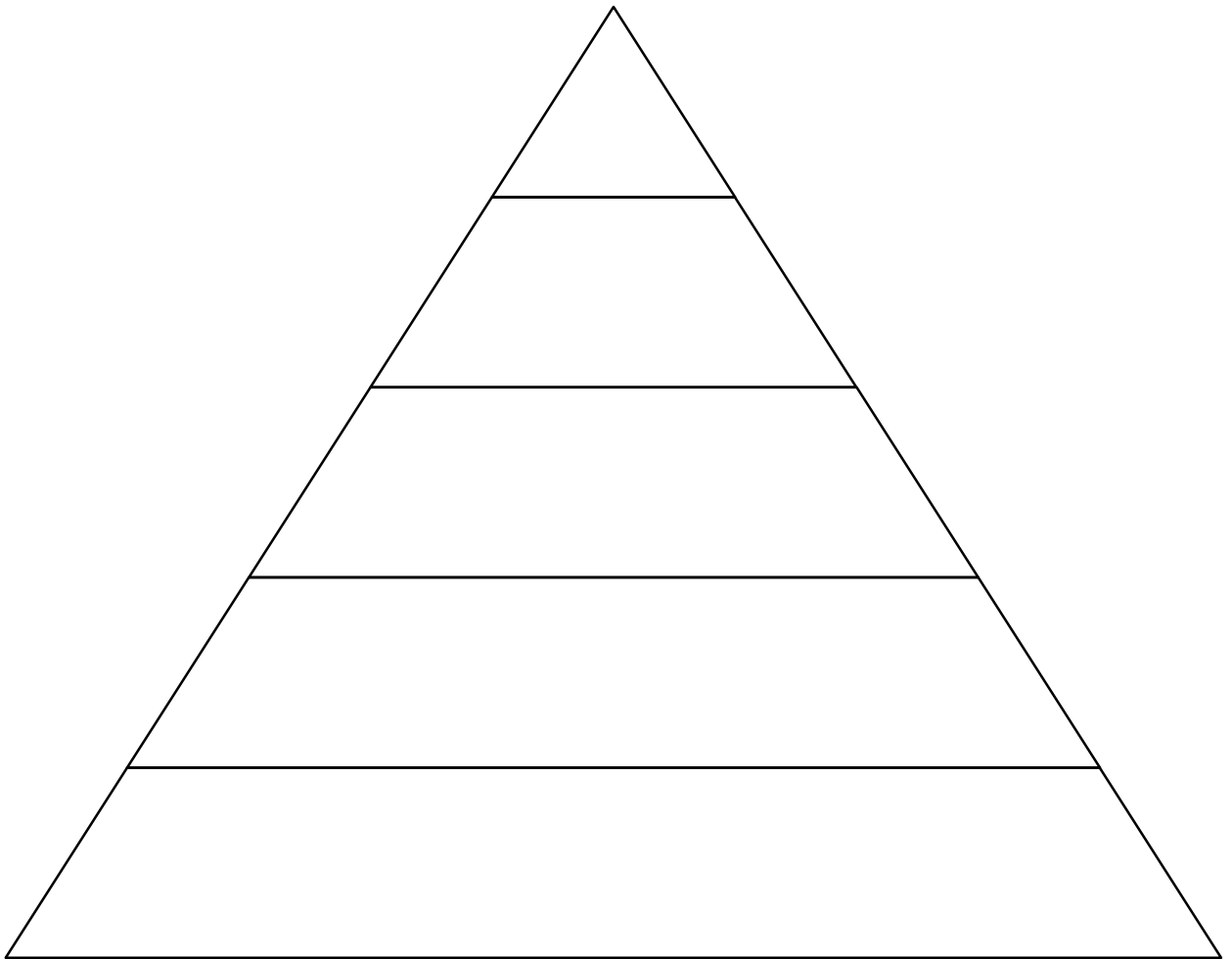
This is called the _____ 1/8th Rule

Transformational Leaders

- Constantly under construction
- Incredibly self-aware
- Authentic when working with others
- Committed to developing/supporting others

Emotional Intelligence

- Your _____ understanding of who you are and who you are not
 - Understanding your _____ and weaknesses as well, and
 - How these impact others
- Your ability to _____ your strengths and weaknesses in a way that is deemed as appropriate by your organization
- Your ability to _____ understand the emotions and talents in those you interact with
- Your ability to use your self-knowledge and control, as well as the _____ understanding of your colleague to have a healthy interaction
 - Which, hopefully, leads to a healthy relationship



Leaders with HIGH emotional intelligence are better at the following:

- | | |
|-----------------------------|---|
| 1. Participative management | 6. Building & maintaining relationships |
| 2. Putting people at ease | 7. Doing whatever it takes |
| 3. Self-awareness | 8. Decisiveness |
| 4. Work-Life-Balance | 9. Confronting problem employees |
| 5. Straightforward | 10. Change management |
-

Leaders with LOW emotional intelligence are more likely to fall victim to the following career derailers:

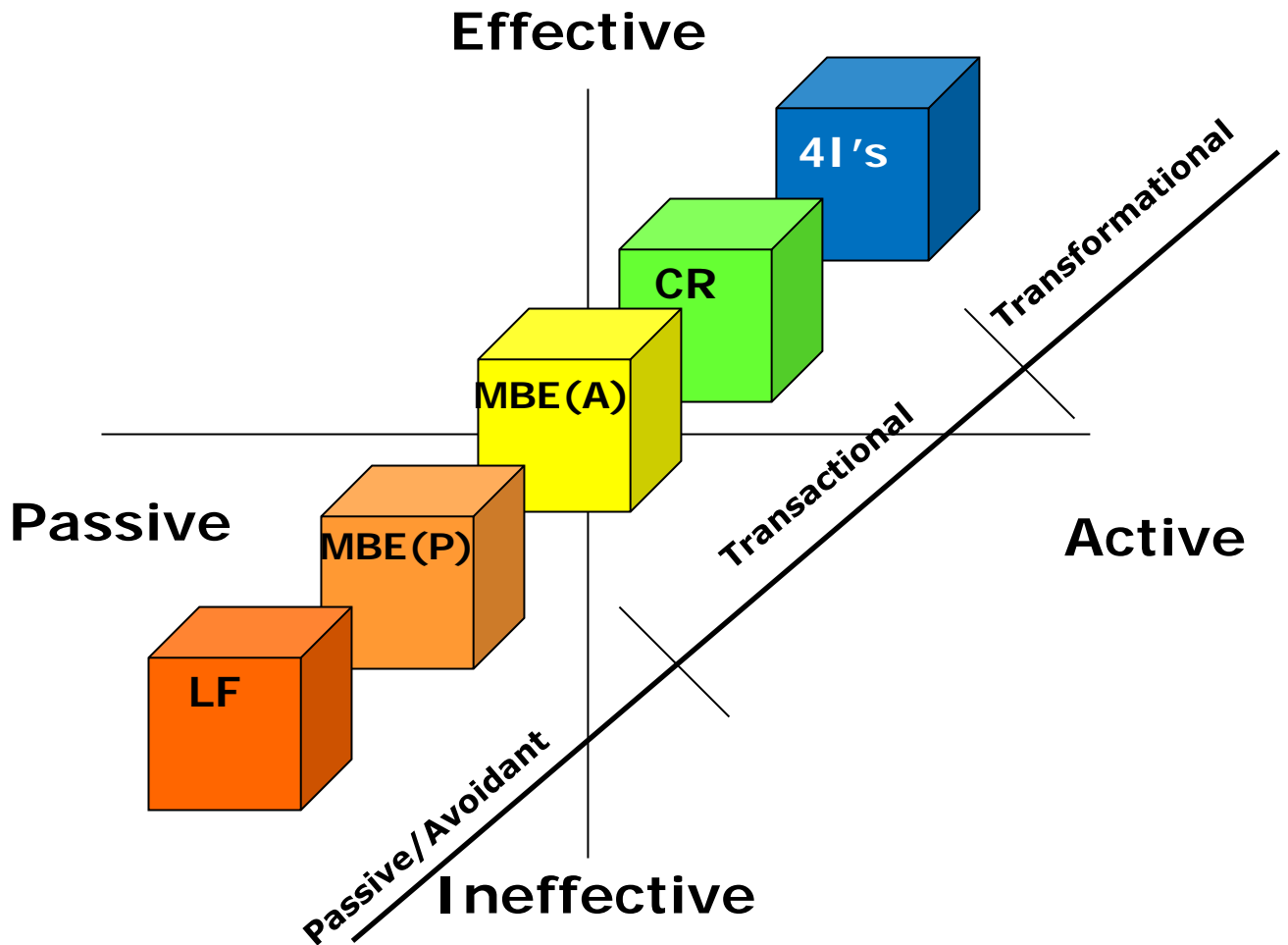
- Unaware of “hot buttons”
- Lack of composure/impulse control
- Insensitive to others
- Problems with interpersonal relationships
- Difficulty changing or adapting

Digging deeper on the "problems with interpersonal relationships." Specific behaviors that drive this problematic area are:

- Insensitive
- Manipulative
- Critical
- Demanding
- Authoritarian
- Self-isolating
- Aloof

Building Your Emotional Intelligence

- Emotional Intelligence **can be** developed and enhanced
 - Fact: it takes a lot of effort and persistence to build
- To effectively build your EQ you **must use** a validated assessment
- To help influence long-term behavioral change you need to set development goals
- The best way to build your EQ is to find ways to use it in the workplace



The Four I's of Transformational Leadership:

Inspirational Motivation: creating an environment where someone can motivate themselves

Intellectual Stimulation: respectfully challenging yourself and solving for your own problems

Idealized Influence: leading by 'good' example and through your authentic self

Individualized Consideration: practicing the platinum rule with others and having meaningful 1:1 relationships with your most important stakeholders

The Impact of Transformational Leadership

Transformational leadership influences followers to do the following:

- Put forth extra effort
- Have more satisfaction with leadership
- Be more effective
 - Productive
 - Increased morale
 - Lower turnover
 - Lower absenteeism
 - More adaptable

When using a transformational leadership style, your followers will feel more:

1. Trust
2. Admiration
3. Loyalty
4. Respect

As a leader, identify three ways that you can strive to be a transformational leader.

1.

2.

3.

ABOUT JEREMY WORTMAN, Ph.D.

jwortman@hrdinitiatives.com

www.hrdinitiatives.com



Jeremy is a consultant, speaker and trainer with HRD Initiatives, a consulting firm to the CPA Profession, and other industries, since 2004.

Jeremy's expertise is within talent management and organizational development where he helps firms build and execute strategic plans regarding the people side of their business.

Prior to his work with the Accounting Profession, Jeremy worked at TD Ameritrade for 8 years as their Director of Organizational Development and Effectiveness and Business Psychologist.

His consulting expertise and services include key offerings such as:

- Talent management strategy planning
- Behavioral/talent/personality assessments
- Team building
- 360 Assessments
- Creating competency models
- Creating and facilitating leadership development programs
- Helping firms update their Mission statement
- Helping firms update, or identify, their core values
- Executive coaching
- Employee engagement surveys
- Identifying career paths for their employees
- Enhancing, or building, performance management/feedback systems
- Conflict management and resolution
- Reward and recognition strategies and programs
- Executive and employee on-boarding programs

He is a member of the American Psychological Association, the Society for Industrial and Organizational Psychology, and taught at the University of Nebraska from 1999 to 2016 as an adjunct professor.



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GASB Update

Lisa Parker

Iowa Governmental Roundtable



GASB UPDATE

Lisa R. Parker, CPA, CGMA, Senior Project Manager and GASAC Coordinator

May 13, 2025

The views expressed in this presentation are those of Ms. Parker.
Official positions of the GASB are reached only after extensive due process and deliberations.



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www.gasb.org

The GASB establishes accounting and financial reporting standards for U.S. state and local governments that follow generally accepted accounting principles (GAAP). The Governmental Accounting Research System™ (GARS) provides access to those standards.

[Go to the GARS website](#)

GASB Issues Statement on Financial Reporting Model Improvements

Statement No. 103 Now Available

Learn about new guidance designed to improve key components of government financial reports.

[Document](#) [Media Advisory](#)

GASB Chair Report

Now Available: First Quarter Chair Report

GASB Chair Joel Black provides an update on quarterly activities, as well as his reflections on Board activities and priorities.

[View Reports](#)

Current Projects

View information about current GASB projects, including status updates and expected issuance timelines for due process document and final standards.

[Explore More →](#)

Meetings

Access information about upcoming and past meetings of the GASB and the GASAC, including meeting details and links to view live streams and recordings.

News

June 3, 2024
GASB Publishes Post Implementation Review Report on Pension Standards
[Media Advisory](#) [PFR Report](#)

May 22, 2024
Financial Accounting Foundation Board of Trustees Seeks Nominations for Governmental Accounting Standards Board (GASB) Member
[Media Advisory](#)

April 1, 2024
AAA-GNP Holds 2024 Mid-Year Meeting in Norwalk
[View Page](#)



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Website Resources


- Free download of Statements, Implementation Guides, Concepts Statements and other pronouncements
- Free, enhanced online access to the Governmental Accounting Research System (GARS)
- Free copies of proposals
- Up-to-date information on current projects
- Form for submitting technical questions
- Educational materials, including podcasts (Bridging the GAAP)



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GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD
Governmental Accounting Research System™

Search

Codification >

Original Pronouncements >

Comprehensive Implementation Guide >

Other Reference >

Tools >

Logout

Updated through December 31, 2023

Welcome to the Governmental Accounting Research System™

① The Governmental Accounting Research System™ has been updated through December 31, 2023.

About GARS

The Governmental Accounting Standards Board (GASB) Governmental Accounting Research System™ (GARS) provides access to all U.S. generally accepted accounting principles (GAAP) for state and local governments. It includes material from the GASB's Codification, Original Pronouncements, and Comprehensive Implementation Guide, as well as related resources and tools.

What's New in This Update

This update incorporates into the Codification and the Comprehensive Implementation Guide the effects of the following pronouncements that first became effective between July and December 2023:

Statement No. 99, *Omibus 2022* [\[?\]](#)

Statement No. 101, *Compensated Absences* [\[?\]](#)

This update incorporates into the Original Pronouncements the following pronouncement that was issued by the GASB between July and December 2023:

Statement No. 102, *Certain Risk Disclosures* [\[?\]](#)

[View documents for public comment >](#)

[Final Pronouncements Not Yet Incorporated into the Content >](#)

Help

The website offers several resources to enhance your working knowledge of GARS. They include a help page with descriptions of specific functions and features of the site and a downloadable user guide.

[Help Topics >](#)

[User Guide >](#)

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Effective Dates

December 31: Fiscal Year 2025

- Statement 102—*Certain Risk Disclosures*

December 31: Fiscal Year 2026

- Statement 103—*Financial Reporting Model Improvements*
- Statement 104—*Disclosure of Certain Capital Assets*

Effective Dates

June 30: Fiscal Year 2025

- Statement 101—*Compensated Absences*
- Statement 102—*Certain Risk Disclosures*

June 30: Fiscal Year 2026

- Statement 103—*Financial Reporting Model Improvements*
- Statement 104—*Disclosure of Certain Capital Assets*

Materiality

Included in EVERY Statement:

The provisions of this Statement need not be applied to immaterial items.

Presentation Overview



Pronouncements being implemented



Proposals for public comment



Projects currently being deliberated by the Board



Pre-agenda research and other research activities

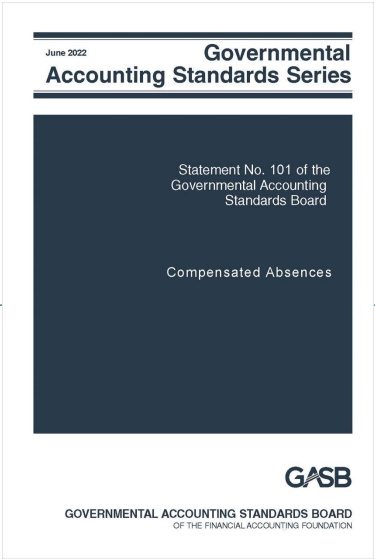


Post-implementation review

Pronouncements Being Implemented

Compensated Absences

Statement No. 101



Compensated Absences

What?

The Board has amended existing guidance for compensated absences.

Why?

A review of Statement 16 indicated opportunities for improvement and additional guidance for certain types of leave.

When?

Effective for fiscal years beginning after December 15, 2023.

Earlier application is encouraged.

