

2020 GASB Update

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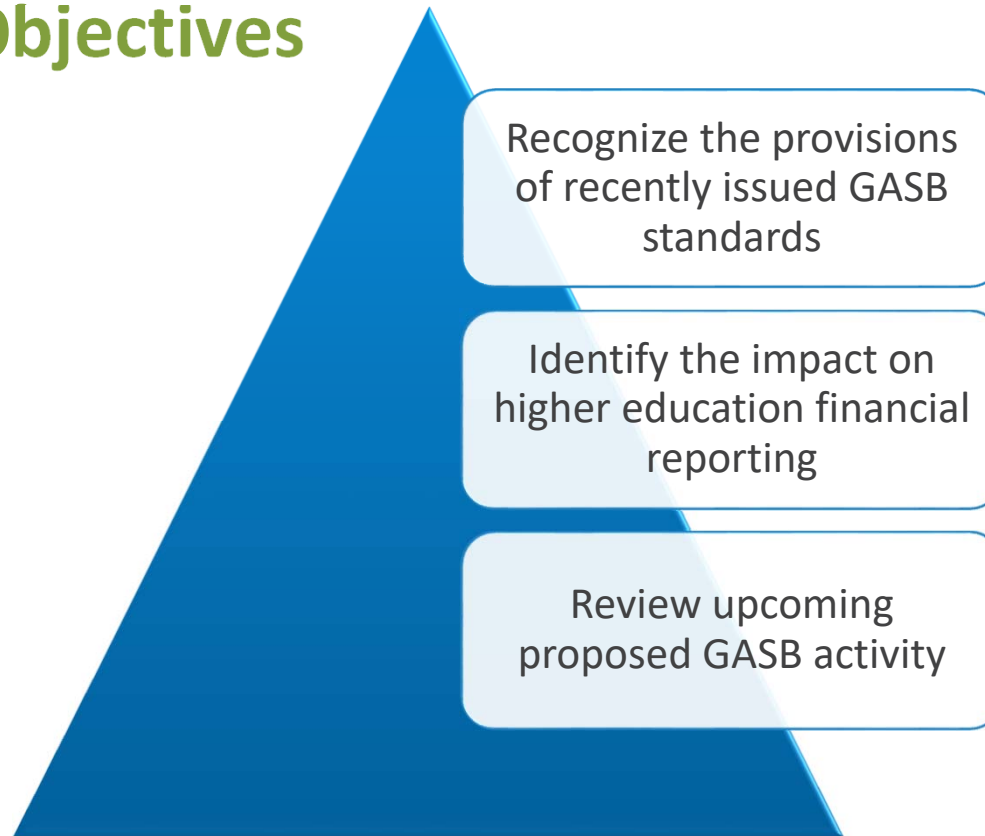
Create Opportunities

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Learning Objectives



Introductions

Jean Bushong,
CPA

Higher Education
Principal



Chris Knopik,
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Higher Education
Principal



Agenda

GASB 84, *Fiduciary Activities*



GASB 87, *Leases*



Other issued GASBs



Upcoming projects and pronouncements





GASB 84

Fiduciary Activities

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GASB 84 and Higher Education Institutions

So, will my institution now be required to report multiple funds??

Answer:

Perhaps!!!



Fiduciary Component Unit - Example

4.52. Q—A public university that reports as a stand-alone business-type activity uses a single column for presenting its financial statements. The university has fiduciary component units that meet the criteria in paragraphs 6 and 8 of Statement 84 and is engaged in other fiduciary activities. Is the university required to include fiduciary fund financial statements as part of its basic financial statements?

A—Yes. The university is required to include fiduciary fund financial statements as part of its basic financial statements. As indicated in paragraph 6 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, government-wide financial statements that include a single column presentation for a business-type activity should not include fiduciary activities. The university can, however, choose to apply the exception in paragraph 19 of Statement 84 to the extent that fiduciary assets are normally expected to be held for three months or less.



