Management Report

for

Cyber Village Academy
St. Paul, Minnesota
June 30, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

To the Board and Management of
Cyber Village Academy
St. Paul, Minnesota

We have prepared this management report in conjunction with our audit of Cyber Village Academy's (the Academy) financial statements for the year ended June 30, 2016. The purpose of this report is to make certain required communications to those who have responsibility for oversight of the financial reporting process and to provide comments resulting from our audit process. We have organized this report into the following sections:

- Audit Summary
- Funding Public Education in Minnesota
- Financial Trends of Your Academy
- Legislative Summary
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the Academy, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to school district and charter school financing in Minnesota. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
October 18, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the Board, administration, or those charged with governance of the Academy.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

Based on our audit of the Academy's financial statements for the year ended June 30, 2016:

- We have issued an unmodified opinion on the Academy's annual financial statements.
- We reported no deficiencies in the Academy's internal control over financial reporting that we considered to be material weaknesses.
- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards.*
- We reported no findings based on our testing of the Academy's compliance with Minnesota laws and regulations.

OTHER OBSERVATIONS AND RECOMMENDATIONS

Electronic Payment of Claims – Minnesota Statutes require that each claim made for payment from a Minnesota charter school include a signed declaration that the claim is just and correct, and that no part of it has been paid. Charter schools have historically obtained this signed declaration by including it above the endorsement line on the back side of its checks. However, charter schools also have statutory authorization to make purchases using credit cards or pay claims through various forms of electronic fund transfers, which typically do not involve the issuance of a physical check. The statutes that authorized the use of these alternative purchasing methods specify that the transactions must comply with all applicable Minnesota Statutes, which include the requirement to obtain a signed declaration. There is no statutory guidance for how the claim declaration is to be obtained for these types of transactions. We recommend that the Academy examine its purchasing process, and consider adopting procedures to ensure that Minnesota statutory requirements for vendor claims are complied with when possible.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 1 of the notes to basic financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Where applicable, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management, when applicable, were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the Academy. Student attendance is accumulated in a state-wide database—MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other schools and the MARSS data for the current fiscal year is not finalized until after the Academy has closed its financial records for the fiscal period. General education revenue and certain other revenues are computed using preliminary information on the number of students served in the resident school and also utilizing some estimates, particularly in the area of enrollment options.

Special education state aid includes an adjustment related to tuition billings to other schools for special education services which are computed using formulas derived by the Minnesota Department of Education. Because of the timing of the calculations, this adjustment for the current fiscal year is not finalized until after the Academy has closed its financial records for the fiscal period. The impact of this adjustment on the receivable and revenue recorded for state special education aid is calculated using preliminary information available to the Academy.

The Academy has recorded activity for pension benefits. This obligation is calculated using actuarial methodologies described in Governmental Accounting Standards Board Statement (GASB) No. 68. This actuarial calculation includes significant assumptions, including projected changes, investment returns, retirement ages, proportionate share, and employee turnover.

The depreciation of capital assets involves estimates pertaining to useful lives.

We evaluated the key factors and assumptions used by management to develop the estimates discussed above in determining that they are reasonable in relation to the financial statements taken as a whole.
The financial statement disclosures are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated October 18, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to Management's Discussion and Analysis and pension-related required supplementary information (RSI), which is RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental information and Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table accompanying the financial statements, which are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide and assurance on it.

FUNDING PUBLIC EDUCATION IN MINNESOTA

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this report. A summary of legislative changes affecting school districts and charter schools included later in this report gives an indication of how complicated the funding system is. This section provides some state-wide funding and financial trend information.

BASIC GENERAL EDUCATION REVENUE

The largest single funding source for Minnesota charter schools is basic general education aid. Each year, the Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a school is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to average daily membership (ADM). Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment schools.

The table below presents a summary of the formula allowance for the past decade and as approved for the 2017 fiscal year. The amount of the formula allowance and the percentage change from year to year excludes non-comparable changes such as temporary funding increases, the “roll-in” of aids that were previously funded separately, and the one-time replacement of a portion of general education aid with federal fiscal stabilization funds in fiscal 2010.