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Scope and Applicability

A compensated absence is

- Leave for which employees may receive one or more:
 - Cash payments when the leave is used for time off
 - Other cash payments, such as payment for unused leave upon termination of employment
 - Noncash settlement, such as conversion to postemployment benefits

Examples:

- Vacation and sick leave
- Paid time off (PTO)
- Holidays
- Parental leave
- Certain types of sabbatical leave

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Recognition Criteria—Leave That Has Not Been Used

Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

Leave accumulates

- Can be carried forward from reporting period when earned to a future reporting period when it will be used or otherwise paid or settled

Leave is *more likely than not* to be used for time off or otherwise paid or settled

- Likelihood of more than 50 percent

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Exceptions to the General Recognition Approach

Leave more likely than not to be settled through conversion to defined benefit postemployment benefits

- Excluded from liability

Leave that is dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period

- Recognize liability when leave commences
- Parental leave, military leave, jury duty recognized when commences
- Not sick leave or sabbatical leave

Unlimited leave and holiday leave taken on specific date

- Recognize liability when used

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Measurement

Pay rate

Generally the employee's pay rate at financial reporting date*

* See next slide

Salary-related payments

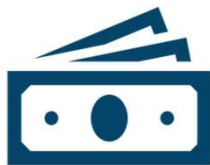
Directly and incrementally related

DC pension or OPEB recognized as related leave is earned—not pension or OPEB liability

DB pension or OPEB excluded

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Leave Used but Not Paid



Liability for amount of cash payment or noncash settlement

Include applicable salary-related payments



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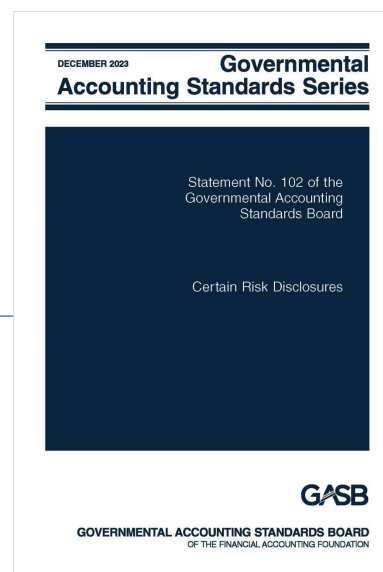
Note Disclosures and Effective Date

- Note disclosures
 - No new note disclosures
 - Exceptions to existing long-term liability disclosures for compensated absences:
 - Option to present net increase or decrease with indication that it is a net amount
 - Not required to disclose governmental fund used to liquidate
- Effective date
 - Fiscal years beginning after December 15, 2023

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Certain Risk Disclosures

Statement No. 102



18

Statement 102: Certain Risk Disclosures

What?

The Board has established requirements to disclose certain risks faced by governments.

Why?

Stakeholders asked the GASB to address this issue.

When?

Effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Earlier application is encouraged.

Scope and Definitions: Concentrations and Constraints

Concentrations: lack of diversity in an aspect of a significant inflow or outflow of resources

- For example, the composition of (1) employers, (2) industries, (3) inflows of resources, (4) workforce covered by collective bargaining agreements, (5) providers of financial resources, and (6) suppliers of material, labor, or services

Constraints: limitations imposed by an external party or the government's highest level of decision-making authority

- For example, (1) limitations on raising revenue, (2) limitations on spending, (3) limitations on the incurrence of debt, and (4) mandated spending

Concentrations and constraints limit a government's ability to acquire resources or control spending.

Application of Disclosure Criteria:

Primary government reporting unit, including blended component units, AND

Other reporting units that report a liability for revenue debt

Disclosure Criteria

Disclosures would be required if a government determines that:

- A concentration or constraint is known to the government prior to the issuance of financial statements.
- The concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

General Disclosure Principles

If comparative financial statements are presented, disclosure requirements only apply to the current period.

Some requirements may supplement other note disclosures; combine to avoid unnecessary duplication.

Information that is the same for more than one reporting unit should be combined to avoid unnecessary duplication.

Disclosure for discretely presented component units subject to paragraph 63 of Statement No. 14, *The Financial Reporting Entity*.



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Disclosure Requirements:

Provide information in sufficient detail to enable users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact:

Description of the concentration or constraint

If they have occurred, description of each event associated with the concentration or constraint that could cause a substantial impact

Description of actions taken by the government to mitigate the risk



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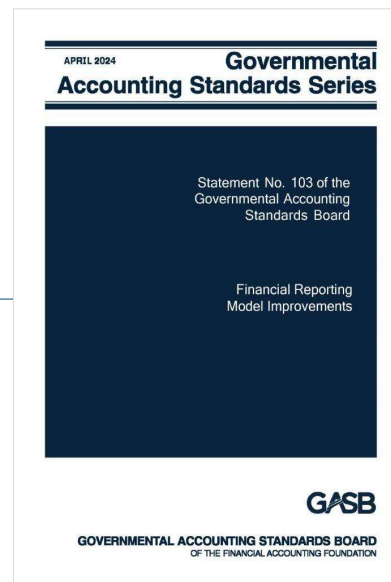
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Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2024
 - All reporting periods thereafter
 - Transition is prospective

Financial Reporting Model Improvements

Statement No. 103



Financial Reporting Model Improvements

What?

The Board has made certain improvements to the financial reporting model—Statements 34, 35, 37, 41, and 46, and Interpretation 6.

Why?

A review of those standards found that they generally were effective but that there were aspects that could be significantly improved.

When?

Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Earlier application is encouraged.

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Overview

Clarification of operating and nonoperating in proprietary funds

Presentation of proprietary funds statement of revenues, expenses, and changes in net position

Management's discussion and analysis

Budgetary comparisons

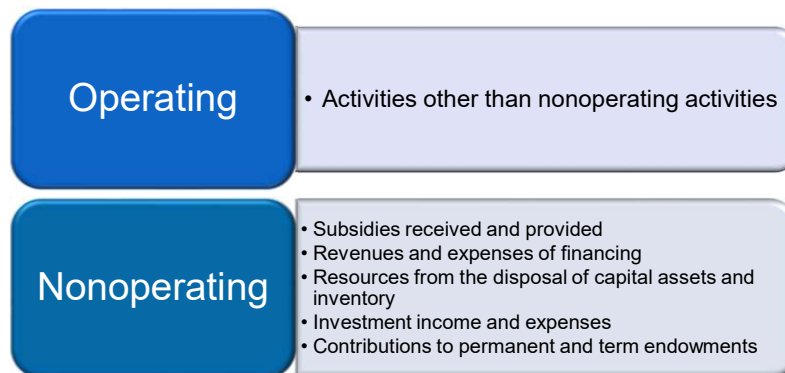
Major component unit presentations

Unusual or infrequent items

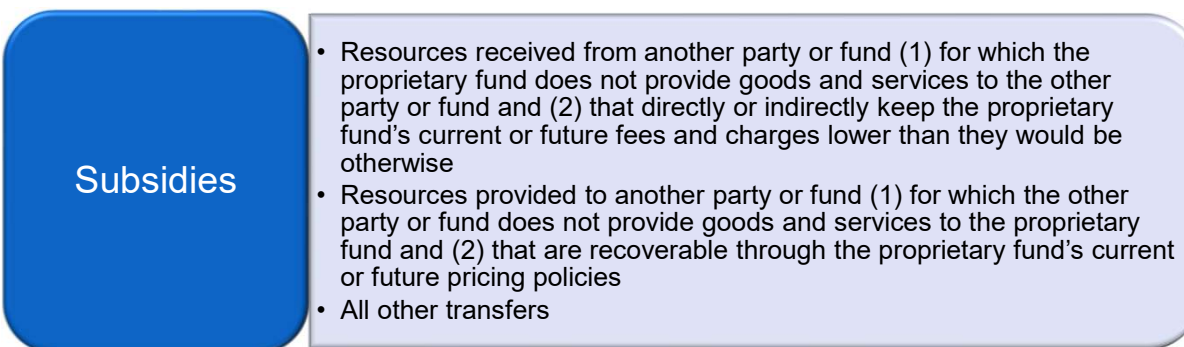
28

Proprietary Funds—Operating and Nonoperating

Separate presentation of operating and nonoperating revenues and expenses



Proprietary Funds—Subsidies



Add a new subtotal for operating income (loss) and noncapital subsidies

Sample City
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

See Exhibit 21 for an illustration of an optional combining statement of internal service funds.

	Enterprise Funds				Internal Service Funds
	Public Utility	Transit Authority	Golf Courses	Total	
OPERATING REVENUES					
Charges for services	\$ 41,003	\$ 18,836	\$ 2,561	\$ 62,200	\$ 42,523
Miscellaneous	283	33	104	420	78
Total operating revenues	41,286	18,869	2,665	62,620	42,601
OPERATING EXPENSES					
Personnel services	13,991	-	-	13,991	5,786
Contractual services	13,952	16,406	4,893	35,251	4,117
Insurance claims and expenses	-	-	-	-	26,388
Depreciation	11,767	8,972	2,375	23,114	415
Other	1,067	-	165	1,232	7,834
Total operating expenses	40,777	25,378	7,433	73,588	44,540
Operating income (loss)	509	(6,709)	(4,768)	(10,968)	(1,939)
NONCAPITAL SUBSIDIES					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,200	300
Transfers out	(1,980)	-	-	(1,980)	-
Total noncapital subsidies	(1,980)	2,090	110	220	1,181
Operating income (loss) and noncapital subsidies	(1,471)	(4,619)	(4,658)	(10,748)	(758)



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OTHER NONOPERATING REVENUES (EXPENSES)

Investment earnings	1,496	75	103	1,674	446
Gain from the sale of capital assets	-	-	-	-	3
Interest expense	(1,910)	(448)	(963)	(3,321)	-
Capital contributions	2,938	-	-	2,938	-
Transfers in restricted for capital assets	1,032	15,360	2,384	18,776	1,215
Total other nonoperating revenue (expenses)	3,556	14,987	1,524	20,067	1,664
Increase (decrease) in fund net position	2,085	10,368	(3,134)	9,319	906
Fund net position—beginning of period	331,657	177,997	29,423	539,077	12,387
Fund net position—end of period	\$ 333,742	\$ 188,365	\$ 26,289	\$ 548,396	\$ 13,293



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Management's Discussion and Analysis

- Users of MD&A “have different levels of knowledge and sophistication about governmental accounting and finance,” “may not have a detailed knowledge of accounting principles”
- Analysis of current-year balances and activity to explain why balance and results changed from prior year
- Avoid unnecessary duplication, avoid “boilerplate” language
- Focus on primary government, discussion of discretely presented component units is a matter of professional judgment

Management's Discussion and Analysis Components

- Overview of the financial statements
- Financial summary—condensed financial statements
- Detailed analyses
 - Primary government's financial position and results of operations—both governmental and business-type activities
 - In addition to amounts/percent of change, explain **why** change occurred
 - Fund balance or net position and results of operations of each major fund (nonmajor funds excluded)
 - In addition to amounts/percent of change, explain **why** change occurred

Management's Discussion and Analysis Components

- Significant capital asset and long-term financing activity
 - Capital asset activity
 - Include intangible capital assets
 - Discussion of significant additions and disposals
 - Discussion of significant policy changes and economic factors
 - Avoid duplication between the analyses and this component
 - Long-term financing activity
 - Includes debt, leases, PPPs, and SBITAs
 - Discuss new agreements, changes to credit rating, debt limit
 - Discussion of significant policy changes and economic factors
 - Avoid duplication between the analyses and this component

Management's Discussion and Analysis Components

- Currently known facts, decisions, and conditions that are expected to have a significant effect on financial position or results of operations in the subsequent year
 - Trends in relevant economic and demographic data
 - Factors used to develop the subsequent year's budget
 - Those affecting revenues available for appropriation, for example, changes in rates and bases of activity
 - Those affecting planned spending, for example, inflation, labor contracts, changes in programs
 - Expected changes in budgetary net position or fund balance
 - Actions government has taken related to PEB, capital plans, leases, PPPs, SBITAs (long-term items)
 - Actions other parties have taken, such as new laws or regulations

Budgetary Comparisons and Major Component Unit Presentations

Budgetary Comparisons

- Would be presented as required supplementary information (no option for basic statements).
- Required variances would be final-budget-to-actual and original-budget-to-final-budget.

Major Component Unit Presentations

- If it is not feasible to present major component unit financial statements in separate columns in the reporting entity's financial statements, the financial statements of the major component units would be presented in the reporting entity's basic financial statements as combining financial statements.

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Unusual or Infrequent Items

Unusual or Infrequent Items

- Separately present inflows and outflows of resources that are unusual in nature and/or infrequent in occurrence (replacing extraordinary and special items).
- Disclose additional information about those inflows and outflows, including the programs, functions, or identifiable activities to which they are related and whether they are within the control of management.

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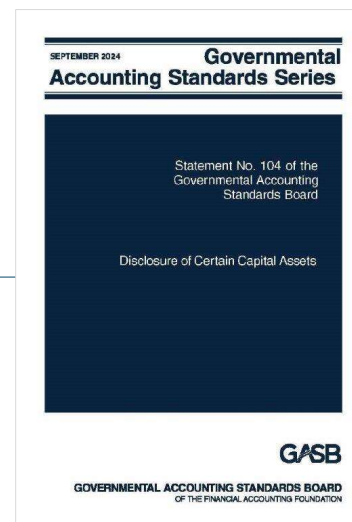
Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2025
 - All reporting periods thereafter
 - Earlier application is encouraged
 - Changes adopted at transition—change in accounting principle (Statement 100)
 - All component units should implement the provisions in the same year as the primary government

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Disclosure of Certain Capital Assets

Statement No. 104



40

Disclosure of Certain Capital Assets

What?

Establishes

- 1) Requirements for certain capital assets to be disclosed separately in Statement 34 disclosures
- 2) Capital assets held for sale

Why?

Provide essential information to users about certain types of nonfinancial assets

When?

Approved September 2024.

Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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Capital Assets Disclosure

- Within note disclosures required by Statement 34, separate disclosure of:
 - Lease assets by major class of underlying asset
 - Intangible right-to-use assets recognized by operator in PPP, by major class of underlying PPP asset
 - Subscription assets
 - Intangible assets other than those mentioned above, by major class of asset
- Intangible assets that represent the right to use a type of underlying asset should not be in same major class as owned assets of that type

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Capital Assets Held for Sale

- Capital assets are capital assets held for sale if:
 - The government has decided to pursue the sale of the asset
 - It is probable that the sale will be finalized within one year of the financial statement date
- Factors to consider if it is probable that the sale will be finalized within one year
- No change to measurement
- Disclosures:
 - Historical cost and accumulated depreciation, by major class of asset
 - Carrying amount of debt for which capital assets held for sale are pledged as collateral

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Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2025
 - All reporting periods thereafter
 - Earlier application is encouraged
 - Retroactive application, if practicable
 - All periods presented in basic financial statements
 - Disclosure that Statement was implemented and any financial statement line items affected
 - If not practicable, disclose reason for not applying to prior periods

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Proposals for Public Comment

Preliminary Views: Severe Financial Stress and Probable Dissolution Disclosures

Going Concern Uncertainties and Severe Financial Stress Project

What?

The Board is:

- reviewing existing standards related to going concern, and
- addressing issues related to disclosures regarding going concern uncertainties and severe financial stress.

Why?

Existing guidance presents challenges that result in diversity in practice.

Some governments experience severe financial stress but do not dissolve and others dissolve for reasons other than severe financial stress.

When?

The Board issued a Preliminary Views in March 2025.

Comment deadline is June 30, 2025.

Preliminary Views – Two Independent Ideas

- **Severe Financial Stress (SFS)**
 - Condition existing as of financial statement date
 - Regardless of continued existence
- **Probable Dissolution (PD)**
 - Uncertainty about future event occurring
 - Regardless of financial condition
- Government could be required to make SFS disclosures, PD disclosures, or both
- *Going concern uncertainty* not used for greater clarity

Preliminary Views – Severe Financial Stress

- Disclosures required if government is experiencing financial difficulties such that it is near or at the point of insolvency
 - Regardless of continued existence
 - Condition as of the financial statement date
 - Guidance to help evaluate whether government is near insolvency (proximity not time, indicators)
- Disclosures to be made
 - Reasons and causes for the condition
 - Government's evaluation of significance of those reasons and causes
 - Actions taken in response
 - Known effects
 - Additional disclosures in subsequent periods if condition persists or is alleviated



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Preliminary Views – Probable Dissolution

- Disclosures required if probable that government will cease to exist as legally separate entity within 12 months from the date FS available to be issued
 - Regardless of financial condition
 - Could be merger, acquisition, or dissolution without replacement
- Disclosures to be made
 - Statement that there is PD
 - Reasons and causes for PD
 - Government's evaluation of significance of those reasons and causes
 - Actions taken in response
 - Recoverability or classification of assets and liabilities
 - Additional disclosures in subsequent periods if PD persists or no longer present



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Providing Feedback

- Written comments
 - Comment letter
 - Electronic feedback form
 - **Deadline: June 30, 2025**
- Public forums
 - July 28-29, 2025 – Nashville
 - August 11, 2025 – virtual
 - August 21, 2025 – virtual
 - September 9-10, 2025 – Norwalk
 - **Deadline to notify of intent to participate: June 30, 2025**

Project Timeline

Pre-Agenda Research Started	April 2015
Added to Current Technical Agenda	December 2021
Deliberations Began	July 2022
Preliminary Views Issued	March 2025
Exposure Draft Scheduled to Be Considered for Issuance	June 2026

Current Technical Agenda Projects

Infrastructure Assets

Infrastructure Assets

What?

The GASB is evaluating existing guidance related to infrastructure assets and the usefulness of information reported by governments.

Why?

Stakeholders have asked the GASB to review various aspects of infrastructure asset reporting; the most relevant standards have been in effect 15-20 years.

When?

The Board issued a Preliminary Views in September 2024. Comment deadline was January 17, 2025.

Preliminary Views

Infrastructure assets should continue to be recognized and measured in financial statements using historical cost net of accumulated depreciation, except for those governments that elect to use the modified approach.

Requirements for use of the modified approach as described in Statement 34 generally should continue to apply.