GASB 84 – Purpose and Effective Date

Clarifies what constitutes fiduciary activity and how it should be reported

Effective for reporting periods beginning after 12/15/18

- For 12/31 year ends, effective 12/31/19
- For 6/30 year ends, effective 6/30/20

GASB 84 Implementation Guide contains many helpful examples

Fiduciary Reporting – Fund Types

Possible Additional Fiduciary Fund Statements. Reported in one of four fund types:

1. Pension and other postemployment benefit trust funds

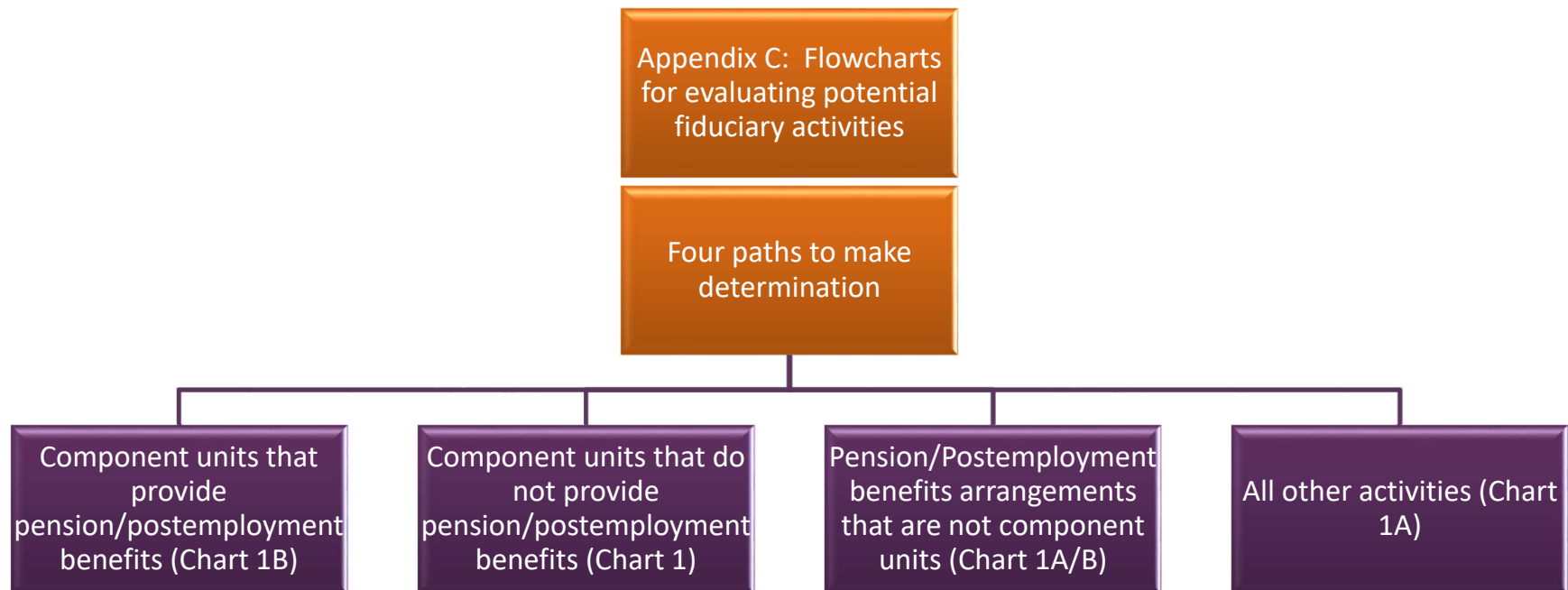
2. Investment trust funds

3. Private purpose trust funds

4. NEW - Custodial funds (agency funds will no longer exist)



Criteria for Identifying Fiduciary Activities



Criteria for Identifying Fiduciary Activities

Focus of criteria:

- Whether government is controlling assets of the fiduciary activity, and
- The beneficiaries with whom a fiduciary relationship exists

Separate criteria provided to identify fiduciary component units and postemployment benefit and pension arrangements that are fiduciary activities.