	Formula Allowance	
Fiscal Year Ended June 30,	Amount	Percent Increase
2007	$ 4,974	4.0 %
2008	$ 5,074	2.0 %
2009	$ 5,124	1.0 %
2010	$ 5,124	– %
2011	$ 5,124	– %
2012	$ 5,174	1.0 %
2013	$ 5,224	1.0 %
2014	$ 5,302	1.5 %
2015	$ 5,831	2.0 % *
2016	$ 5,948	2.0 %
2017	$ 6,067	2.0 %

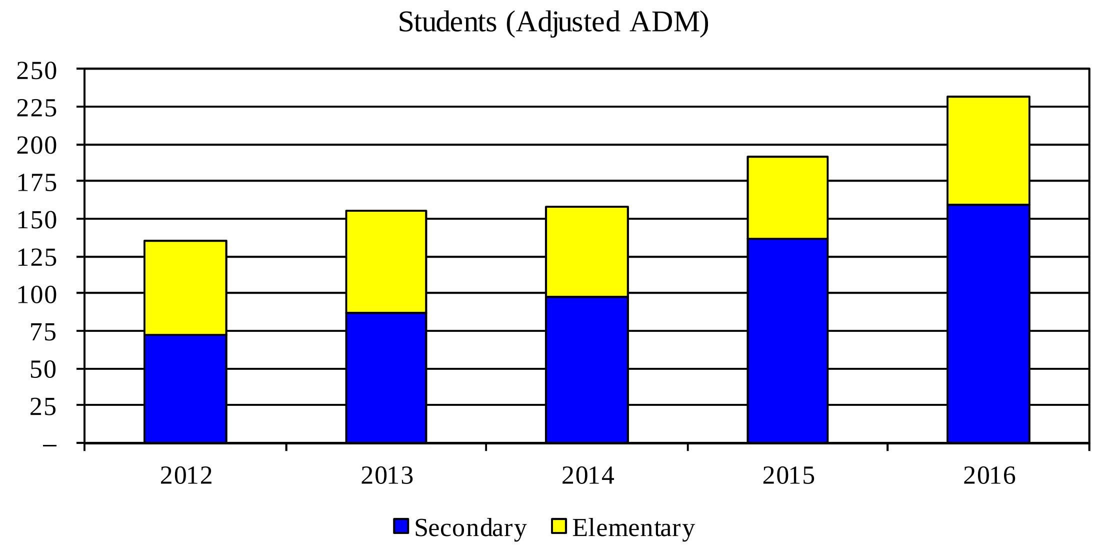
* The $529 increase in 2015 was offset by changes to pupil weightings and the general education aid formula that reduced the increase to the equivalent of $105, or 2.0 percent, state-wide.

In recent years, modest increases in the formula allowance have forced many schools to continually cut expenditure budgets or seek other revenue sources in order to maintain programs.