Preliminary Views on Measurement Using Historical Cost

Estimated useful lives and salvage values of infrastructure assets should be reviewed periodically and adjusted, if necessary

Each component of an infrastructure asset with a cost that is significant in relation to the total cost of the infrastructure assets should be depreciated separately if the useful life is different

Proposed Disclosures

Change in policy for capitalizing infrastructure assets or estimating useful lives of infrastructure assets

Summary of policy for monitoring and maintaining or preserving infrastructure assets

Maintenance and preservation expense for infrastructure assets during the reporting period

Historical cost of infrastructure assets that have exceeded 80 percent of their estimated useful lives with separate disclosure of those (a) that have exceeded their estimated useful lives and (b) those that have exceeded 80 percent of their estimated useful lives but have not exceeded their estimated useful life

Proposed Removed Disclosures

Description of modified approach in summary of significant accounting policies for infrastructure assets reported using the modified approach

Infrastructure assets that were not, and were not required to be, reported with the implementation of Statement 34

Carrying amount of impaired infrastructure assets that are idle at year-end

Project Timeline

Pre-Agenda Research Started	August 2019
Added to Current Technical Agenda	April 2023
Deliberations Began	May 2023
Preliminary Views Issued	September 2024
Exposure Draft Scheduled to Be Considered for Issuance	February 2026

Implementation Guidance Update

Proposed IG Update 2025

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Implementation Guidance Update

What?

The need for updates to Q&A implementation guidance is considered annually.

Why?

New guidance is added as new pronouncements are issued and new issues arise.

When?

The Board issued an Exposure Draft in November 2024. Comment deadline was January 24, 2025.

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Proposed Implementation Guide Update—2025

- New questions related to:
 - Capital assets (including application of Statement 104)
 - Statement 103
 - Statement 101
 - Statement 100
 - Statement 91
 - Statement 87
- Amendments to existing questions related to:
 - Capital assets (7.9.6 in Implementation Guide 2015-1)
 - Special revenue funds (Z.54.30 in Implementation Guide 2015-1)
- Exposure Draft issued Q4 2024; Final expected to be issued Q2 2025

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Revenue and Expense Recognition

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Revenue and Expense Recognition

What?

The Board has proposed a comprehensive model for recognition of revenues and expenses

Why?

Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified

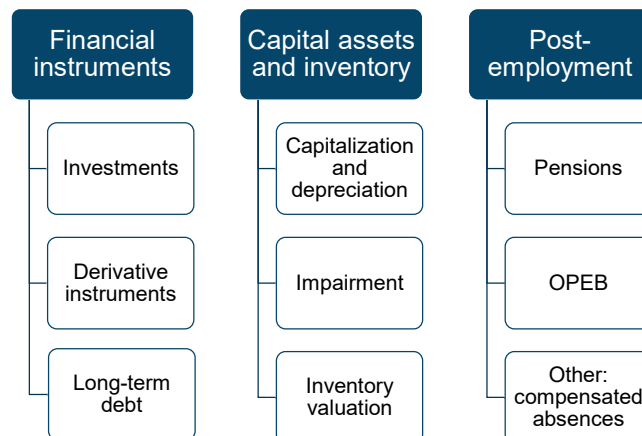
When?

Exposure Draft scheduled for November 2025

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Scope of the Project

- The scope is defined broadly to include revenues and expenses that are not ***explicitly excluded***:



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Scope in the Context of Standards

In Scope:

- Revenue and expense recognition from nonexchange transactions
 - Statements 6, 24, 33, 36
- Revenue and expense recognition from exchange transactions
 - Statements 34 and 62

Out of Scope:

- Statements issued since Statement 63
- Statements that result from projects added to the technical agenda after April 2016

Proposed Recognition Model Components

Categorization

Identify the *type* of transaction

Recognition

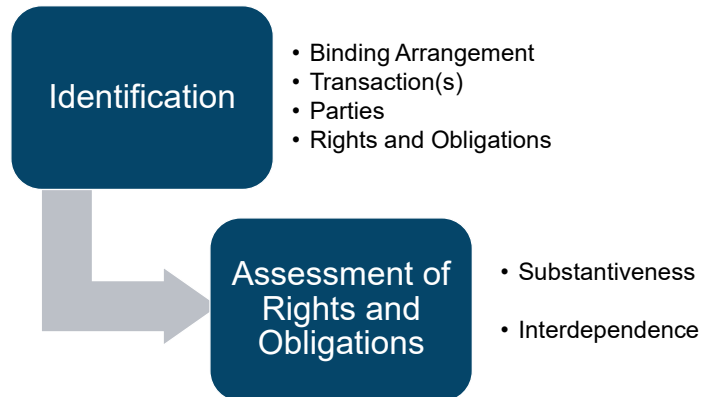
Determine *what* element should be reported and *when*

Measurement

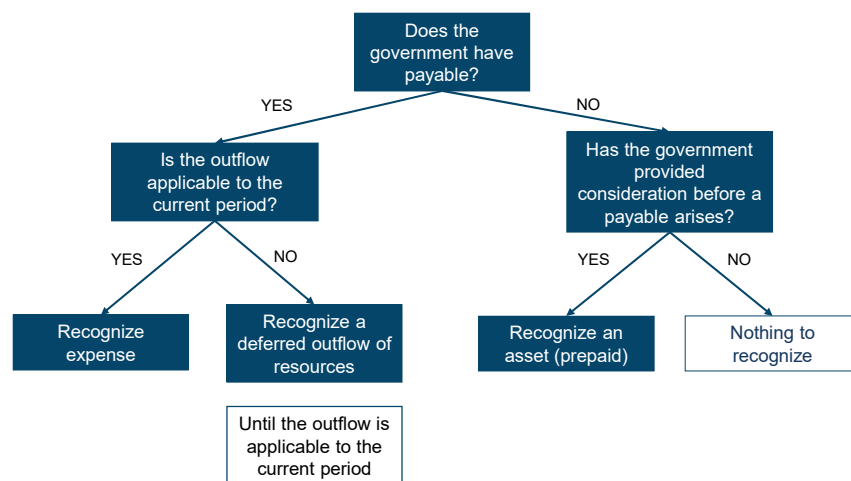
Determine the *amount* to report

Categorization Methodology

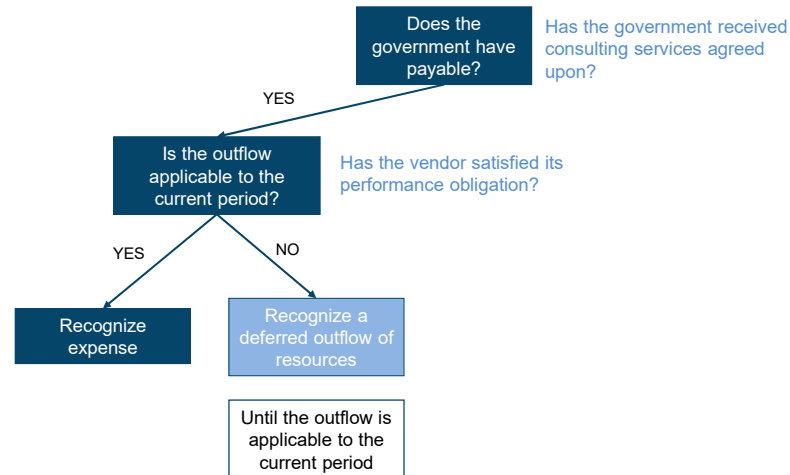
Process to identify transactions as Category A (include a performance obligation, or Category B (does not include a performance obligation)



Proposed Expense Recognition Principles

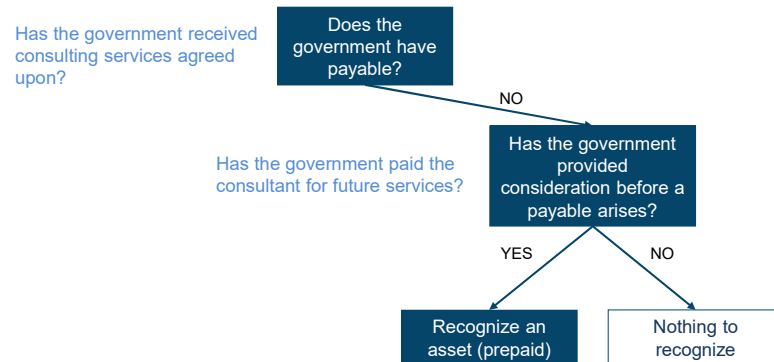


Consulting Expense Example—Part I



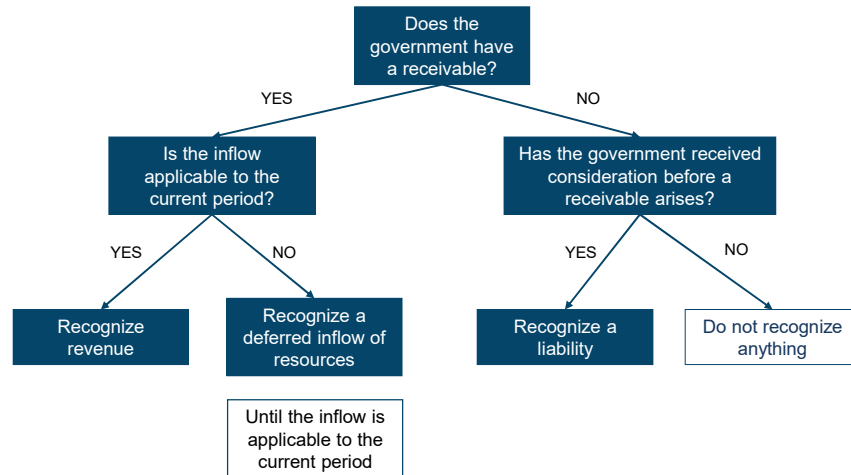
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Consulting Expense Example—Part II



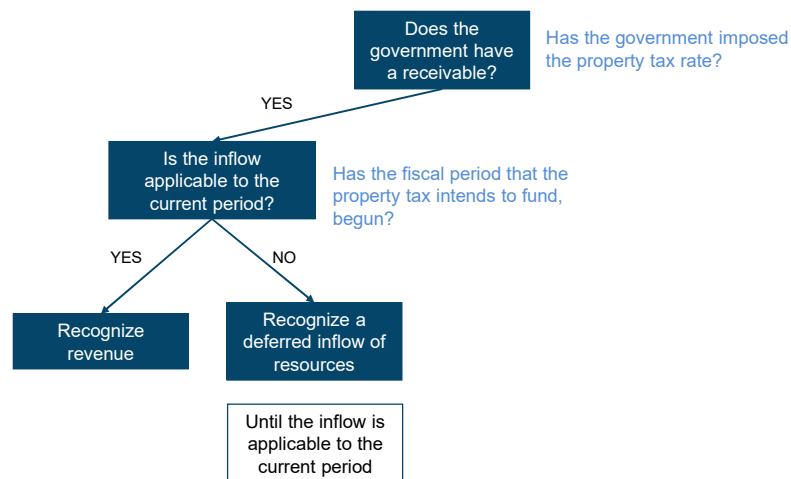
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Proposed Revenue Recognition Principles



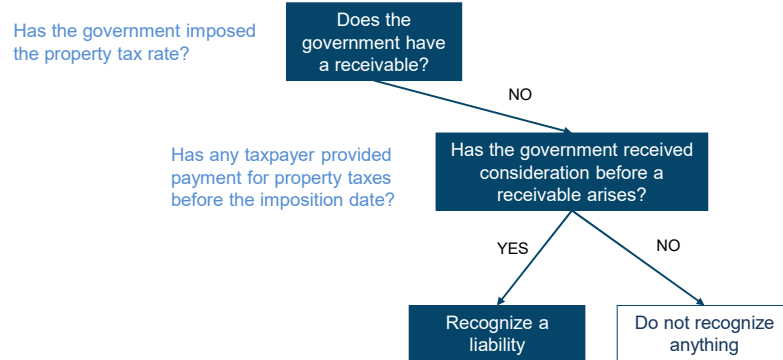
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Property Taxes Revenue Example—Part I



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Property Taxes Revenue Example—Part II



Organization of Category B Transactions

Imposed Transactions			Transactions with Qualifying Requirements	Transactions without Qualifying Requirements		
Imposed on an underlying transaction	Imposed on actions committed or omitted	Imposed on property ownership		Contractual Binding Arrangement	Legislative Binding Arrangement Periodic Appropriation	Legislative Binding Arrangement Continuous Appropriation
Sales Tax Income Tax	Regulatory Fees Punitive Fees	Property Taxes	Federal Grants	Pledges PILOTs	K-12 Aid	Shared Motor Fuel Tax

Imposed on an Underlying Transaction

Characteristics

- A government **imposes** a requirement to provide resources
- Upon the occurrence of an underlying transaction

Recognition

- Receivable is recognized when the underlying transaction occurred
- Revenue is generally recognized along with the receivable

Examples

- Sales Tax
- Personal and Corporate Income Taxes
- Passenger Facility Charges



Imposed on Actions Committed or Omitted

Characteristics

- A government **imposes** a requirement to provide resources
- Upon an action or an omission

Recognition

- Receivable is recognized when the underlying action or omission takes place
- Revenue is generally recognized along with the receivable

Examples

- Regulatory fees: Fishing License
- Punitive fees: Moving Violations
- Escheats and seizures



Imposition on Property Ownership

Characteristics

- A government **imposes** a requirement to provide resources
- On property ownership
 - Personal property
 - Real Property

Recognition

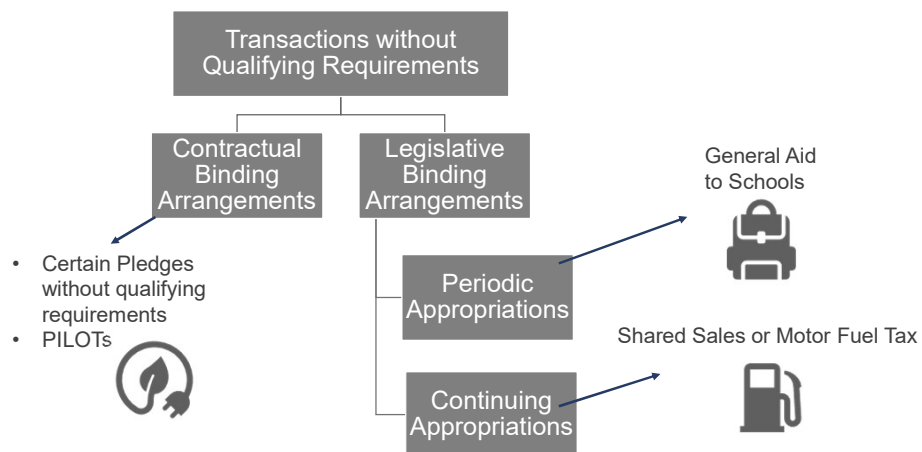
- **Receivable is recognized at the imposition date**
- A deferred inflow of resources is recognized if the imposition occurs before the fiscal period the tax is intended to fund
- Revenue is recognized in the fiscal period the tax is intended to fund

Examples

- Real Property Tax
- Personal Property Tax



Transactions without Qualifying Requirements— Examples



Transactions without Qualifying Requirements — Recognition

General Aid to Schools (Periodic Appropriation)

- The provider government has appropriated the resources.
- The period of the appropriation has begun, and
- The provider government intends to provide the resources.



Shared Revenue (Continuing Appropriation)

- Recipient recognizes the asset when the underlying transaction has occurred if:
- There is an appropriation (if required), and
- The provider government intends to provide the resources



Pledges (without Qualifying Requirements)

- Recognize a receivable when the government receives or becomes aware of the binding arrangement.
- If subject to time requirements, recognize a DIR.



Transactions with Qualifying Requirements—Proposed Clarifications

Characteristics

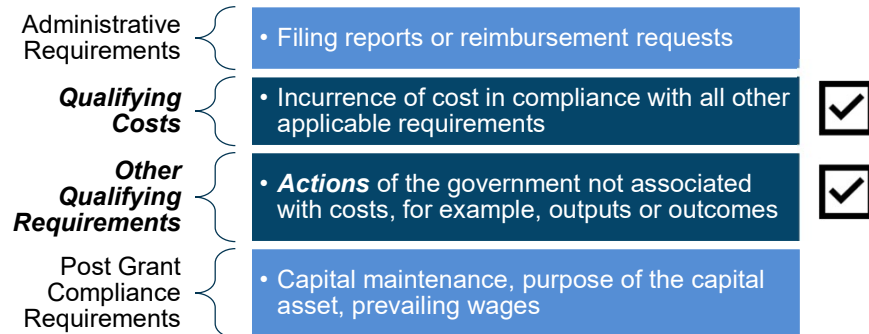
- Externally imposed conditions or conditions imposed by law that are required to be satisfied by the recipient before said recipient is entitled to the resources

Recognition

- Recipient recognizes a receivable when qualifying requirements are satisfied.