GASB 84, Chart 1

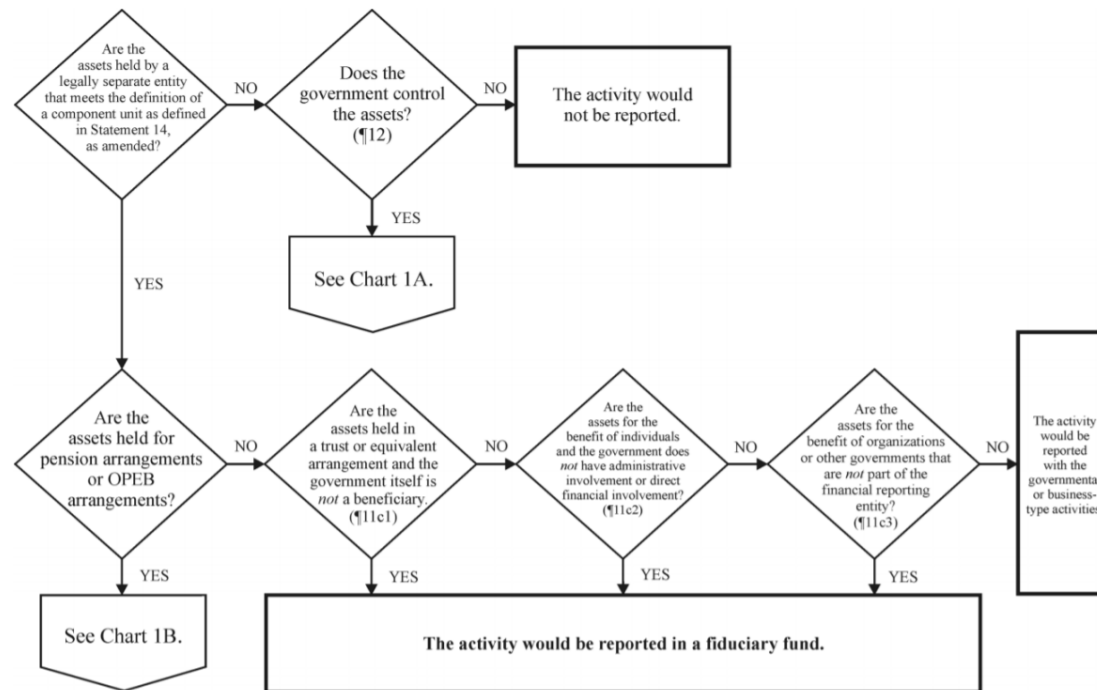
Component Units, NOT Pension/OPEB

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Evaluating Potential Fiduciary Activity: Chart 1 – Component Units (not pension/OPEB)

Chart 1—Flowchart for Evaluating and Reporting Potential Fiduciary Activities



Component Units not Providing Post – Employment Benefits

Fiduciary if (1) meets definition of component unit and (2) has one or more of following characteristics:

Assets are (1) administered through trust agreement or equivalent in which government is not beneficiary, (2) dedicated to providing benefits to recipients in accordance with terms, and (3) legally protected from creditors of government.

Assets are for benefit of individuals and the government does not have administrative involvement with assets or direct financial involvement with assets. Assets are not derived from government's provision of goods or services to those individuals.

Assets are for benefit of organizations or other governments that are not part of financial reporting entity. Assets are not derived from government's provision of goods or services to those organizations or other governments.





