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FINANCE QUARTERLY

Looking Out for Tribes' Financial Success.

Fall 2009 Issue:

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New Developments Will Affect FY2009 Audits. Is Your Tribe Ready?

by Brian Deveau, CPA | Moss Adams LLP

As the season changes from autumn to winter and the calendar points to the upcoming holidays, it's time to start thinking about and preparing for your annual audit. To that end, here a few important issues you and your tribe should know about:

Governmental Accounting Standards Board (GASB) Statement 49

Titled Accounting and Financial Reporting for Pollution Remediation Obligations, this statement requires tribes to record costs and liabilities associated with the cleanup of the effects of pollution, such as hazardous substances or waste sites, asbestos residue, underground fuel-storage tanks, mine tailings, and unauthorized dump



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Is Your Tribe Ready? (continued)

sites. The associated liabilities should be recorded after an “obligating event” occurs, which is when:

- There’s an imminent danger to public health.
- The tribe is in violation of a permit or license related to pollution prevention.
- The tribe is named in a lawsuit regarding the site.
- The tribe is named by a regulatory agency as a potentially responsible party for the site.
- The tribe voluntarily begins cleanup or remediation.

The standard doesn’t require tribes to actively seek out polluted sites. It requires action only if the tribe knows about a site and an obligating event occurs. If that happens, the tribe must record the full remediation costs in its government-wide financial statements (but only the short-term portion of the costs in its governmental fund financials). The amounts are recorded using the weighted probabilities of different possible outcomes, which should be determined by engineers or other specialized consultants.

To be adequately prepared, your tribe should consider the following questions:

- 1 Are there any known polluted sites on the reservation?
- 2 If the answer to Question 1 is yes, has an obligating event has occurred that would trigger the need to record the liabilities?
- 3 If the answer to Question 2 is yes, will you need outside specialists or consultants to help calculate the remediation costs and liability amounts?

GASB Statement 45

This statement, titled Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, affects tribes that offer health

insurance or other benefits to retired employees. The standards are similar to the rules for pension plans in that they require the sponsoring employer to record plan costs using actuarial calculations as the employees are working, rather than when they retire and start to collect benefits.

Recovery Act funding

As we discussed in the last issue of *Tribal Finance Quarterly*, American Recovery and Reinvestment Act (ARRA) funding includes some extensive compliance requirements (which you should place extra emphasis on meeting). Since then, we’ve learned that ARRA grant funding expended by tribes must be considered “high risk” under the Office of Management and Budget (OMB) Circular A-133. This development greatly increases the chances that these funds will be audited as major programs for the 2009 fiscal year. Make sure, then, that you’re tracking each dollar of your ARRA funding separately from other grant funds in your accounting system.

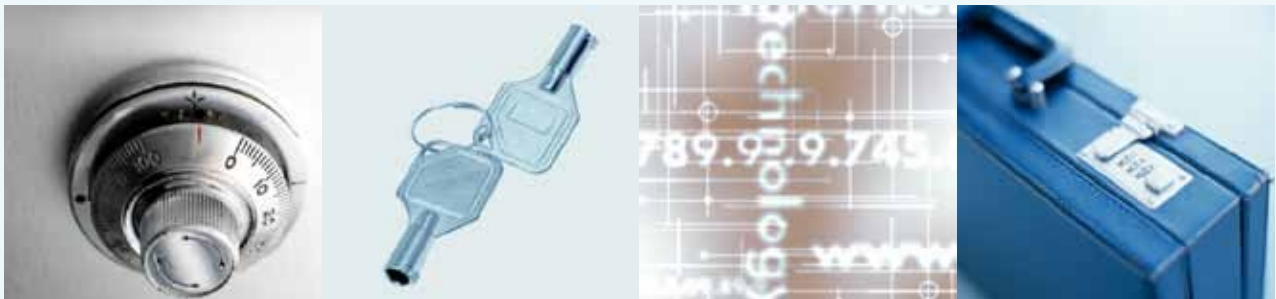
No more extensions

Make sure you get started on your year-end accounting and auditing as soon as possible, because the Department of the Interior and the Department of Health and Human Services have both confirmed that they will no longer approve any extensions to the nine-month Single Audit deadline. Both agencies appear to be serious about imposing sanctions on tribes that miss the deadline.

By planning for these issues now, you can help ensure your 2009 audit proceeds as smoothly as possible.

A Victory for Tribes' Financial Privacy

You spoke—and they listened. In the last issue of *Tribal Finance Quarterly*, we reported that the OMB was planning to post online the complete financial statements of all entities receiving a Single Audit. This would have given any member of the public the immediate, unrestricted ability to download your financial statements.



Since then, the National Congress of American Indians and many tribes have expressed concern to the federal government over this plan. As a result, the OMB has changed its position. Moss Adams has received a verbal confirmation from the OMB that the agency is committed to posting online only audit findings, not full financial statements. The OMB intends to issue official written confirmation of this change, along with more details, soon.



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805 SW Broadway, Suite 1200
Portland, OR 97205

Contact Our Team

If you have questions regarding the content of this newsletter or would like to get in touch with a Moss Adams tribal government professional, please contact:

Brian Deveau, CPA

Partner
(360) 676-1920
brian.deveau@mossadams.com

Tasha Repp, CPA

Partner
(360) 676-1920
tasha.repp@mossadams.com

Chris Garner, CPA

Senior Manager
(505) 878-7200
chris.garner@mossadams.com

Jeff Oka, CPA

Senior Manager
(509) 777-0172
jeff.oka@mossadams.com

Corrine Wilson, CPA

Senior Manager
(480) 366-8328
corrine.wilson@mossadams.com

Jamie Flores

Marketing Manager
(503) 471-1286
jamie.flores@mossadams.com