- *Terminology difference to communicate change in concept.*
- *Timing of cash does not determine the type of transaction (no longer identified as "reimbursement based").*
- ***Exercise of professional judgement remains a necessary step to determine if a transaction includes qualifying requirements.***

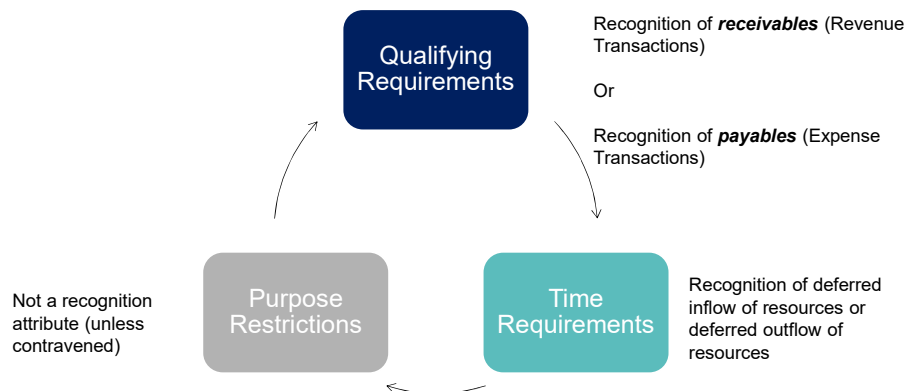
Tentative Decisions about Qualifying Requirements



A receivable (for the recipient) is recognized when the government has complied with either qualifying costs requirements or other qualifying requirements.

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Transactions with Qualifying Requirements—Clarifications



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Purpose Restrictions and Time Requirements

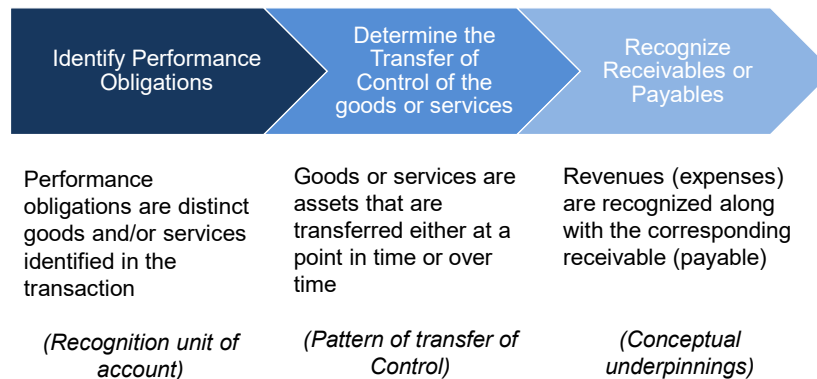
Purpose Restrictions

- Externally imposed or imposed by law that limits the activities or programs for which resources can be deployed
- Not a recognition attribute
- Not self-imposed
- Can simultaneously exist with qualifying requirements
- Motor fuel tax

Time Requirements

- Externally imposed or imposed by law that establish the period or periods when the use (sale, disbursement, or consumption) of resources may begin or should end.
- A recognition attribute that establishes the existence of a deferral
- Neither permanent constraint nor self-imposed
- Not appropriations nor performance periods
- For example, property taxes to fund a specific fiscal period.

Proposed Recognition Principles for Category A Transactions



Criteria for Identifying Performance Obligations

Service capacity of the good or service can be obtained by being:

1. Combined with readily available resources
2. Used, consumed, or sold

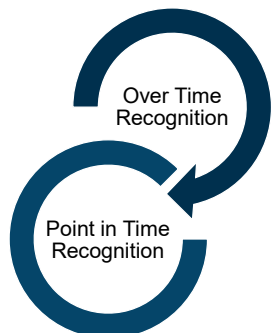
Goods and services are separately identifiable within the context of the transaction. Indications that they are NOT separately identifiable:

1. Significant integration
2. Significant customization
3. Highly interrelated

Goods and/or services may be combined into bundles, or a transaction may result in a single performance obligation

Category A Revenue Recognition: Over Time or Point in Time

Criteria for Recognition Over Time



Criterion 1	Criterion 2	Criterion 3
<ul style="list-style-type: none"> • Simultaneous consumption • Example: Electricity 	<ul style="list-style-type: none"> • Creates or enhances an asset • Example: Construction in progress 	<ul style="list-style-type: none"> • Creates a resource without an alternative use • Has right to payment • Example: Research work

- If one over time criterion is met, revenue is recognized over time.
- If no criterion is met, then recognition is at a point in time.

Category A Revenue Recognition Examples

A performance obligation is satisfied when there is a transfer of control of resources

Bus Service

- The performance obligation is satisfied as the government makes the service available

Tuition

- The performance obligation is satisfied as education is provided

State Lottery

- The performance obligation is satisfied when the State provides the opportunity for financial gain

Category A Expense Recognition Examples

A performance obligation is satisfied when there is a transfer of control of resources.

Expenses are assets even if only momentarily.

City orders supplies

- The performance obligation is satisfied when the city receives the supplies

School District hires CPA

- The performance obligation is satisfied as the CPA firm carries out the expected work, such as an audit

Public Utility employees

- The performance obligation is satisfied as the employees perform services over time

Subsequent Events

Subsequent Events

What?

The GASB is evaluating existing guidance related to subsequent events and the usefulness of information reported by governments.

Why?

Existing guidance is based on other literature dating back to 1972 and generally has not been reevaluated.

When?

The Board issued an Exposure Draft in November 2024. Comment deadline was February 21, 2025.

Exposure Draft

- Definitions of recognized and nonrecognized events
- Information to be provided in basic financial statements
- Interactions with other GASB standards

Exposure Draft Proposals

- Scope
 - Proposed requirements should be applied in the absence of more specific GASB standards.
- Subsequent events time frame
 - Date the financial statements are available to be issued.

Exposure Draft Proposals

■ Recognized events

- Occur during the subsequent events time frame
- Indicative of conditions existing at the financial statement date that informs inputs to an accounting estimate measured as of the financial statement date
- Should be incorporated into measurement of accounting estimates reported as of the financial statement date.

Exposure Draft Proposals

■ Nonrecognized events

- Occur during the subsequent events time frame
- Have a significant effect (favorable or unfavorable) on the basic financial statements in the period in which the event occurs
- Either are:
 - One of the following specific events: debt-related transaction, combination/disposal, change to legally separate entities, application of new tax rate, or
 - Of such a nature to be essential to a user's analysis for making decisions or assessing accountability
- Should be disclosed in notes to financial statements

Exposure Draft Proposals

- **Notes to financial statements**
 - Description of nonrecognized event
 - Estimate of the effect of the nonrecognized event on basic financial statements
 - Or reason why an estimate cannot be made
 - Correspond to reporting units
 - Subject to paragraph 63 of Statement 14
 - Combine information to avoid unnecessary duplication
- **Effective date and transition**
 - Fiscal years beginning after June 15, 2026, and all reporting periods thereafter
 - Prospective application

Project Timeline

Pre-Agenda Research Started	July 2022
Added to Current Technical Agenda	August 2023
Deliberations Began	October 2023
Exposure Draft Issued	November 2024

Pre-Agenda Research and Technology Project

Pre-Agenda Research

Cybersecurity Risk Disclosures

101

Cybersecurity Risk Disclosures

What?

The GASB is determining whether additional guidance may be able to improve financial reporting with specific disclosures related to cybersecurity.

Why?

State and local governments are increasingly being exposed to cybersecurity risks.

When?

The Board added the pre-agenda research in December 2024.

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Research Objectives

To determine:

- the types of cybersecurity risks faced by state and local governments
- whether and how cybersecurity risks are currently disclosed in the financial statements
- whether financial reporting guidance has the potential to address user needs for this information

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GAAP Structure

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GAAP Structure

What?

The GASB is evaluating the effectiveness of the GASB's current dual-authority approach to communicating GAAP for state and local governments.

Why?

The existing GAAP structure includes both Original Pronouncements and the Codification, each with equal authoritative status.

When?

The Board added the pre-agenda research in August 2023.

105

Research Objectives

■ Phase 1

- Evaluate the effectiveness of the GASB's current dual-authority approach to communicating GAAP.

■ Phase 2

- Explore a single authority structure, including whether and how it could be operationalized.

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Revenue and Expense Recognition—Note Disclosures

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Revenue and Expense Recognition—Note Disclosures

What?

The GASB is evaluating the need for note disclosures associated with transactions that are in the scope of the revenue and expense recognition project.

Why?

Note disclosures were scoped out of the revenue and expense recognition project.

When?

The Board added the pre-agenda research in August 2024.

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Research Activities

- Survey of users – to determine what information users need related to revenue and expense transactions in the scope of the revenue and expense recognition project to make decisions or assess accountability
- Focus groups – to further discuss the types of information identified in the user survey as being needed

Technology Project

Voluntary Digital Financial Reporting

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Voluntary Digital Financial Reporting

What?

The GASB is developing one or more governmental digital taxonomies for GAAP financial reporting.

Why?

The taxonomies that may result from this effort could be used by governments on a voluntary basis to report their GAAP financial statements in digital formats.

When?

The Board added the technology project in December 2024.

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GASB GAAP Taxonomy Voluntary Digital Financial Reporting Project



Phase I

- Basic Financial Statements
- Required Supplementary Information



Phase II

- Supplementary Information

Basic Financial Statements:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Required Supplementary Information:

- Pensions and OPEB Schedules
- Infrastructure Schedule
- Budgetary Schedules



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Post-Implementation Review (PIR)



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What is PIR?

The GASB monitors and supports implementation of all of its pronouncements.

For Statements resulting from comprehensive projects and major projects that address a fundamental aspect of the standards, the GASB also:

Examines a random sample of financial reports for the year prior to, year of, and year after implementation.

Collects information from their preparers regarding staff hours and nonstaff costs for those three years.

Examines financial reports for the same random sample in the fifth year of implementation.

Conducts stakeholder roundtables and surveys regarding their experience with the standards.

Reports the findings publicly.

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Why does the GASB conduct PIRs?

To provide general support to stakeholders when implementing significant new pronouncements

To identify and address practice issues that arise

To answer technical inquiries from stakeholders and develop and publish Q&A implementation guidance

To collect timely information that the Board can use to evaluate cost-benefit considerations as it develops other pronouncements and when it reexamines the standards in the future

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How does the GASB involve stakeholders in PIR?



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Which Statements Are under Review?

Statement 75—Employer Reporting for Other Postemployment Benefits (OPEB)

Statement 84—Fiduciary Activities

Statement 87—Leases

118

What is the status of the PIRs?

OPEB	Archival data collection completed for year prior to implementation, implementation year, second year of implementation, and fifth year of implementation; Collection of implementation effort and cost information completed; Roundtables completed, and results summarized; user survey completed and results summarized
Fiduciary activities	Collection of implementation effort and cost information completed
Leases	Collection of implementation effort and cost information completed; archival data collection has begun

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Questions?



Visit www.gasb.org

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Thank You



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Energy Credits and Inflation Reduction Act

Colette Gagnet

ISCPA Governmental Roundtable




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ISCPA GOVERNMENTAL ROUNDTABLE
May 2025

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Introduction
Overview of the Incentives
Monetizing Energy Credits
Investment Credits
Production Credits
Clean Vehicles & Infrastructure
Iowa Case Studies
Legislative Update

TODAY'S AGENDA


CPAs & BUSINESS ADVISORS

3

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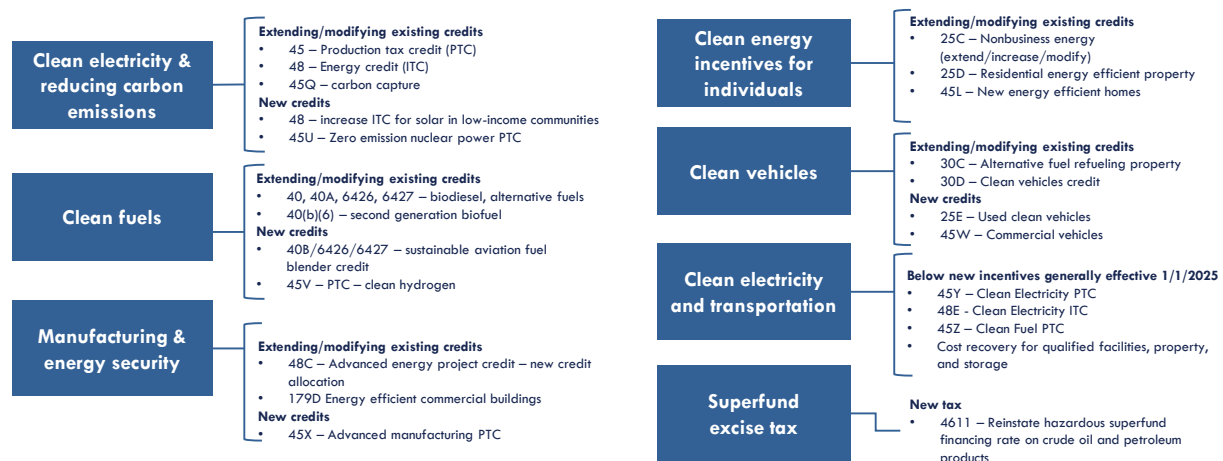
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ENERGY CREDITS & INCENTIVES

5

INFLATION REDUCTION ACT OF 2022 – CLEAN ENERGY ROADMAP



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INFLATION REDUCTION ACT – MONETIZING CREDITS

- Section 6417: Direct Pay
- Eligible for 1st 5 years:
 - 45V Clean Hydrogen
 - 45X Advanced Manufacturing Production
 - 45Q Carbon Oxide Sequestration
- Eligible Entities:
 - Tax-exempt
 - State or political subdivision
 - TN Valley Authority
 - Tribal Government
 - Alaska Native corporation
 - Rural Electrical Co-ops
 - Certain Partnerships and S Corporations
- Section 6418: Transferability:
 - Everyone not listed in 6417
 - Transfer for Cash, cannot be resold
 - Buyer not eligible for direct pay
 - Proceeds not includable as income or expense
 - Passive vs Active treatment
 - Risk on Transferee
 - Consideration for tax insurance instrument



7

ENERGY CREDITS

Clean Energy Investment Tax Credit (Section 48)



Investment in equipment that produces energy from alternative sources:

- Solar
- Wind
- Geothermal+
- Fuel Cells
- Microturbines
- Combined heat and power systems
- Equipment that recovers waste energy
- Energy storage
- Biogas
- Microgrid controllers*
- Electrochromic Glass*

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ENERGY CREDITS

Clean Electricity Investment Tax Credit (Section 48E)

Investment in equipment that:

- Produces clean electricity
- Greenhouse Gas Emissions rate < 0
- Technology neutral

Investment in energy storage technology:

- Electrical
- Thermal
- Hydrogen

**Placed in service post 12/31/2024.*



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ENERGY CREDITS

Clean Energy Investment Tax Credit (Section 48/48E)

Credit Percentage

- Basic credit = 6%
- If wage rules met = 30%
- If domestic content = + 2 or 10%
- In energy community = + 2 or 10%
- Low-income community bonus.

Basis Considerations

- Unit of Property
- Indirect costs
- Interconnected property
- Incremental costs
- Basis reduction 50% of credit
- Tax-exempt bonds & Grants

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BONUS AMOUNTS

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INFLATION REDUCTION ACT – *BONUS AMOUNTS*

- Wage and apprenticeship rules for clean energy credits (Davis Bacon Lite).
- Energy community bonus credit (2024 vs 2025).
- Domestic content bonus credit (Buy America, Safe Harbor).
- Low-income community energy investment credit (Sec. 48 vs 48E).
- Definitions of energy property and rules (Unit of Property, Dual Use).

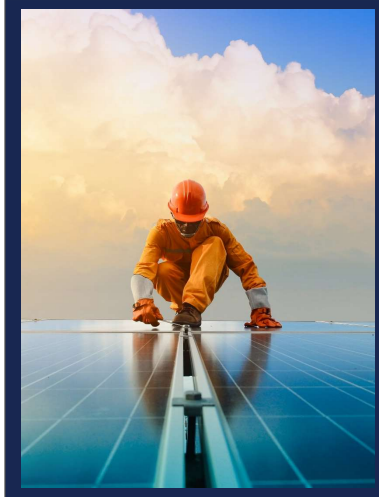


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PREVAILING WAGE REQUIREMENTS

PREVAILING WAGE

- Defined by Davis Bacon
- Continuity Requirement
- Maintained by Taxpayer
- Risk maintained by Taxpayer
- One Megawatt Exception
- Beginning of Construction Exception



DOCUMENTATION

- Name & ID Number
- WH Exemptions
- Work Classification
- Hours worked
- Rate of Pay, including Fringe Benefits
- Gross Amounts Earned
- Deductions
- Net Wages Paid

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APPRENTICESHIP

REGISTERED APPRENTICESHIP PROGRAM



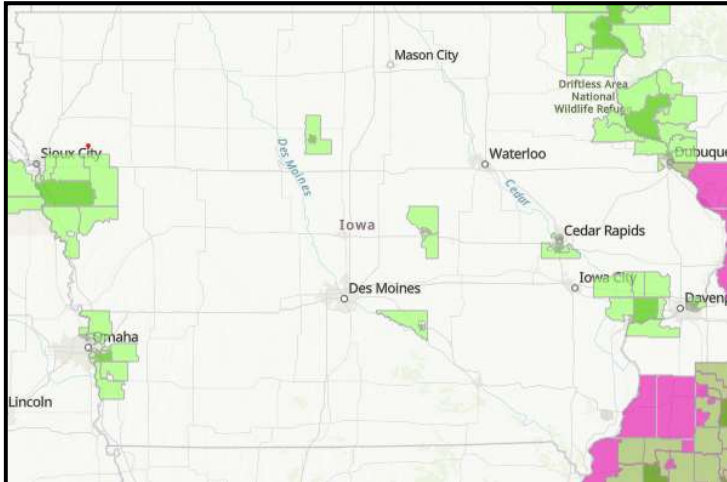
COMPLIANCE:

- Participation Requirement
 - 1 in 4 laborers
- Labor Hours Requirement
 - 10%-15%
- Good Faith Effort
 - Failed to respond within 5 days
 - Denied Requests
- Apprenticeship Cure Provision
 - \$50 x labor hours needed
 - \$500 if intentional disregard



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ENERGY COMMUNITY



[IRA Energy Community Tax Credit Bonus \(doe.gov\)](https://www.doe.gov)



- Census tract directly adjoining a census tract with a coal closure.
- Census tract with a coal closure.
- MSAs/non-MSAs that meet both the Fossil Fuel Employment (FEE) threshold and the unemployment rate requirement.
- 2024 vs 2025 Tracts.