GASB 84, Chart 1a

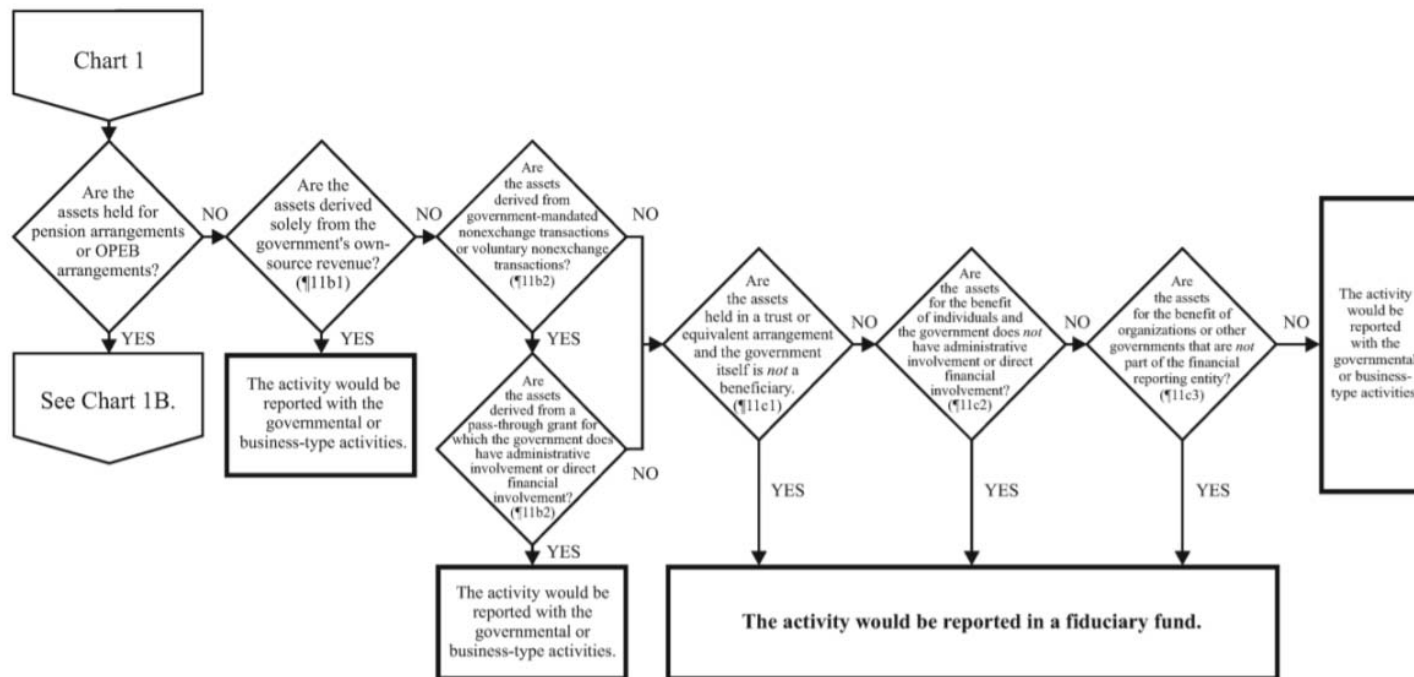
Other Activities (Not Component Unit; Not Pension/OPEB)