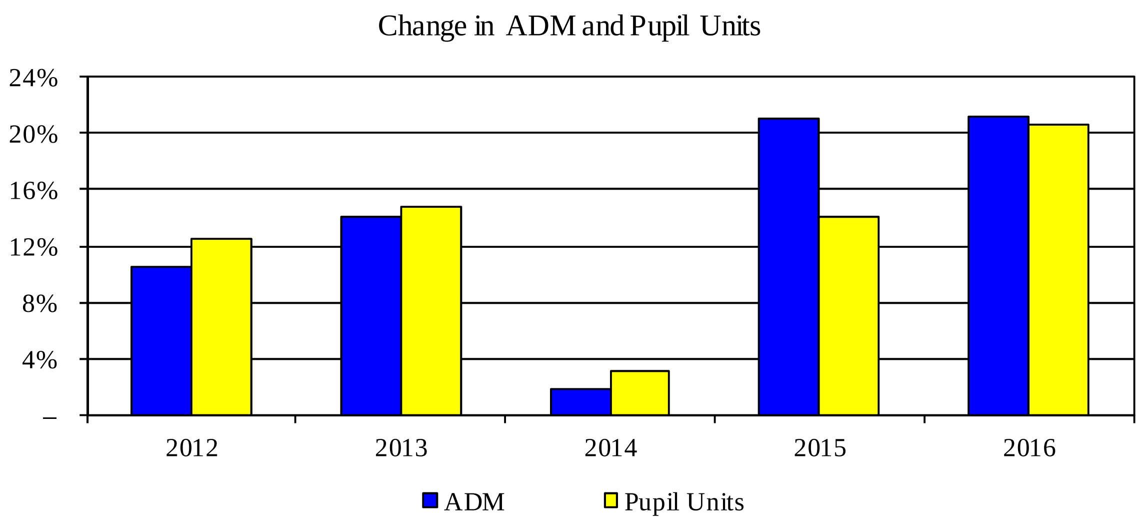
FINANCIAL TRENDS OF YOUR ACADEMY

AVERAGE DAILY MEMBERSHIP (ADM) AND PUPIL UNITS

The following graph summarizes the ADM served by the Academy over the last five years:



The Academy served an estimated ADM of 231 for 2016, an increase of 40 from the prior year. The following graph shows the rate of ADM change from year to year, and the resulting pupil units:

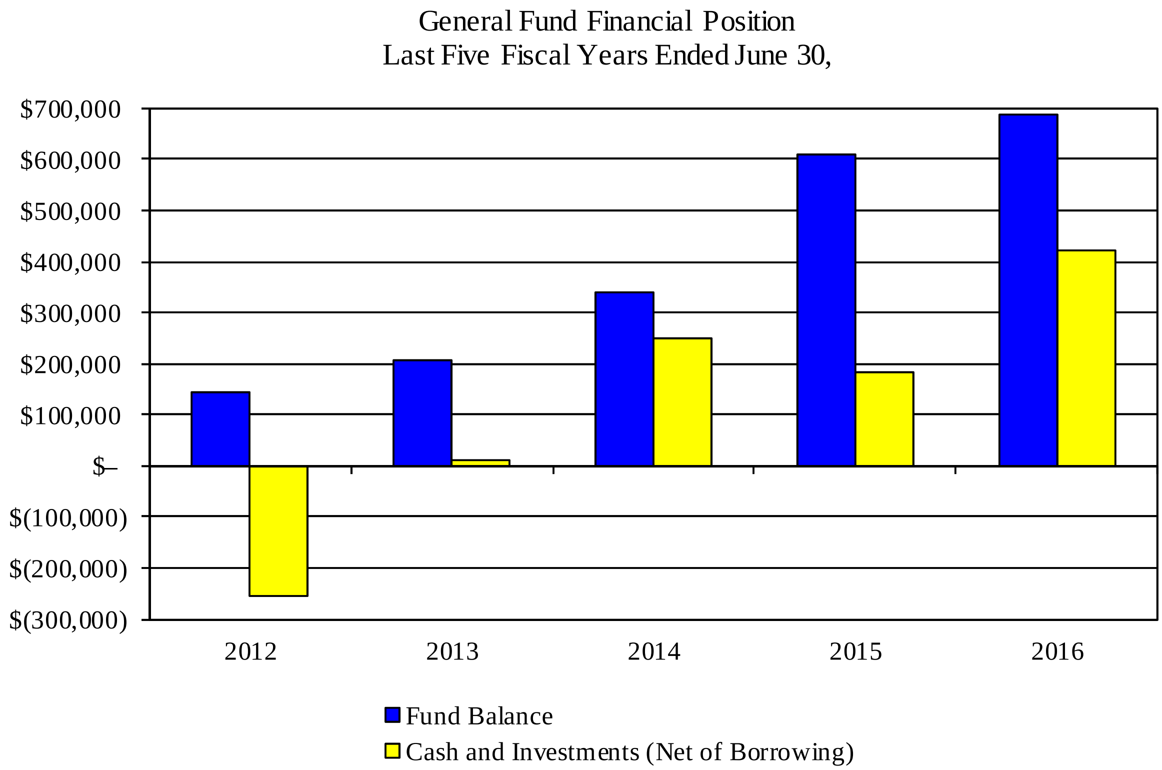


The number of pupil units served by the Academy for 2016 was estimated to be 263, an increase of 45 pupil units from the prior year.