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DOMESTIC CONTENT

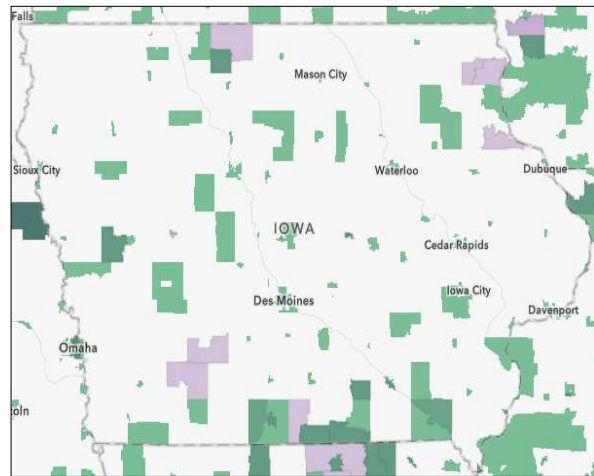
- Notice 2023-38:
 - Timely certify to Treasury any “steel, iron, or manufactured product of a component...was produced in the U.S.”
 - Manufactured Product of a Component:
 - Must be a component of an applicable project.
 - At least 40% of the total of manufactured products are produced, mined, or manufactured in the U.S.
 - Guidance mirrors Buy American Act, suggests similar documentation.
- Notice 2024-41:
 - Safe Harbor for Solar, Wind, BESS & Hydropower.

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LOW-INCOME COMMUNITIES BONUS

- Environmental Justice Allocation
 - 10% or 20% Bonus
- Clean electricity property
 - Less than 5 megawatts
- Categories:
 - Low-income community under 45D(e)
 - Tribal lands
 - Qualified low-income residential building project
 - Qualified low-income economic benefit project
- Applications close August 15th 11:59 PM.

[NMTC Public Viewer - InVision \(cdfifund.gov\)](https://cdfifund.gov)



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ENERGY INCENTIVE PROGRAM

Additional Considerations

- Beginning of Construction Date
- Placed in Service Date
- Direct payment is treated as making a payment against tax imposed.
- Monetizing the credits – Direct Pay & Transferability
- Tax Equity Financing Structures
- Financing with tax-exempt bonds
 - Up to a 15% haircut of benefit
- Special phase out rules if domestic content requirements are not met.

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PRODUCTION CREDITS

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ENERGY CREDITS & INCENTIVES

Renewable Electricity Production Credit (Section 45)

Produced from qualified energy resources at a qualified facility:

- Wind*
- Closed-loop biomass*
- Open-loop biomass
- Geothermal energy*
- Solar energy*
- Small irrigation power
- Municipal solid waste
- Qualified hydropower production
- Marine and hydrokinetic renewable energy

- Basic credit = 0.3 or 0.55* cents per kw hours
- If wage rules met = 1.5 or 2.75* cents per kw hours
- If domestic content = + 10%
- If “energy community” = + 10%
- Tax-exempt financing impacts

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QUALIFIED ENERGY PROPERTY

Clean Electricity Production Tax Credit (Section 45Y)

- **Qualified Facility is one that:**
 - Produces electricity
 - Placed in service post 12/31/2024
 - Greenhouse Gas Emissions rate < 0
 - Technology neutral
- **Applicable Rate (Base Rate):**
 - 0.3 cents
 - 1.5 cents
- **10 Years Production Credit:**
 - From placed in service date.
 - Phase-outs approaching 2032.



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CLEAN VEHICLES & REFUELING INFRASTRUCTURE

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ENERGY CREDITS & INCENTIVES

ELECTRIC COMMERCIAL FLEET

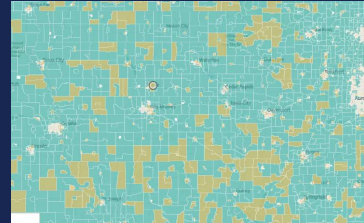
- Section 45W.
- Under 14,000 lbs, up to \$7,500 per vehicle.
- Over 14,000 lbs, up to \$40,000 per vehicle.

EV INFRASTRUCTURE

- Section 30C.
- Alternative fuel vehicle refueling and charging property.
- Located in low-income and non-urban areas.
- 6% or 30%.
- Up to \$100,000 per charging unit.

LOW INCOME & NON URBAN AREAS

[30C Tax Credit Eligibility
Locator \(\[arcgis.com\]\(https://arcgis.com\)\)](#)



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CASE STUDIES

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CASE STUDIES - IOWA

CITY - BIODIGESTER

- Upgrading System
- BOC 2024
- Domestic Content
- Est. Q Costs: \$30-35M
- Est. Credit: \$8-11M

K-12 PUBLIC SCHOOL

- New Construction
- Geothermal 2023
- Project costs: \$34.6M
- Qualified Costs: \$4.3M
- Credit: 1.1M

COUNTY PARKS & REC

- 3 Solar Arrays
- Tax Exempt Bonds
- Total 60kw of power
- Qualified Costs: \$185K
- Credits: \$47K

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LEGISLATIVE UPDATES & CONSIDERATIONS

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UPDATES & CONSIDERATIONS

TCJA EXTENSIONS

- Main focus.
- Expire end of 2025.
- Draft by July 4th.
- Congressional Divide.

FULL REPEAL

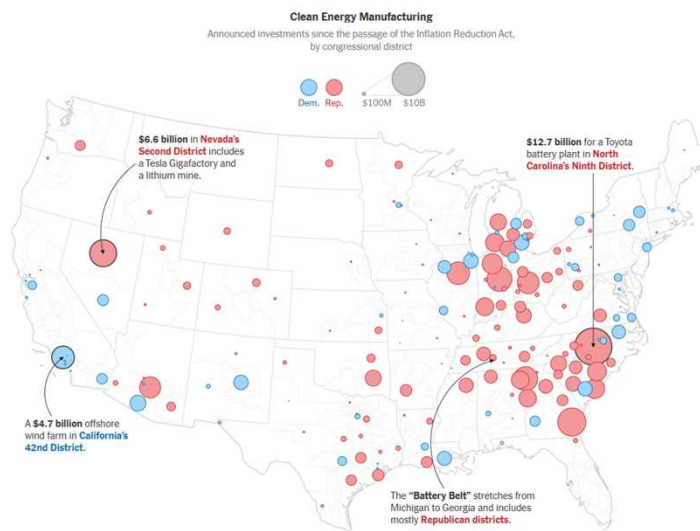
- Unlikely.
- Red states are benefiting.
- 26 GOP reps, 4 senators on board in favor.
- EV & Infrastructure.
- Ability to monetize.
- Early phase outs.

BEGINNING OF CONSTRUCTION

- Grandfather projects if started prior to phase out date.
- 5% of total costs.
- Physical work.
- Continuity provisions.

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CLEAN ENERGY MANUFACTURING



Source: The Clean Economy Tracker by Atlas Public Policy and Utah State University. Note: Map does not show \$2.4 billion where the congressional district is unknown. Florida's First District is vacant. By Harry Stevens/The New York Times



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BEGINNING OF CONSTRUCTION

- Physical Work Test – Construction must be:
 - Continuous in nature.
 - Performed under a written contract.
 - Significant in nature.
 - Includes on-site and off-site work.
- Manufacturing an item/producing property is eligible, as long as it is not in existing inventory or normally in inventory.
- Does not include activities in Planning & Design stage.
- Five Percent Safe Harbor - Incurring 5% or more of the total cost of the project and makes continuous efforts to advance toward completion of the project. Costs include:
 - All costs included in the depreciable basis of the facility.
 - Cost of property manufactured, constructed, or produced for the taxpayer under a binding contract with another taxpayer.



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THANK YOU!

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**The AI Revolution: Emerging Opportunity for
2025 and Beyond**

Chuck Gallagher

Iowa Governmental Roundtable

The AI Revolution: Emerging Opportunity for 2025 and Beyond

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ABC's of Arbitrage

Chris Berens

BERENS-TATE CONSULTING GROUP

SPECIALIZING IN TAX-EXEMPT BOND SERVICES

ABC's of Arbitrage

Iowa Society of CPA's Governmental Roundtable

May 13, 2025

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ABC'S OF ARBITRAGE

WHO Tax-exempt debt (bonds, notes, bank loans, leases, etc.) issued since 8/31/86.

WHAT "Arbitrage" is the profit from investing the bond proceeds at a yield (i.e. interest rate) that is higher than the yield on the debt.

"Rebate" is the process of returning these profits back to the IRS.

WHERE All IRS Forms are filed with the Odgen, Utah service center.

WHEN Completion of the arbitrage rebate calculation, payment of any rebate owed, and filing of the IRS forms must be done within 60 days after the end of each fifth bond year, and upon retirement of the bonds. If no rebate is owed nothing has to be filed with the IRS.

WHY Failure to comply with the regulations could result in the debt losing their tax-exempt status.

EXCEPTIONS TO REBATE

Small Issuers Exception

- If the aggregate face amount of tax-exempt debt issued during the calendar year not reasonably expected to exceed \$5,000,000, the debt is not subject to arbitrage rebate
- Must be a governmental unit with taxing authority and it does not apply to not-for-profit entities (hospitals, colleges & universities, etc.)
- Numerous definitions regarding who is considered an issuer, issue price, how to treat refunding issues for purposes of the \$5,000,000, etc.
- Secondary schools get a \$15,000,000 exception

Reasonable Expectation

- Bond documents state there is a “reasonable expectation to spend 85% of the bond proceeds within 3 years”
- Not a spending exception, but a condition that must be met in order to issue tax-exempt bonds

SPENDING EXCEPTIONS TO REBATE

Six month exception

- 100% spent within six months

Eighteen month exception

- 15% within 6 months
- 60% within 12 months
- 100% within 18 months

Two year exception (must meet “construction bond” definition)

- 10% within 6 months
- 45% within 12 months
- 75% within 18 months
- 100% within 24 months

OTHER

Investments

- Usually CDs, Treasury securities, money market type funds, or checking accounts
- Must follow an issuer's investment policy, state statute, and debt resolutions
- BEWARE OF YIELD BURNING

Investments not subject to rebate

- Certain tax-exempt bonds
- Demand deposit SLGS

Yield restriction

- Separate rules from arbitrage rebate
- DOES NOT get any of the rebate exceptions (small issuer, spending, or bona fide debt service fund)
- Different temporary periods for different types of funds (i.e. project funds get a 3 year temporary period)
- Can make yield reduction payments only as allowed (i.e. N/A for non bona fide debt service funds or defeasance escrows)
- If yield reduction payments not allowed must make sure investment yield is below the bond yield or blend down (usually with SLGS).

Debt Service Reserve Funds

- Size limitation (lesser of 10% of stated principal, MADS, or 125% of average annual P&I)
- Bond funded vs. revenue funded

IRS Audits of tax-exempt debt

MONEY MARKET RATES

Oct-21	0.05%
Nov-21	0.05%
Dec-21	0.05%
Jan-22	0.05%
Feb-22	0.30%
Mar-22	0.30%
Apr-22	0.30%
May-22	0.33%
Jun-22	0.37%
Jul-22	0.44%
Aug-22	0.58%
Sep-22	0.60%
Oct-22	0.77%
Nov-22	1.05%
Dec-22	2.84%
Jan-23	4.07%
Feb-23	4.07%
Mar-23	4.07%
Apr-23	4.07%
May-23	4.07%
Jun-23	4.07%
Jul-23	4.07%
Aug-23	4.26%
Sep-23	4.27%
Oct-23	4.27%
Nov-23	5.01%
Dec-23	5.01%
Jan-24	5.01%
Feb-24	5.01%
Mar-24	5.15%
Apr-24	5.15%
May-24	5.25%
Jun-24	5.06%
Jul-24	5.07%
Aug-24	5.06%
Sep-24	4.91%
Oct-24	4.62%
Nov-24	4.41%
Dec-24	4.29%



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**Understanding and Minimizing Conflict of
Interest Risk for Governmental Boards, Councils
and other Elected Offices**

Frances Haas and Brian Shust



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Governmental Roundtable Session: Conflicts of Interest

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Overview

- Limitations on a government employee's outside employment and activities (Iowa Code 68B.2)
- Liability exposure for employment issues
- Conflicts of interest in public contracts (Iowa Code 362.5)
- Procurement contracts

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Iowa Code 68B.2A: Prohibited outside employment activities – conflicts of interest

- Purpose: Targets government employees and officials who engage in outside employment or activities. Goal is to engender public confidence in the operation of the government.
- *Applies to “Any person who serves or is employed by the state or a political subdivision of the state...”*

Prohibited activities (1)

- Outside employment or activity that involves the use of the state’s or political subdivision’s time, facilities, equipment, and supplies; OR
- The use of the employee/official’s badge, uniform, business card, or other evidences of office or employment
- To give the person or member of the person’s immediate family an advantage or pecuniary benefit that is not available to other similarly-situated members . . . of the public.

Prohibited activities (2)

- Outside employment or activity that involves...
 - the receipt of, promise of, or acceptance of money or other consideration by the person, or a member of the person's immediate family, from anyone other than the state or the political subdivision
 - For the performance of any act that the person would be required or expected to perform as part of the person's regular duties or during the hours during which the person performs service or work for the state or political subdivision of the state.

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Prohibited activities (3)

- Outside employment or activity that is subject to the official control, inspection, review, audit, or enforcement authority of the person, during the performance of the person's duties of office or employment.

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What happens if my outside employment is prohibited?

- If the outside employment falls into the first two categories (use of government's time, facilities, equipment or supplies OR receipt/promise of/acceptance of money for the performance of your government duty) it must "cease" immediately.
- Outside employment or activity that is subject to the official control, inspection, review, audit, or enforcement authority of the person, during the performance of the person's duties of office or employment.

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What happens if my outside employment is prohibited? (cont'd)

- If the outside employment falls into the third category (outside employment/activity subject to control/inspection/review/audit/enforcement authority), you must do one of the following:
 - *Cease the conflicting activity*
 - *Publicly disclose the conflict and refrain from taking any "official action" that could detrimentally affect or create a benefit for the outside employment or activity.*

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What about an independent contractor?

- *Does an independent contractor that provides consultation on bid specifications “serve” the political subdivision?*
- *T&K Roofing Co., Inc. v. Iowa Dep’t of Educ.*

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What about charitable contributions?

- Governmental entity must determine that the fundraising activity
 - *Serves a public purpose; and*
 - *Donations are used to further a public purpose*

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Practical tips

- Governmental entities should consider implementing a conflict of interest policy that requires disclosure of a conflict OR the appearance of a conflict
- Private employers should consider their own conflict of interest policy that would require employees to disclose service or employment with governmental entity

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Supervisor Liability

- Those who are employed by a government entity should know and understand that individual liability can attach for employment claims under Iowa law.

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Iowa Code § 362.5: Interest in public contract prohibited--exceptions

- City officers and employees are **generally prohibited** from having *direct or indirect* interest in city contracts
- Applies to:
 - Members of city councils
 - Members of city boards or commissions
 - Elected and appointed officials
- “A contract entered into in violation of this section is void.”

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Exceptions (Part 1)

- Competitive Bidding: Contracts entered through openly advertised, competitive bidding
 - Includes when city employee is also employee of awardee, as long as their pay/bonus are not contingent on, and job duties do not involve, any part of the contract with the city or awardee
- Investment contracts: designating bank/trust company as depository/pay agent to invest city funds
- City Treasurer: can be bank/trust company employee

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Exceptions (Part 2)

- Designation of official newspaper
- Existing Contracts: Contracts established before officer's election/appointment (**no renewal**)
- Contracts with volunteer firefighter/emergency medical care
- 5% rule: contracts with corporations in which city employee, spouse, or immediate family members owns/controls less 5% of outstanding stock

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Exceptions (Part 3)

- Contracts that benefit a city employee worth less than \$6,000/year
- Franchise agreements between city and utility
- All essential utility contracts
- Bond/note/obligation of city acquired from third-party
- Compensation to employee holding more than one city job
 - Consider: duties consistent, subordination, and public policy

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What and when do you disclose?

- Timing
 - ASAP
- Scope
 - Direct/indirect interests
- Recipient
 - At least city attorney
- Form
 - In writing, clear, and specific

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After disclosure, what happens next?

- Legal analysis
- Recusal process
- Delegation of authority
- Document everything and be transparent

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Besides recusal, do other options exist?