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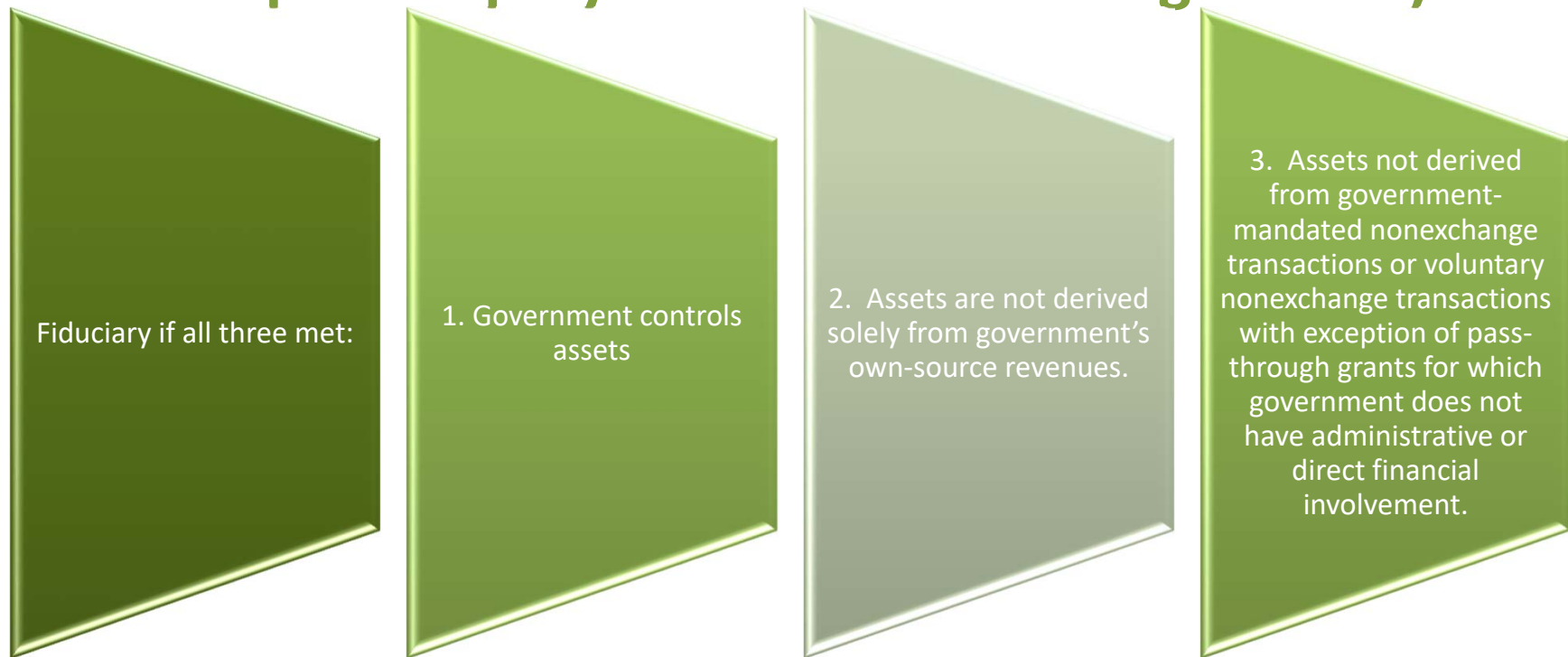
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Evaluating Potential Fiduciary Activity: Chart 1a –Activities other than Component Units and Pension/OPEB Trusts

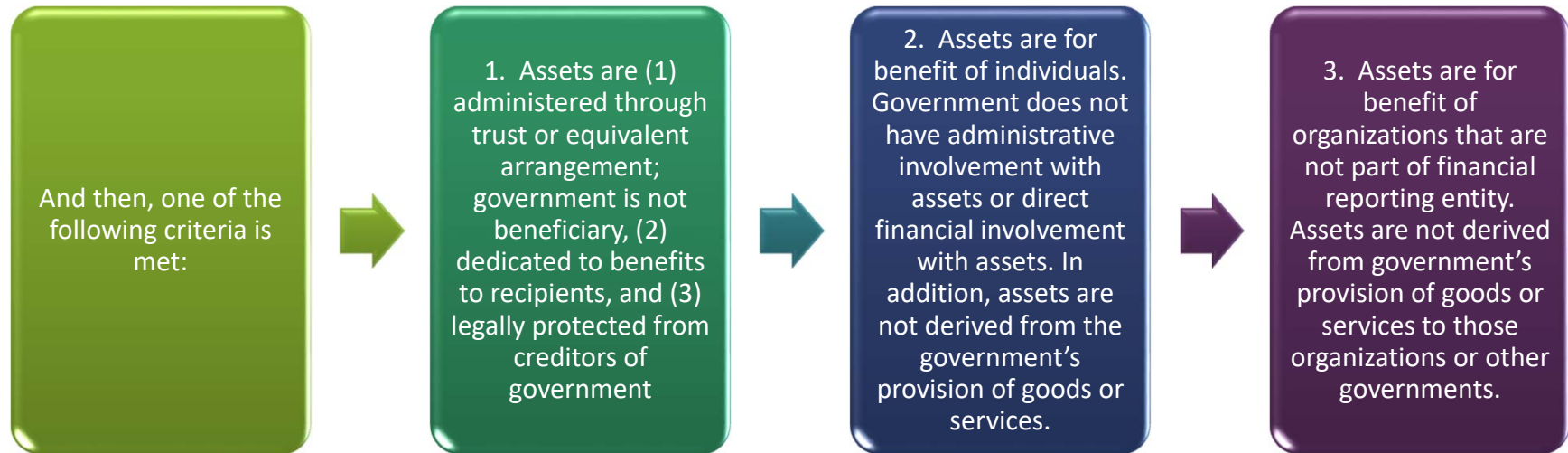
Chart 1A—Flowchart for Evaluating and Reporting Potential Fiduciary Activities