ADM is a measure of students attending class, which is then converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated, ADM since the counts are not finalized until around January of the following year. When viewing revenue budget variances, one needs to consider these ADM changes and the impact of the prior year final adjustments which affect this year's revenue.

GENERAL FUND OPERATIONS AND FINANCIAL POSITION

The following graph displays the Academy's General Fund financial position over the last five years:

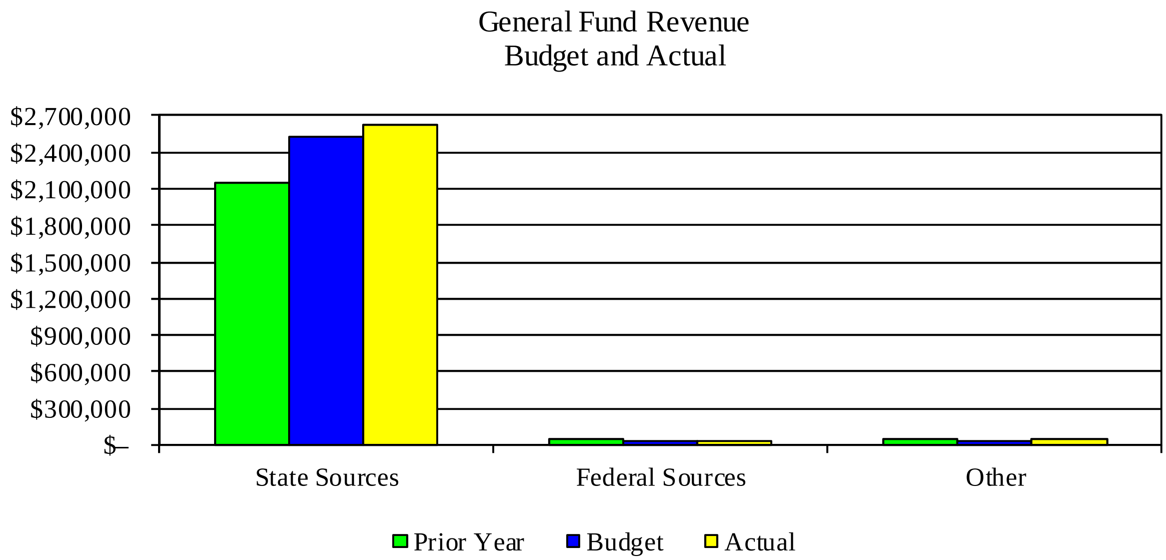


The Academy's General Fund ended 2016 with a total fund balance of $687,718, an increase of $77,850 from the prior year, compared to an increase of $16,635 projected in the final budget. The General Fund cash and investments balance (net of borrowing) at year-end was $423,308, which represents an increase of $240,230 from the prior year. The increase in the Academy's cash flow was mainly due to receiving a higher percentage of estimated state aid entitlements prior to year-end in fiscal 2016.