- Family Member Recusal
- Third-Party Administrator
- Request for ethics opinion

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Potential Consequences

- Iowa Code § 721.11 – serious misdemeanor
- Voiding of contracts
- Professional reputation damage

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Best Practices for Compliance

- Implement robust disclosure systems
 - Document all potential conflicts
- Regular ethics training and ethical organizational culture
- Establish review procedures for transparent contracts
- Create organizational safeguards

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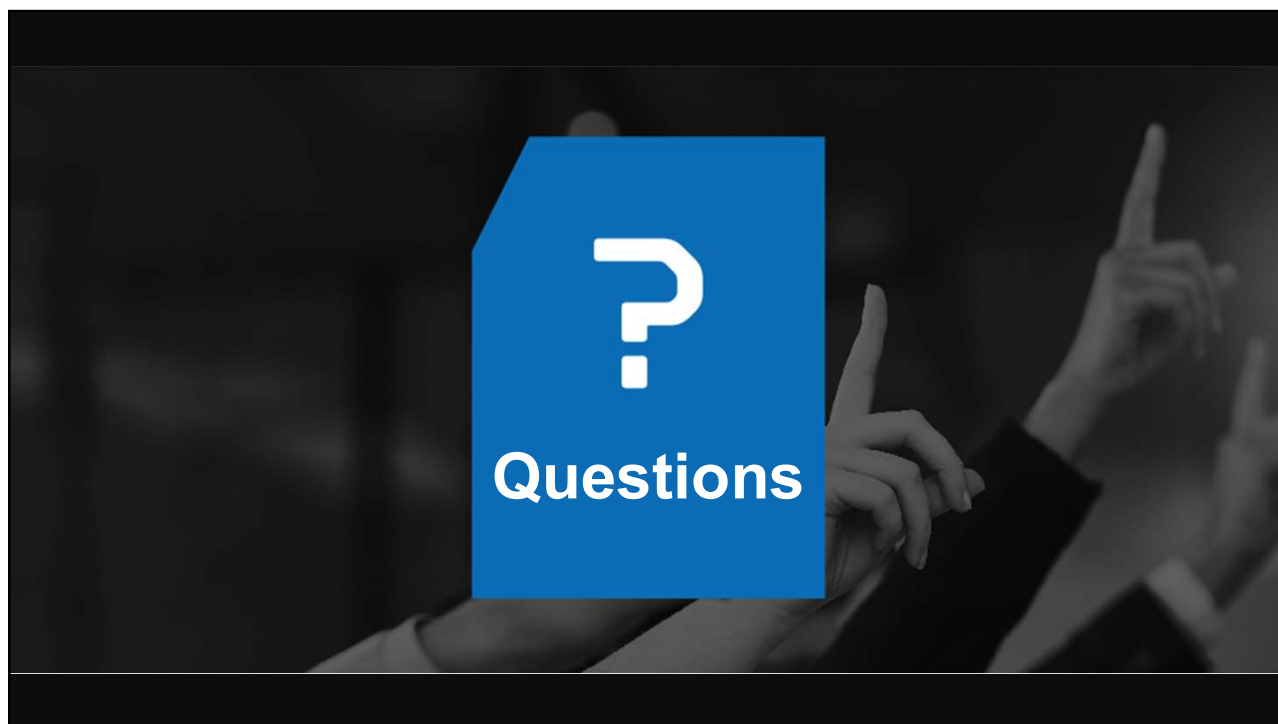
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Procurement Integrity Act: 41 U.S.C. § 2101-2107

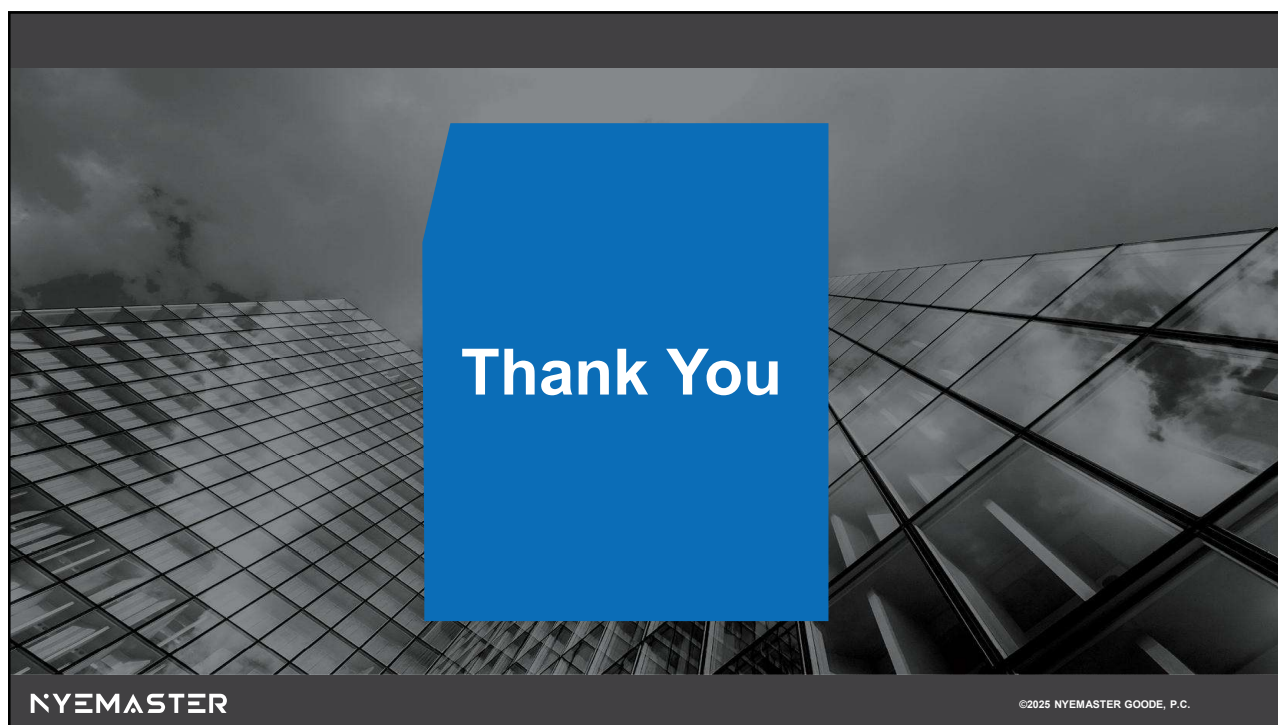
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**Internal IT Controls, Cybersecurity and
Prevention**

Andy Grice, Robin Nelson and Jake Wagner

Information Technology Controls, Cybersecurity and Prevention



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Introductions

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Andrew Grice -
Shareholder, Audit/Attest



Robin Nelson-
Shareholder, Information Security



Jake Wagner-
Shareholder, Information
Technology

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What's changed related to the audit and IT?

SAS 145

- ◆ Enhances the requirements and guidance related to the auditor's risk assessment, in particular, obtaining an understanding of the entity's system of internal control.
- ◆ Modernizing the standard in relation to IT Considerations
- ◆ Revised requirements to evaluate the design of certain controls within the control activities component, including general information technology (IT) controls, and to determine whether such controls have been implemented
- ◆ Better define and understand significant risks

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Audit Process

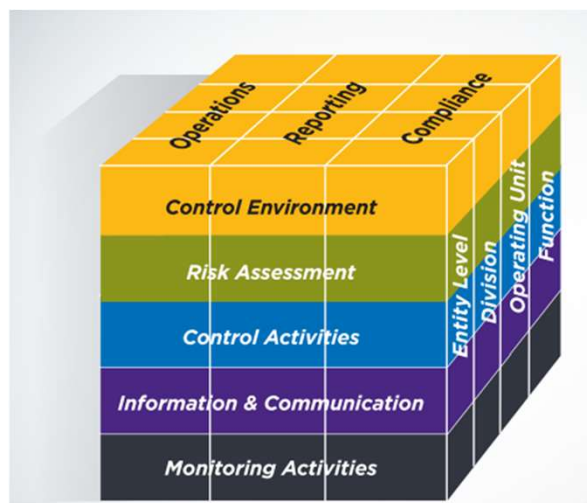
AICPA, SAS, AU-C Section 315

Risk Assessment Procedures

- ◆ Obtaining an Understanding of
 - ◆ the Entity and Its Environment
 - ◆ the Applicable Financial Reporting Framework
 - ◆ *the Entity's System of Internal Control*

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System of Internal Control



<https://www.coso.org/Documents/COSO-ICIF-11x17-Cube-Graphic.pdf>

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Understanding the System of Internal Control

AICIPA, SAS, AU-C Section 315

The auditor's understanding of any internal control system is intended to accomplish the following:

- ◆ Determine whether the entity is auditable. The auditor obtains information about the integrity of management and the nature and extent of the entity's accounting records to be satisfied that sufficient evidence is available to support the financial statements.
- ◆ Identify the types of potential misstatements whether caused by error or fraud that could occur in the financial statements.

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Understanding the Entity's Use of IT in the Components of the Entity's System of Internal Control

AICIPA, SAS, AU-C Section 315

- ◆ An entity's system of internal control contains manual elements and automated elements (that is, manual and automated controls and other resources used in the entity's system of internal control). An entity's mix of manual and automated elements varies with the nature and complexity of the entity's use of IT.

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Understanding the Entity's Use of IT in the Components of the Entity's System of Internal Control

AICIPA, SAS, AU-C Section 315

- ◆ An entity's use of IT affects the manner in which the information relevant to the preparation of the financial statements in accordance with the applicable financial reporting framework is processed, stored, and communicated and, therefore, affects the manner in which the entity's system of internal control is designed and implemented.
- ◆ Each component of the entity's system of internal control may use some extent of IT.

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Understanding the System of Internal Control

AICIPA, SAS, AU-C Section 315

The Entity's Control Environment - The auditor's evaluation of the control environment as it relates to the entity's use of IT may include such matters as the following

- Whether governance over IT is commensurate with the nature and complexity of the entity and its business operations enabled by IT, including the complexity or maturity of the entity's technology platform or architecture and the extent to which the entity relies on IT applications to support its financial reporting

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Understanding the System of Internal Control

AICIPA, SAS, AU-C Section 315

The Entity's Control Environment - The auditor's evaluation of the control environment as it relates to the entity's use of IT may include such matters as the following

- The management organizational structure regarding IT and the resources allocated (for example, whether the entity has invested in an appropriate IT environment and necessary enhancements or whether a sufficient number of appropriately skilled individuals have been employed, including when the entity uses commercial software [with no or limited modifications])

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Understanding the System of Internal Control

AICIPA, SAS, AU-C Section 315

The Entity's Control Activities - The auditor should, through performing risk assessment procedures, **obtain an understanding of the control activities** component, by identifying the following controls that address risks of material misstatement at the assertion level

- For the IT applications and other aspects of the IT environment, the auditor should identify the following (*SAS 145*):
 - **The related risks arising from the use of IT**
 - **The entity's general IT controls that address such risks**

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Define: Understand

- ◆ Understand - performing procedures to become knowledgeably aware of an entity's controls (policies and procedures) for each of the five internal control components.
- ◆ Gaining an understanding does not require you to make a "good or bad," "effective or not effective" evaluation or determination about the system of internal control nor about specific controls. An understanding can be gained by performing procedures such as inquiry or reading documents prepared by management or others.

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Define: General IT Controls

AICPA, SAS, AU-C Section 315

- ◆ Controls over the entity's IT processes that support the continued proper operation of the IT environment, including the continued effective functioning of information-processing controls and the integrity of information in the entity's information system.

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Define: Information Processing Controls

- ◆ Procedures that support effective implementation of the entity's information policies. Information processing controls may be automated (that is, embedded in IT applications) or manual (for example, input or output controls) and may rely on other controls, including other information processing controls or general IT controls.

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Define: IT Environment

- ◆ The IT applications and supporting IT infrastructure, as well as the IT processes and personnel involved in those processes, that an entity uses to support business operations and achieve business strategies. For the purposes of this definition
 - ◇ an IT application is a program or a set of programs that is used in the initiation, processing, recording, and reporting of transactions or information. IT applications include data warehouses and report writers.
 - ◇ the IT infrastructure comprises the network, operating systems, and databases and their related hardware and software.
 - ◇ the IT processes are the entity's processes to manage access to the IT environment, manage program changes or changes to the IT environment, and manage IT operations.

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Understanding the IT Environment

- ◆ In obtaining an understanding of the IT environment relevant to the flows of transactions and information processing in the information system, *the auditor gathers information about the nature and characteristics of the IT applications* used *as well as the supporting IT infrastructure* and IT.
- ◆ This may include, for example, the complexity or level of customization related to IT applications, third-party hosting or outsourcing, and the use of interfaces, data warehouses, or report writers.

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Understanding General IT Environment

AICIPA, SAS, AU-C Section 315

- ◆ The nature of the general IT controls that may be implemented for different aspects of the *IT environment* include the following:
 - ◆ *Applications.* General IT controls at the IT application layer will correlate to the nature and extent of application functionality and the access paths allowed in the technology. For example, different controls may be identified for highly integrated IT applications with complex security options than for an IT application supporting account balances with access methods only through transactions.
 - ◆ *Database.* General IT controls at the database layer typically address risks arising from the use of IT related to unauthorized updates to financial reporting information in the database through direct database access or execution of a script or program.

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Understanding General IT Environment

AICIPA, SAS, AU-C Section 315

- ◆ The nature of the general IT controls that may be implemented for different aspects of the ***IT environment*** include the following:
 - ◆ *Operating system.* General IT controls at the operating system layer typically address risks arising from the use of IT related to administrative access, which can facilitate the override of other controls. This includes actions such as compromising other user's credentials; adding new, unauthorized users; installing software that is not adequately tested, software containing an issue not yet fixed, or malware; or executing scripts or other unauthorized programs.
 - ◆ *Network.* General IT controls at the network layer typically address risks arising from the use of IT related to network segmentation, remote access, and authentication. Network controls may be relevant when an entity has web-facing applications used in financial reporting. Network controls may be relevant when the entity has significant business partner relationships or third-party outsourcing, which may increase data transmissions and the need for remote access.

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Understanding General IT Controls

AICIPA, SAS, AU-C Section 315

- ◆ Examples of general IT controls that may exist, organized by ***IT process***, include the following:
 - ◆ Process to manage access
 - ◇ Authentication. Controls that validate that a user accessing the IT application or other aspect of the IT environment is using the user's own log-in credentials (that is, the user is not using another user's credentials).
 - ◇ Authorization. Controls that allow users to access the information necessary for their job responsibilities and nothing further, which facilitates appropriate segregation of duties.
 - ◇ Provisioning. Controls to authorize new users and modifications to existing users' access privileges.

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Understanding General IT Controls

AICIPA, SAS, AU-C Section 315

- ◆ Examples of general IT controls that may exist, organized by *IT process*, include the following:
 - ◆ Process to manage access
 - ◇ Deprovisioning. Controls to remove user access upon termination or transfer.
 - ◇ Privileged access. Controls over administrative or powerful users' access.
 - ◇ User-access reviews. Controls to recertify or evaluate user access for ongoing authorization over time.
 - ◇ Security configuration controls. Each technology generally has key configuration settings that help restrict access to the environment.
 - ◇ Physical access. Controls over physical access to the data center and hardware because such access may be used to override other controls.

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Understanding General IT Controls

AICIPA, SAS, AU-C Section 315

- ◆ Examples of general IT controls that may exist, organized by *IT process*, include the following:
 - ◆ Process to manage program or other changes to the IT environment
 - ◇ Change-management process. Controls over the process to design, program, test, and migrate changes to a production (that is, end user) environment.
 - ◇ Segregation of duties over change migration. Controls that segregate access to make and migrate changes to a production environment.
 - ◇ Systems development or acquisition or implementation. Controls over initial IT application development or implementation (or in relation to other aspects of the IT environment).
 - ◇ Data conversion. Controls over the conversion of data during development, implementation, or upgrades to the IT environment.

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Understanding General IT Controls

AICIPA, SAS, AU-C Section 315

- ◆ Examples of general IT controls that may exist, organized by IT process, include the following:
 - ◆ Process to manage IT Operations
 - ◇ Job scheduling. Controls over access to schedule and initiate jobs or programs that may affect financial reporting.
 - ◇ Job monitoring. Controls to monitor financial reporting jobs or programs for successful execution.
 - ◇ Backup and recovery. Controls to ensure backups of financial reporting data occur as planned and that such data is available and able to be accessed for timely recovery in the event of an outage or attack.
 - ◇ Intrusion detection. Controls to monitor for vulnerabilities or intrusions in the IT environment.

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Understanding General IT Controls

AICIPA, SAS, AU-C Section 315

- ◆ General IT controls need not be identified for every IT process.
- ◆ General IT controls are identified based on the risks arising from the use of IT.

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Risks Arising From the Use of IT and General IT Controls

SAS No. 145 now defines the terms *risks arising from the use of IT* and general IT controls. SAS No. 145 requires the auditor to identify general IT controls that address the risks arising from the use of IT and to evaluate their design and determine their implementation.

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Define: Risks Arising From the Use of IT

Susceptibility of information-processing controls to ineffective design or operation, or risks to the integrity of information in the entity's information system, due to ineffective design or operation of controls in the entity's IT processes.