Other Potential Fiduciary Activities (not component units or postemployment benefit arrangements)



Other Fiduciary Activities (Continued)



When is a government controlling assets?

- A government controls assets of an activity if:
 - Holds the assets.
 - Has ability to direct use, exchange, or employment of assets in manner that provides benefits to specified or intended beneficiaries.



What constitutes administrative involvement?

Responsibility for establishing specific guidelines on how money is spent:

Governance establishes fees charged by club

Governance or a board policy determines eligible expenditures

- Topics addressed by the policy matter

Employee role can also establish administrative involvement

State establishes specific guidelines on how resources can be spent



Administrative Involvement – Example 1

4.18. Q—A student club is established in accordance with the school district’s operating policies. The club is not legally separate from the school district. The students of the club conduct fundraising events, the proceeds of which are deposited into a savings account held by the school district. The student club president, with the members of the club, establishes how the resources can be spent and approves disbursements from the account. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—No. Footnote 1 of Statement 84 provides examples to consider when determining whether a government has administrative involvement. In assessing whether a government has administrative involvement, a “substance versus form” consideration is appropriate. For example, the government’s role would have substance if the school board, school administrator, or faculty advisor (who is representing the school district) establishes how the resources can be spent through approved policies. In that scenario, the students (the beneficiaries) are establishing how the resources can be spent, and, therefore, the school district does *not* have administrative involvement and the criterion in paragraph 11c(2) of Statement 84 is met.



Administrative Involvement – Example 2

4.20. Q—A school district holds the funds raised by various student clubs, which are not legally separate from the school district. The funds are used to pay for various club activities during the year. There is no school board or school administration policy related to how the resources of the club can be spent. The disbursements from the aggregated club account are approved by the faculty advisor (who is representing the school district) assigned to each club. Approval, rejection, or modification of the spending is strictly at the discretion of the faculty advisor. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because in the absence of an approved policy, the faculty advisor (who is acting in the capacity of a school district representative) has the ability to reject, modify, or approve how the resources are spent. The faculty advisor's approval is more than just a formality and is analogous to the example provided in footnote 1 of Statement 84 regarding the determination of eligible expenditures that are established by the government.



What is a trust or equivalent arrangement?

- Assets are dedicated to providing benefits to recipients in accordance with benefit terms
- Assets are legally protected from creditors of government that is acting as fiduciary



Great Examples!

- Implementation Guide 2019-02 includes following great examples:
 - 4.29: Fiscal Host Situations
 - 4.11: Contractor Deposits
 - 4.15: Payroll Withholdings



Example 1 – Fiscal Host Situations

- 4.29. Q—A county government has custody of resources pursuant to a nontrust agreement with an NFP to provide the NFP with accounting and treasury services, including investment of resources at the direction of the NFP. The NFP is legally separate from the county and it does not meet the criteria in Statement 14, as amended, for inclusion as a component unit of the county. Should the accounting and treasury activity of the NFP be included in the county's fiduciary fund financial statements?

A—Yes. Because the county has custody of the NFP resources, the control criterion in paragraph 12 of Statement 84 is met. Furthermore, the resources meet the remaining

8

requirements in paragraph 11 of Statement 84 by being (a) *not* derived from the county's own-source revenues or from government mandated or voluntary nonexchange transactions and (b) for the benefit of the NFP, which is *not* part of the county's reporting entity and *not* derived from the county's provision of services to the NFP. (See also Question 4.30.)