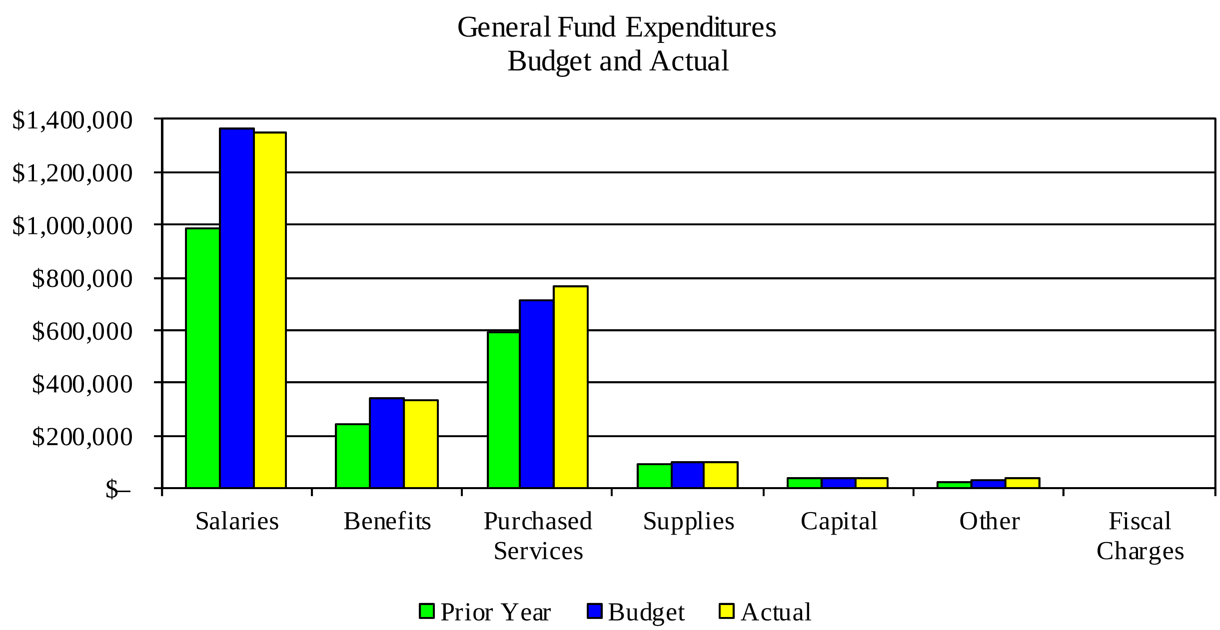
Fund balance as a percentage of expenditures is one key measure of the Academy's financial health. The resources represented by this fund balance are critical to the Academy's ability to maintain adequate cash flow throughout the year, to retain its programs, and to cushion against the impact of unexpected costs or funding shortfalls. For the Academy, this ratio was 26.1 percent at the end of 2016, as compared to 30.8 percent at the end of 2015.

GENERAL FUND REVENUE AND EXPENDITURES

The following graphs summarize the Academy's General Fund revenue and expenditures for 2016:



Total General Fund revenues for 2016 were $2,712,276, an increase of $465,103 from the prior year, and $109,184 over budget. State aid revenue was $472,091 more than the prior year, mainly due to the Academy earning more general education and charter school lease aid due to serving more students, and more special education state aid due to an increase in the state's funding formula. State aid revenue exceeded budget by $93,296 due to the Academy serving more students than anticipated.



Total General Fund expenditures for 2016 were $2,634,297, an increase of $656,052 from the prior year. The increase was mainly in salaries and benefits (up $461,552) and purchased services (up $174,964), due to hiring multiple new employees and contracting for additional services to serve the growing student population.

Expenditures were over budget by $47,840 in total. Most of this variance was in purchased services ($57,887), due to a greater need for contracted personnel than was expected.

FOOD SERVICE SPECIAL REVENUE FUND

In the Food Service Special Revenue Fund, expenditures exceeded revenues by $1,116 during the year in the Academy's School Milk Program. A transfer of $129 from was made from the General Fund to eliminate a potential fund balance deficit at year-end.

ENTITY-WIDE FINANCIAL STATEMENTS

The Academy's financial statements include fund-based information that focuses on budgetary compliance, and the sufficiency of the Academy's current assets to finance its current liabilities. The governmental reporting model also requires the inclusion of two entity-wide financial statements designed to present a clear picture of the Academy as a single, unified entity. These entity-wide financial statements provide information on the total cost of delivering educational services, including capital assets and long-term liabilities.

Theoretically, net position represents the resources the Academy has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how resources can be used. Therefore, the statement divides net position into three components: net investment in capital assets, restricted, and unrestricted. The following table presents a summarized conversion of the Academy's governmental fund balances (as individually discussed earlier) to net position, and separate components of net position for the last two years:

	June 30,		Increase
	2016	2015	(Decrease)
Total net position – governmental activities			
Total fund balances – governmental funds	$ 687,718	$ 610,855	$ 76,863
Capital assets	162,650	125,394	37,256
Accumulated depreciation	(79,971)	(74,906)	(5,065)
PERA and TRA pensions	(922,467)	(917,340)	(5,127)
Total net position – governmental activities	$ (152,070)	$ (255,997)	$ 103,927
Net position			
Net investment in capital assets	$ 82,679	$ 34,702	$ 47,977
Restricted for food service	–	987	(987)
Unrestricted	(234,749)	(291,686)	56,937
Total net position	$ (152,070)	$ (255,997)	$ 103,927

The Academy's total net position at June 30, 2016 was a deficit of ($152,070), an improvement of $103,927 from the previous year.