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Risks Arising From the Use of IT and General IT Controls

Risk Assessment Considerations - Complexity

- ◇ Does the Entity use an unmodified off-the-shelf financial reporting system?
- ◇ Have there been any material modifications to the systems in the current year?
- ◇ Are various reporting systems integrated?
- ◇ Any access to programming or source code?
- ◇ Does the Entity utilize emerging technology (i.e., blockchain, robotics, artificial intelligence, etc.) its financial reporting system?
- ◇ Does the Entity have a high volume of credit card transactions where credit card information is retained (i.e., no credit card merchant used)?
- ◇ Does the Entity operate primarily based on e-commerce?

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Risks Arising From the Use of IT and General IT Controls

Risk Assessment Considerations - Too complex?

- ◇ When an entity has greater complexity in its IT environment, identifying the IT applications and other aspects of the IT environment, determining the related risks arising from the use of IT, and identifying general IT controls is likely to require the involvement of team members with specialized skills or knowledge in IT. Such involvement is likely to be essential and may need to be extensive for complex IT environments.

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Risks Arising From the Use of IT and General IT Controls

Risk Assessment Considerations - Outsourced?

- ◇ Applicable IT risks may result when the entity uses external or internal service providers for identified aspects of its IT environment (for example, outsourcing the hosting of its IT environment to a third party or using a shared service center for central management of IT processes in a group).

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Risks Arising From the Use of IT and General IT Controls

Risk Assessment Considerations - Outside threats?

- ◇ Applicable risks arising from the use of IT may also be identified related to cybersecurity (*stay tuned!*)

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Identified Controls

The auditor should, through performing risk assessment procedures, obtain an understanding of the control activities component, by identifying the following controls that address risks of material misstatement at the assertion level:

- ◇ Controls that address a risk that is determined to be a significant risk
- ◇ Controls over journal entries and other adjustments
- ◇ Controls for which the auditor plans to test operating effectiveness in determining the nature, timing, and extent of substantive procedures, which should include controls that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence
- ◇ Other controls that, based on the auditor's professional judgment, the auditor considers are appropriate with respect to risks at the assertion level
- ◇ General IT controls that address the risks arising from the use of IT

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Identified Controls

For each control identified, the auditor should:

- ◇ **Evaluate** whether the control is designed effectively to address the risk of material misstatement at the assertion level or effectively designed to support the operation of other controls AND
- ◇ **Determine** whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.

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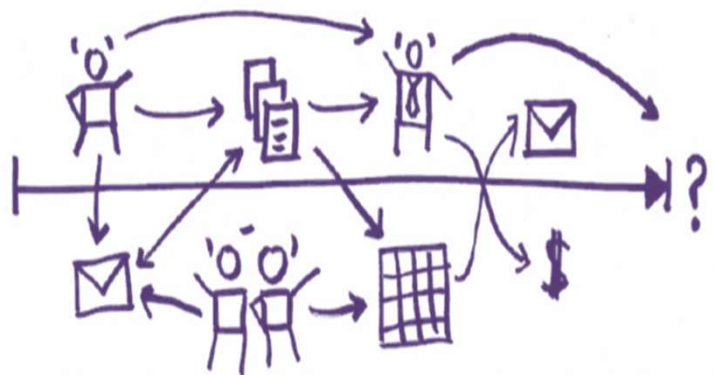
Why is all of this important?

- ◆ Because Andy Says so?
- ◆ Because the current state of most government agencies are playing defense rather than offense
- ◆ Because the state of technology is always changing

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Current State for *Most Governments*

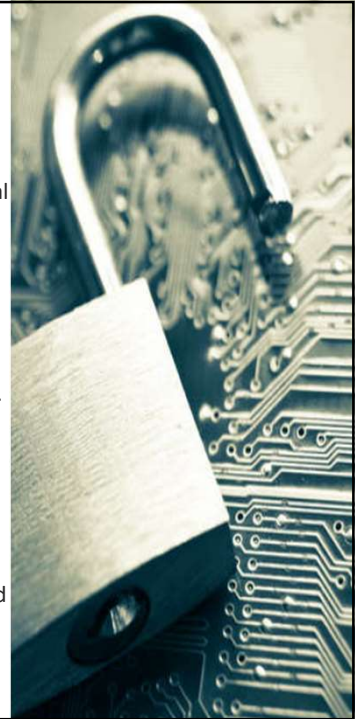
- Does this look familiar?
- There's confusion internally.
- There's confusion externally.
- Teams using all sorts of tools.
- Data is EVERYwhere.
- User Onboarding is a pain.
- Security bar is VERY low.
- What does GOOD look like today??
- Should we be paying attention to AI?
- Could we better leverage technology?



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What are the Top Risks to keep an eye on in 2025?

- **AI-Powered Cyber Attacks** are emerging as a significant challenge in the cybersecurity arena. AI-driven threats can automate vulnerability identification, craft convincing phishing schemes and even adapt in real-time to circumvent security measures.
- **Deepfake Technology** uses AI to create realistic fake videos, images, or audio that mimic real people, often making it difficult to tell them apart from genuine content.
- **Malware** continues to be prevalent, encompassing various forms such as viruses, ransomware and spyware to disrupt operations, steal information or damage systems.
- **Social engineering** exploits human interactions to trick users into divulging sensitive data.
- **Advanced persistent threats (APTs)** are complex, stealthy and prolonged attacks aimed at specific targets to steal data or disrupt operations, often undetected for long periods.
- **Distributed denial of service (DDoS)** attacks overload systems with floods of internet traffic. These attacks disrupt services and can serve as a smokescreen for more invasive attacks.
- **Ransomware attacks** involve encrypting the victim's data and demanding payment for decryption keys. These attacks can paralyze critical systems and demand significant financial payouts.
- **Man-in-the-middle (MitM)** attacks intercept communications between two parties to steal or manipulate information.
- **Business Email Compromise** remains a prevalent and sophisticated threat, using email fraud to trick companies into transferring money or sensitive data to cybercriminals
- **Supply chain attacks** compromise software or hardware before they reach the consumer, exploiting trusted relationships.



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General Information Security Trends

Zero Trust

- Zero Trust is a security framework.
- Heavy emphasis on user authentication.
- Verify every user, device and app before granting access to resources.
- Gaining traction.
- Difficult and complex to implement and maintain.

Compliance

- Lack of prioritization.
- Never-ending process.
- Evolving requirements.
- Government Regulations
- A.I./LLM's risk (shadow AI)
- Cyber Insurance

Managed Security

- Ever-increasing complexity of threats and vectors.
- Adv. Threat Detection.
- Incident Response Plans.
- Compliance Management.
- Vulnerability Scanning.
- 24/7 SOC Services

- *Most of the Governments and Organizations we speak with do not have the appropriate budget allocated to Tech/Cyber - therefore find themselves behind the curve and playing a constant game of catch-up!

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The Absolute Basics

- Multi Factor Authentication
- Privileged Access Management
- Security Awareness Training
- DNS/Content Filtering
- Endpoint Detection & Response (EDR)
- Automated Hardware/Software Patches and Updates
- Business Continuity and Disaster Recovery (BCDR)
- *Documented* Incident Response Plan



Does technology play a fundamental role in your business today?

If you chose to do better - how much would that positively effect your business?

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What does GOOD look like in 2025?

Tools
Managed Endpoint Protection Detection and Response
Workstation and Server Monitoring/Alerting
Microsoft and Other Third-Party Patch Management
Content Filtering and Web Security
Advanced Spam Filtering With AI
Monthly Internal/External Vulnerability Scans
Application Control/Whitelisting
Email Backup and Archiving
End User Security Training
End User Monthly Phishing Tests and Reports
User Password Management Tool
Dark Web Scanning and Alerting
Microsoft Training Platform
Annual Firmware Updates: Physical Servers, Network Switches, Firewalls, Access Points
Managed Security Operations Center (SOC)
Secondary Internal/External Scan
Managed SOC Endpoint Agent

Helpdesk
Dispatched Helpdesk — Unlimited 9x5 (8am-5pm)
Reactive Support
Unlimited 11x5 Support (Monday-Friday 7am-6pm)
Direct to Tech Support Experience
Live-Answer Response
SLA Prioritization
Options for 24x7 Helpdesk and Onsite Support
Account Management
Vendor and Purchase Management
Technology Account Manager (TAM)
Annual Business Reviews
Quarterly Report Delivery
Virtual Chief Information Officer (vCIO) Services
Weekly Touch Point Meetings
IT Budgeting and Roadmapping
Defined Support Team
Quarterly Business Reviews

Hot topic - what should we be spending on IT? Good, better, best - Options

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“We don’t know what we don’t know...”

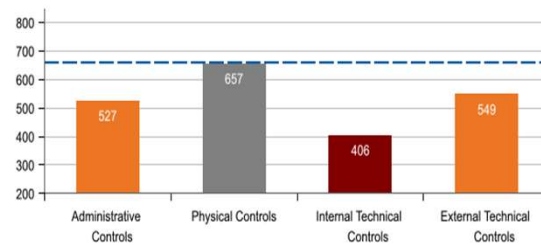
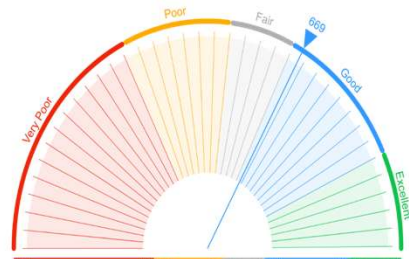
You Can’t Manage What You Can’t Measure

- **It’s About Risk**

- Likelihood of something bad happening
- Impact if that bad thing happened

- **Look at ALL topics, not just IT**

- **Administrative** - policy, procedure, governance, training (people security)
- **Physical** - locks, surveillance, destruction, facilities (tactile security)
- **Technical** - internal network & internet facing systems (IT security)
- **Technical** - external search engine indexes, social media, DNS, port and vulnerability scanning



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Building Your 2025 Roadmap

Doing Well

1. Improving the connectivity between sites
2. Adding Multifactor Authentication to the Administrator Login's of the Sonicwalls.
3. Having Email in the Microsoft hosted environment
4. Keeping server hardware up to date
5. Developing an information security mindset.

TOP Recommendations

1. Dedicate staff or Outsource responsibility for Information Technology
2. Improve Management Awareness and Accountability for Information Security
3. Develop and formalize IT policies and documentation
4. Improve the use of Multifactor Authentication for privileged access accounts
5. Develop and Formalize an event and incident management processes

Other Areas of Improvement

1. Update from Antivirus to an Endpoint Detection and Response solution
2. Remove Local Administrator Privileges and Powershell from computers where it is possible
3. Develop a formal ongoing information security awareness, training, and testing program.
4. Formalize vulnerability management to include testing and review on a scheduled basis based on risk.
5. Automate the movement of backup data off site

Ongoing

1. Define and document a timeline for doing security exams, based on risk
2. Develop a process to determine what applications reside on all endpoints
3. Review the risks inherent in vendor relationships at least annually
4. Examine how to mitigate risk in areas where segregation of duties is not possible
5. Develop a process to regularly verify and test backups

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How do you deal with all of this?

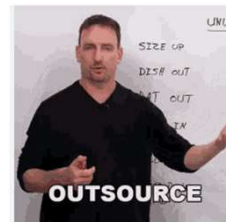


Do nothing



Hire/Build/Do it yourself

Off Load / Outsource



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Build a Tech (or Team) Exercise

▪ Build-a-Teammate Exercise

- Components of a good hire:
 - Cost effective.
 - Knows everything. (certs)
 - Capacity for *all* roles.
 - Business Acumen
 - No PTO
 - 24/7 work ethic
 - Customer facing
 - Team player - loyal for life

▪ Reality

- Are they:
 - In your market?
 - Affordable/available?
 - Wanting to work for you?
 - Benefits?
 - Tools?
 - Equipment?
 - Etc.

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THE ROLES OF A HIGH-PERFORMANCE TECHNOLOGY TEAM

*\$55k-\$120k Plus Benefits

*\$101k - \$203 Plus Benefits

*\$133k - \$303k Plus Benefits

New Benefit Load Cost Estimates 25-30%

IT Operations

T1 Helpdesk
T2 Helpdesk
T3 Helpdesk
Product Support
Network Operations
Operations Manager
Helpdesk Manager

Cloud & Security

Cloud Compute Analyst
Systems Administrator
NOC Technician
Network Architect
Cloud Engineer
Cybersecurity Analyst
Security Administrator
Data Security Manager

Exec, Data/AI

Data Scientist
Data Engineer
AI Architect
ML Engineer
Database Administrator
Business Intelligence
CIO
CISO

*Data from Robert Half – 2025 Salary Guide

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Outsourcing your IT

Managed IT

- Scalable
- Complete Tool Stack
- Unlimited Helpdesk
- vCIO Services
- Bang for Buck
- We Are Your IT

vCISO

- Fractional Security Officer
- SOC2 Readiness Coaching
- Chip Away at “The List”

MSSP

- Managed SOC
- Forensic Security
- Eyes on Glass
- Advance Cyber Tools
- SOC2 Readiness
- SOC2 Certification

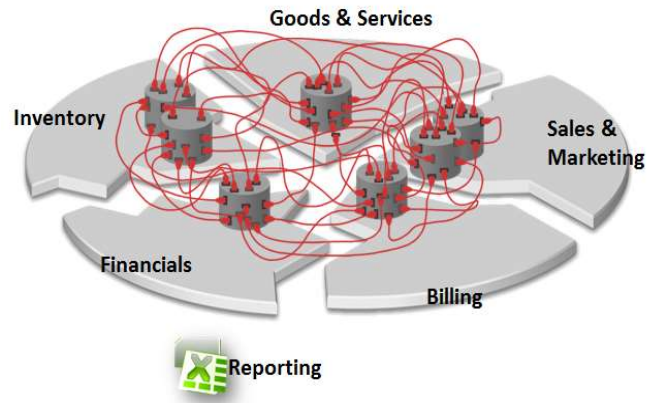
See next slide for How to Engage - there are two paths we can take with a prospect/client today - learn how to Introduce Managed IT and Introduce Security Assessment!

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Data, Data, Everywhere A Lot of Noise – What Are Your Options

Top Challenges & Opportunities (NOISE)

- Automation & A.I.
- Predictive Maintenance & Quality Control
- Change is Unknown & Scary
- Lack of Modernization of IT Infrastructure
- Manual Components & Processes
- Scalability of Operations
- Enhanced Data Analytics
- Too Many Systems and Data is Everywhere!



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Challenges in 2025

Labor Shortages and Workforce Management

- Difficulty hiring and retaining skilled technicians and delivery drivers.
- Service delays impact customer satisfaction and business growth. owns.
- **Stat:** 83% of service businesses report technician shortages impacting operations. (Source: U.S. Chamber of Commerce, 2024)
- **Opportunity:** AI-driven scheduling and predictive hiring improve efficiency.

Operational Inefficiencies

- Legacy systems don't integrate well, causing data silos.
- Inefficient inventory management leads to delays.
- **Stat:** Businesses with automated inventory systems see 35% fewer stockouts and delays. (Source: McKinsey, 2023)
- **Opportunity:** IoT & AI-powered predictive maintenance optimize service.

Customer Experience & Retention

- Customers expect seamless scheduling, billing, and service updates.
- Manual processes slow down response times.
- **Stat:** Companies using AI-driven customer engagement see a 25% increase in retention. (Source: Forrester, 2024)
- **Opportunity:** Companies using AI-driven customer engagement see a 25% increase in retention. (Source: Forrester, 2024)

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From Challenge to Advantage: Leveraging Data, Automation, and AI

1. Business First

Treat technology as a tool to support your business goals, not a shiny new toy to get distracted by.

2. Automate standard reporting

Turns a common challenge of time-consuming reporting into a streamlined process, leveraging automation to gain efficiencies. Speeds and/or improves decision making.

3. Find data collection gaps in important operational processes

Identifies areas where data and automation can directly improve key operations, reinforcing the advantage of a data-driven approach.

4. Include analytics and automation expertise in process discussions

Embeds expertise into workflows, ensuring automation and AI are considered proactively.

5. Audit organization for automation opportunities

Encourages a broad look at where automation can add value, moving from manual to automated processes.