The Academy's net investment in capital assets increased $47,977 due to various leasehold improvements and equipment additions.

The restricted portion of net position decreased $987 due to the operating results of the Academy's School Milk Program.

The unrestricted portion of net position increased $56,937 to a year-end deficit balance of ($234,749) due to operating results of the Academy's General Fund.

LEGISLATIVE SUMMARY

The 2016 legislative session was relatively short and focused on contentious issues such as taxes, bonding and transportation. Education advocates were interested in support for early learning, increasing student support services and teacher diversity and retention. In the end, very few new chapters of law were enacted. The supplemental budget bill provided an increase of $25 million plus a reallocation of $53.3 million in savings from a maximum effort loan early repayment program in new money to support education.

The following is a brief summary of recent legislative changes and issues affecting the funding of Minnesota Charter schools in fiscal 2016 and future years:

2016 Session – Brief summary of significant funding changes:

Voluntary Pre-Kindergarten – Aid available through a formula driven model to a state-wide cap of $25 million to provide comprehensive programming to children who are four years old on September 1 of the school year in which they enroll. Funding prioritized on the basis of the concentration of prior year kindergarten students eligible for free and reduced-price lunch and the proximity of three and four star Parent Aware programs to the district or charter school. The application deadline for fiscal year (FY17) by July 1, 2016 with the Minnesota Department of Education (MDE) to approve by August 1, 2016.

Support Our Students Grant Program – $12.133 million grant program to hire new support staff (counselors, school psychologists, social workers, school nurses, and chemical dependency counselors). Grant program eligibility includes charter schools.

Charter School Specific Funding and Policy Provisions:

- Removes the requirement that charitable organizations serving as a charter school authorizer must be members of the Minnesota Council of Nonprofits or the Minnesota Council on Foundations.
- Requires a prospective charter school authorizer to include in its application certain information about the capacity of the organization to serve as an authorizer.
- Directs the education commissioner to review an authorizer's performance every five years and establishes considerations for criteria, consultation and form.
- Clarifies authorizer withdrawal process.
- Requires authorizers to submit an annual public report to the education commissioner by January 15 for the previous school year ending June 30 that includes at least key indicators of school academic, operational, and financial performance.
- Removes the 200 maximum pupil limitation on an eligible special education charter school that requests an accelerated cash flow schedule.

2015 Session – Brief summary of significant funding changes:

Basic General Education Revenue – The 2015 Legislature approved 2 percent increases in the per pupil general education for each of the two subsequent fiscal years, raising the allowance to $5,948 for FY 2016 and $6,067 for FY 2017.

A number of other changes were made to the general education formula, including:

- The extended time allowance increased from $5,017 to $5,117 beginning in FY 2016.
- Charter schools with extended time programs received 25 percent of the state average per adjusted pupil unit (APU) (about $19 per APU) beginning in FY 2016.
- Funding eligibility for English learner revenue is extended from 6 to 7 years to FY 2017.

Quality Compensation Program (Q Comp) – The 2015 Legislature made the following changes to the Q Comp alternative compensation for teachers program:

- The cap on basic Q Comp aid increases 16.5 percent to $75,636,000 beginning in FY 2017.
- Alternative teacher pay systems are now allowed to include incentives for teachers to pursue training, advanced certifications, or masters degrees; and for teachers identified as effective or highly effective to work in hard-to-fill positions or hard-to-staff schools.

Special Education Funding – State funding for special education was transitioned to new funding formulas beginning in FY 2016.

For FY 2016, state regular special education aid was the lesser of: 62 percent of old formula special education expenditures for the prior year; 50 percent of nonfederal special education expenditures for the prior year; or 56 percent of the amount calculated using a new pupil-driven formula based on prior year data.

The formula for special education excess cost aid for FY 2016 was the greater of: 56.0 percent of the difference between the district's unreimbursed nonfederal special education costs and 7.0 percent of the school's general education revenue; or 62.0 percent of the difference between the school's unreimbursed old formula special education costs and 2.5 percent of the school's general education revenue.

Cash flow improved for charter schools with at least 90 percent of students receiving special education by:

- Increasing general education aid to cover the unreimbursed costs of serving students without disabilities.
- Increasing special education aid to cover the unreimbursed costs of serving students with disabilities.
- Paying the full 90.0 percent of estimated special education aid in the current year (rather than 90.0 percent of 97.4 percent of the estimated aid entitlement).
- Aid reduction to the resident district for special education tuition is calculated as if the school did not receive the added general and special education aid, and is retained by the state, since the school has its full cost covered by direct aid.

Beginning in FY 2016, special education aid for a first year charter school is calculated using current year data.

Long-Term Facilities Maintenance Revenue – Beginning in FY 2017, the current deferred maintenance, health and safety, and alternative facilities programs will be rolled into a new long-term facilities maintenance revenue program. Beginning in FY 2017, charter schools will also be eligible for long-term facilities maintenance revenue that will be phased in over a three-year period.

The amount of aid for charter schools will be as follows:

- FY 2017 – $34 x the APUs
- FY 2018 – $85 x the APUs
- FY 2019 – $132 x the APUs

Charter schools may use this revenue for any purpose related to the school.

ACCOUNTING AND AUDITING UPDATES

GASB STATEMENT NO. 73, *ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS AND RELATED ASSETS THAT ARE NOT WITHIN THE SCOPE OF GASB STATEMENT NO. 68, AND AMENDMENTS TO CERTAIN PROVISIONS OF GASB STATEMENT NOS. 67 AND 68*

The objective of this statement is to improve the usefulness of information about pensions included in financial statements of state and local governments for making decisions and assessing accountability. This statement also clarifies the application of certain provisions of GASB Statement Nos. 67 and 68 regarding 10-year schedules of required supplementary information (RSI) and other recognition issues pertaining to employers and nonemployer contributing entities. These changes will improve financial reporting by establishing a single framework for the presentation of information about pensions, enhancing comparability for similar information reported by employers and nonemployer contributing entities.

The requirements of this statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions not within the scope of GASB Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this statement for pension plans that are within the scope of GASB Statement No. 67 or for pensions that are within the scope of GASB Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB STATEMENT NO. 74, *FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS*

The objective of this statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits [OPEB]). This statement replaces GASB Statement Nos. 43 and 57. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement Nos. 25, 43, and 50. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

This statement will improve financial reporting primarily through enhanced note disclosures and schedules of RSI that will be presented by OPEB plans administered through trusts meeting the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan’s assets over time and provide information for users to assess the relative success of the OPEB plan’s investment strategy and the relative contribution that investment earnings provide to the OPEB plan’s ability to pay benefits to plan members when they come due.

This statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB STATEMENT NO. 75, *ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS*

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of GASB Statement Nos. 45 and 57. GASB Statement No. 74 establishes new accounting and financial reporting requirements for OPEB plans.

This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and the RSI requirements about defined benefit OPEB also are addressed. This statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

Similar to changes implemented for pensions, this statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

GASB STATEMENT NO. 78, *PENSIONS PROVIDED THROUGH CERTAIN MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS*

The objective of this statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this statement, the requirements of GASB Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of GASB Statement No. 68.

This statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing, multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and RSI for pensions that have the characteristics described above. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. Early application is encouraged.

GASB STATEMENT NO. 79, *CERTAIN EXTERNAL INVESTMENT POOLS AND POOL PARTICIPANTS*

This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this statement, the pool's participants should measure their investments in that pool at fair value.

This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB STATEMENT NO. 80, *BLENDING REQUIREMENTS FOR CERTAIN COMPONENT UNITS—AN AMENDMENT OF GASB STATEMENT NO. 14*

The objective of this statement is to clarify the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14.* The requirements of this statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB STATEMENT NO. 82, *PENSION ISSUES—AN AMENDMENT OF GASB STATEMENTS NO. 67, NO. 68, AND NO. 73*

The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in RSI, (2) the selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

The requirements of this statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

THIS PAGE INTENTIONALLY LEFT BLANK