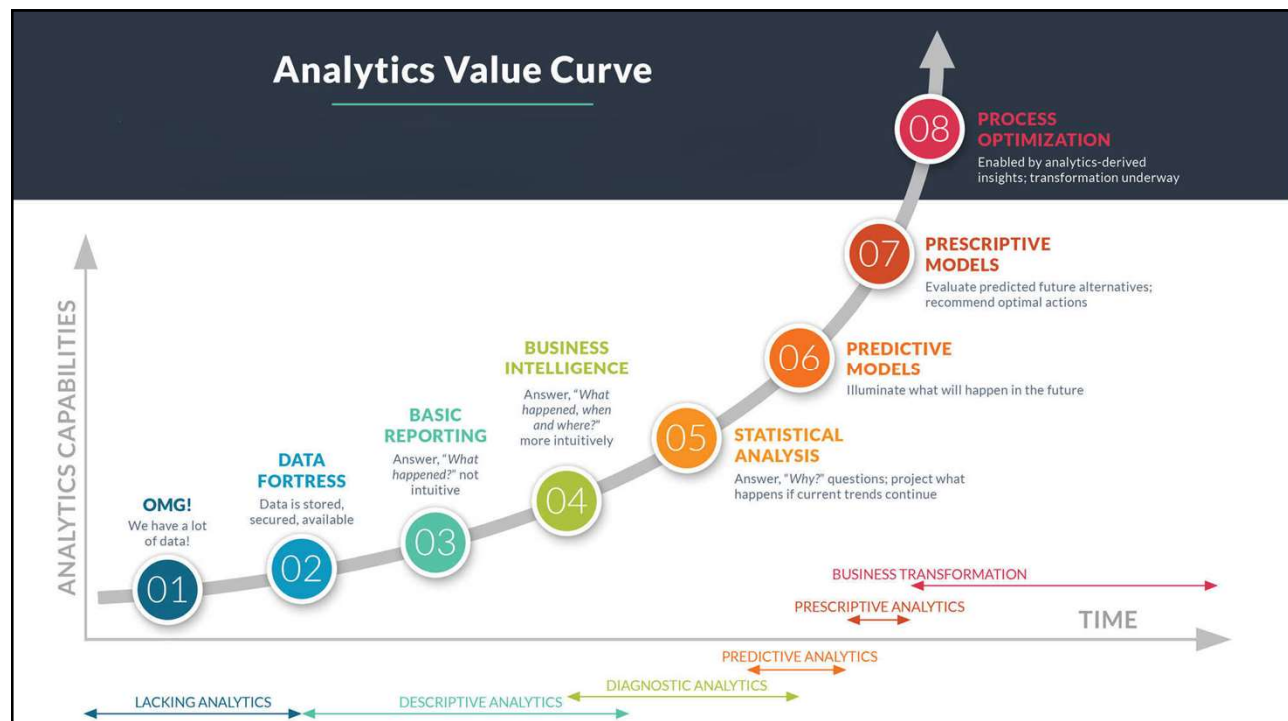
6. Realize the power of combining data from different sources

Does weather impact quality? Can your scheduling software align with demand?

7. Consider data collection and automation when assessing new tools

Future-proofs tool selection, ensuring that data and automation are integral from the start.

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Business Intelligence: Build the Foundation

1. **Define Key Performance Indicators (KPIs) Aligned with Business Goals**
 - As Peter Drucker famously said, "What gets measured gets managed."
2. **Assess Your Data Collection and Storage Infrastructure**
 - Determine if the necessary data for these and future KPIs are being captured effectively.
3. **Ensure Data Quality and Consistency**
 - Verify that data can be delivered accurately and without errors on a consistent basis.
 - Blend data from all pertinent systems into useful datasets
4. **Evaluate Data Accessibility**
 - Assess whether historical data is accessible or trapped in outdated, legacy systems.
5. **Empower Teams with Actionable Information**
 - Make relevant information readily available to enable informed decisions and drive greater success.
 - Business Intelligence Tools (PowerBI, Tableau, Looker Data Studio, etc)

Clearly understand your business and progress

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Prescriptive Analytics: Optimize Decision-Making with Actionable Recommendations

- **Inventory Optimization**
 - Determine optimal stock levels, reorder points, and distribution strategies.
- **Personalize Customer Interactions**
 - Automatically generate recommendations for customer content, offers, or product suggestions.
- **Implement Dynamic Pricing Strategies**
 - Adjust pricing in real-time based on demand, competition, and other market trends.
- **Inform Marketing Budgets**
 - Determine the optimal predicted level to spend across your marketing assets

Drive focus and inform high value decisions

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Automation: Streamline Operations and Eliminate Repetitive Tasks

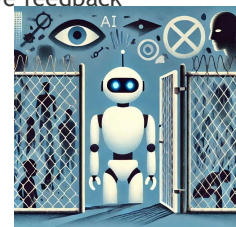
- **Automate Routine Reports and Dashboards**
 - Generate real-time reports automatically to save time and reduce manual effort.
- **Streamline Scheduling and Resource Allocation**
 - Automate schedules for employees, equipment, and project timelines to optimize utilization.
- **Automate Data Collection and Validation**
 - Use automated data capture tools to gather and validate data, reducing human errors.
- **Expand Capabilities with Workflow Automation**
 - Use automation tools to streamline end-to-end workflows, from sales orders to inventory updates.

Free up team members for higher-value tasks

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Artificial Intelligence: Improve experience and speed

- **Speed time to correct answer through chat with internal documentation.**
 - Documentation search and chat are excellent problems for AI.
- **Improve Customer Experience with Intelligent Tools**
 - Use AI-driven tools to personalize customer interactions to provide more relevant solutions.
- **Automate Data Extraction**
 - Reduce decision-making delays through the extraction of data from unstructured sources
 - Classify text-based feedback for quick understanding (e.g. reason for negative feedback category, type of call from phone transcript)
- **Implement Intelligent Decision-Making Systems**
 - Move from prescriptive analytics to hands off actions



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The screenshot displays the NetworkMiner dashboard with the following components:

- Header:**
 - Left: "mi: Update" and "Network Infrastructure" with a refresh icon.
 - Right: "today" date, "NetworkMiner" logo, and a user profile icon.
- Row 1 Metrics:**
 - Network Service Availability:** A donut chart showing "Total 103" with a red segment.
 - Network_Hierarchy:** A tree diagram showing a hierarchy of 18 nodes, with a "Count: 1.64" label.
 - Network Portability:** Two circular progress indicators showing "100" and "325".
 - Network Start Summary:** Four circular progress indicators showing values "9", "8", "4", and "1002".
- Row 2 Visualizations:**
 - Network Service Availability:** A line chart showing multiple data series over time.
 - Top Network Services by CPU:** A pie chart showing the distribution of CPU usage across different network services.
 - Network Identified by Memory Usage:** A line chart showing memory usage trends over time.
- Row 3 Visualizations:**
 - Network Service Distribution:** A table with columns "Service" and "Percentage".
 - Network Traffic Utilization:** A stacked bar chart showing traffic utilization across different categories.
 - Network Services by IP Address:** A bar chart showing IP address distribution.

You need to have a team of professionals that can guide you on your Information Security Journey!



Questions?

Jake Wagner
Shareholder, Information Technology
Jake.Wagner@creativeplanning.com
319-739-2954



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Thank You

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This commentary is provided for general information purposes only, should not be construed as investment, tax or legal advice, and does not constitute an attorney/client relationship. Past performance of any market results is no assurance of future performance. The information contained herein has been obtained from sources deemed reliable but is not guaranteed.

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iscpa

IOWA SOCIETY OF CPAs

Iowa Governmental
R O U N D T A B L E

MAY 13 | 7 AM - 4:40 PM CDT | LIVE VIRTUAL CONFERENCE | 9 HRS CPE

Department of Management Update

Carrie Johnson and Ted Nellesen

Iowa Governmental Roundtable

Iowa Department of Management Update

NOTES

(Slides will be made available after the conference)

[illegible]



iscpa

IOWA SOCIETY OF CPAs

Iowa Governmental
R O U N D T A B L E

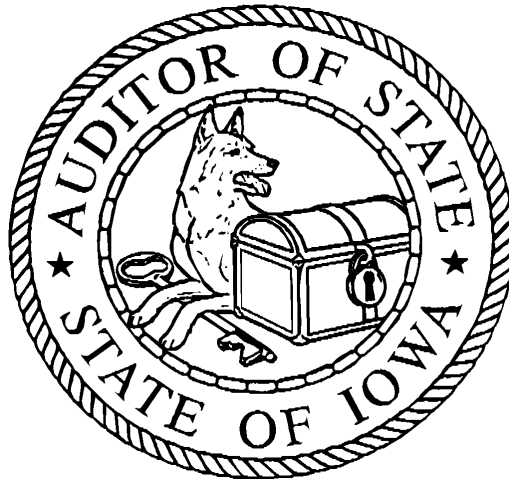
MAY 13 | 7 AM - 4:40 PM CDT | LIVE VIRTUAL CONFERENCE | 9 HRS CPE

Auditor's Office Update and Q&A

Pam Bormann, Brian Brustkern and Melissa Finestead

ISCPA GOVERNMENTAL ROUNDTABLE

May 13, 2025



Presented by:
Iowa Auditor of State Staff

BRIAN R. BRUSTKERN, CPA

Brian Brustkern is the Deputy in charge of the Financial Audit Division of the Iowa Auditor of State's Office. He is a graduate of the University of Northern Iowa and joined the staff of the Auditor's office in 1993. As a Deputy in the Financial Audit Division, Brian's responsibilities include directing the activities of the audit teams, reviewing the audit results and ensuring compliance with office and professional standards. He also participates in various local government training programs and provides technical assistance to local governments and their auditors.

Brian is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants, the Iowa Society of Certified Public Accountants, and the City and County Finance Committees.

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MELISSA FINESTEAD, CFE

Melissa Finestead is the Deputy in charge of the Performance and Investigation Division of the Iowa Auditor of State's Office. She is a graduate of the University of Northern Iowa and joined the staff of the Auditor's office in 2005. As a Deputy in the Performance and Investigation Division, Melissa's responsibilities include directing the activities of the audit team, conducting interviews, and reviewing the audit results.

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PAM BORMANN, CPA, CGFM

Pam Bormann is the Deputy of Technical Services for Iowa's Office of Auditor of State. Pam is a graduate of the University of Northern Iowa and has served the office since 1987. Her primary responsibilities include managing and directing the Technical Services Division which includes various training of staff both internally and externally, preparing sample audit programs, internal control questionnaires, code compliance documents and sample reports for CPAs related to city, county, community school district, community college, university, 28E organizations and State agency audits and reviewing local government audit reports and City examination engagement reports. She is also actively involved in the Auditor's Office Quality Review Program of CPA firm reports and workpapers, performing peer reviews for the National State Auditors Association as well as reaudits of local governments. In addition, Pam provides technical assistance to local governments and their auditors. Pam is also a Certified Governmental Financial Manager and a member of the Iowa Society of CPAs and the Association of Government Accountants.

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New Report Accessibility Requirements

The U.S. Department of Justice has issued a final rule revising the regulation implementing Title II of the Americans with Disabilities Act (ADA). This final rule relates to services, programs and activities offered by state and local government entities to the public through the web and mobile applications. Compliance with this final rule is required as of April 24, 2026.

The final rule adopts the internationally recognized accessibility standard for web access, the Web Content Accessibility Guidelines (WCAG) 2.1 published in June 2018. State and local government entities must comply with WCAG 2.1 Level AA success criteria and conformance requirements.

Summary of the U.S. Department of Justice final rule:

<https://www.federalregister.gov/d/2024-07758/p-3>

Quick Reference Guide for WCAG: [How to Meet WCAG \(Quickref Reference\)](#)

Additional content from Microsoft on how to make word documents accessible:

[Make your Word documents accessible to people with disabilities - Microsoft Support](#)

Before uploading pdfs of reports, received on or after April 24, 2026, to the Auditor of State's website the Adobe Acrobat Accessibility Check will be run against the pdf.

- If the report pdf passes the accessibility check it will be uploaded to the AOS website.
- If the report pdf fails the accessibility check it will be returned along with the accessibility report generated by Adobe Acrobat.
 - Once the pdf has been revised and resubmitted with all accessibility issues addressed it will be uploaded to the AOS website.

Area Education Agencies (AEA)



AREA EDUCATION AGENCIES

- Through FY'24, the AEA was funded through the District's budget and the school aid formula
- School Districts budgeted the amount to the AEA
- Funds were then passed to the AEA by the State



AREA EDUCATION AGENCIES

House File 2612

- ❖ Signed on March 27, 2024
- ❖ Modified duties and powers of the AEA
- ❖ Oversight of the Department of Education
- ❖ Changes funding related to AEAs
 - ✓ Educational and Media Services
 - ✓ Special Education Support Services

AREA EDUCATION AGENCIES

Fiscal Year 2025

- 40% of the educational and media services funding generated by Districts will continue to flow through to each AEA
- 60% will be retained by the District



AREA EDUCATION AGENCIES Fiscal Year 2026



- 100% of the educational and media services funds generated by Districts retained by Districts and NONE will flow through to the AEAs
 - ✓ Any General Fund purpose
 - ✓ Unspent funds will NOT be restricted

AREA EDUCATION AGENCIES Fiscal Year 2026

- 90% of special education support services will still flow through to the AEAs
- 10% of special education support services will be retained by Districts

AREA EDUCATION AGENCIES Fiscal Year 2026

10% of special education support services will be retained by Districts

- ✓ Restricted to special education costs
 - Direct instruction
 - Support services (includes a special education administrator)
- ✓ Creates a restricted balance if unused

AREA EDUCATION AGENCIES Fiscal Year 2026

Exception to restricted balance
Deficit special education
balance exists



AREA EDUCATION AGENCIES

Change in Area Education Agency Funding

The Governor signed House File 2612 on March 27, 2024, which changes the percentage of educational and media services funding generated through local property taxes by Districts which flow through to each Area Education Agency (AEA) beginning July 1, 2024. For fiscal year 2026, 100% of the educational and media services funds generated by Districts will be received directly by the District and none will flow through to the AEAs. Also, for fiscal year 2026, Districts will flow through 90% (instead of 100%) of special education support services funds to AEAs, who will code the funds as a combination of state aid and property taxes.

AREA EDUCATION AGENCIES

The State determined AEA's are NOT a component unit of the State

We have reviewed their determination and agreed with it

AEAs will continue to be audited

AREA EDUCATION AGENCIES



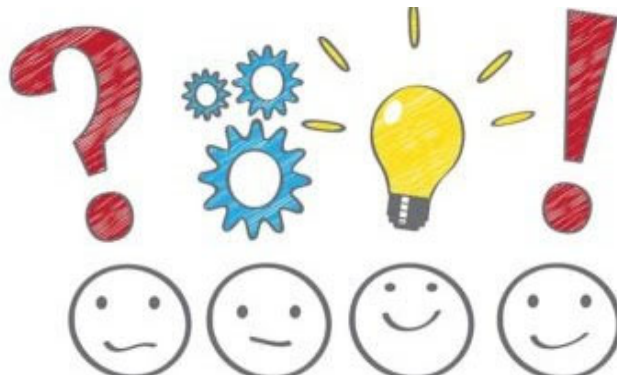
Department of Education

✓ HF 2612

Implementation FAQs

✓ Also includes
information on the
teacher salary

QUESTIONS



Contributions to NonProfits and Other Random Information



Who said?

“The same prudence which
in private life would forbid
our paying our own money
for unexplained projects,
forbids it in the
dispensation of the public
moneys.”

Thomas Jefferson



Constitutional Provision



Public Purpose/Public Benefit

- ▶ Constitution of the State of Iowa
 - ❖ Article III, Section 31
 - No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation or claim be allowed by two thirds of the members elected to each branch of the general assembly

Documentation

- ▶ The burden of documentation falls on the governing body
 - ❖ Approval should be prior to the transaction/event occurring



Documentation

- ▶ The burden of documentation falls on the governing body
 - ❖ Minutes should:
 - Clearly document how the public purpose is served
 - Not use ambiguous language

NONPROFITS



BACKGROUND

- ▶ The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private nonprofit corporation. Article III, Section 31 of the Iowa Constitution states, in part, "...no public money or property shall be appropriated for local, or private purposes..."

NONPROFITS



BACKGROUND

- ▶ At least six official Attorney General Opinions since 1972 have consistently concluded that "a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly."

NONPROFITS

BACKGROUND

- ▶ Political subdivisions and municipalities, including cities, counties, schools and townships are municipal - governmental - entities.
- ▶ As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole and are subject to the limitations imposed on them by the State.

NONPROFITS

BACKGROUND

- ▶ Although a private organization may be formed to provide and support "public" services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities.

NONPROFITS



General Rule:

- ▶ Any donation to a nonprofit, not specifically allowed by the Code of Iowa or by a grant agreement, is prohibited.
- ▶ There is no documentation that would make it OK.



NONPROFITS

Previous Questions:

Can the VA donate money annually for food and personal items to a local food bank/thrift/donation organization?

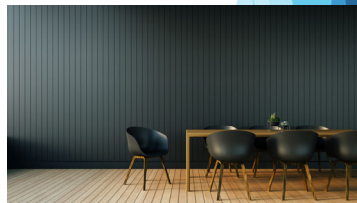
- ❖ If the source of the funds are from donations from citizens for this specific purpose, it is OK because that is in accordance with the purpose of the donations.
- ❖ If it is General Fund money, the donations would not be permitted under Article III, Section 31 of the Constitution.

NONPROFITS

Previous Questions:

If a Supervisor sits on a board, can payment be made to the organization?

- ❖ No. Whether or not a Supervisor sits on a board is not a criteria for use of public funds.



NONPROFITS

Previous Questions:

We donate to the Family Crisis Center and Centers Against Abuse & Sexual Assault, is that OK?

- ❖ Article III, Section 31 prohibits a gift to a private nonprofit corporation.

What to do?

If a service is being provided, enter into a contract.

- ✓ Detail the services provided
- ✓ Detail the cost of the services
- ✓ Provide transparency
- ✓ Clawback provision



Recommendation

We are not aware of any statutory authority for the City to donate public funds to a private nonprofit organization. If the nonprofit organization provides a service to the City, the City may enter into a contract for services. The agreement should detail the services provided and the cost of those services, as well as provide transparency for the City which allows confirmation the funds were spent as agreed and a clawback provision in the event they were not spent as agreed. If the donation is not providing a service to the City, the City should immediately cease making such donations.

What to do?



If there is no service, cease making such donations

QUESTIONS

Contact information noted on Bios