Example – Contractor Deposits

4.11. Q—A city hires a contractor to construct a new city building. The contractor provides the city with a cash deposit to be held by the city as an assurance that the project will be completed on schedule and in accordance with the plans and specifications. If the contractor does not complete the project satisfactorily, the deposit will be forfeited to the city. If the contractor does complete the project satisfactorily, the city will refund the deposit. Should the city report the contractor deposit in a fiduciary fund?

A—No. Although the control criteria in paragraph 12 of Statement 84 are met because the city is holding the cash, the deposit is the result of an exchange transaction between the contractor and the city. The city is holding the cash for its own benefit and the criteria in paragraph 11c are not met. Therefore, the cash deposit and a related liability would be reported in the city's governmental or enterprise fund financial statements.



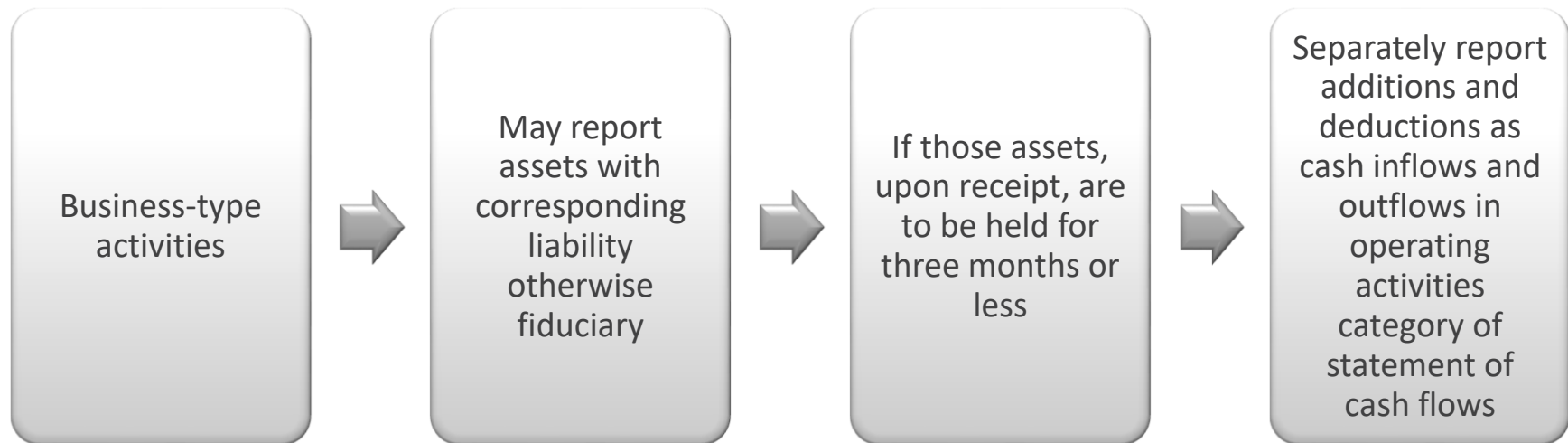
Example – Payroll Withholding

4.15. Q—A government uses a clearing account to accumulate resources from withholding of employee payroll deductions and accrued employer payroll taxes that will be submitted to the appropriate taxing bodies when due. Should the government report the clearing account in its fiduciary fund financial statements?

A—No. Although the government has control of the assets because it has custody of the cash withheld, the unremitted amounts in the clearing account are a liability of the government. When the deductions are withheld from an employee's pay, the amounts withheld and accrued by the employer become a present obligation to sacrifice resources that the government has no discretion to avoid and, therefore, are liabilities of the government. As a result, the government is holding the amounts for its own benefit and the criteria in paragraph 11c of Statement 84 are not met.



Business Type Activities – custodial fund exception





GASB 84 – Charts 1B/1A

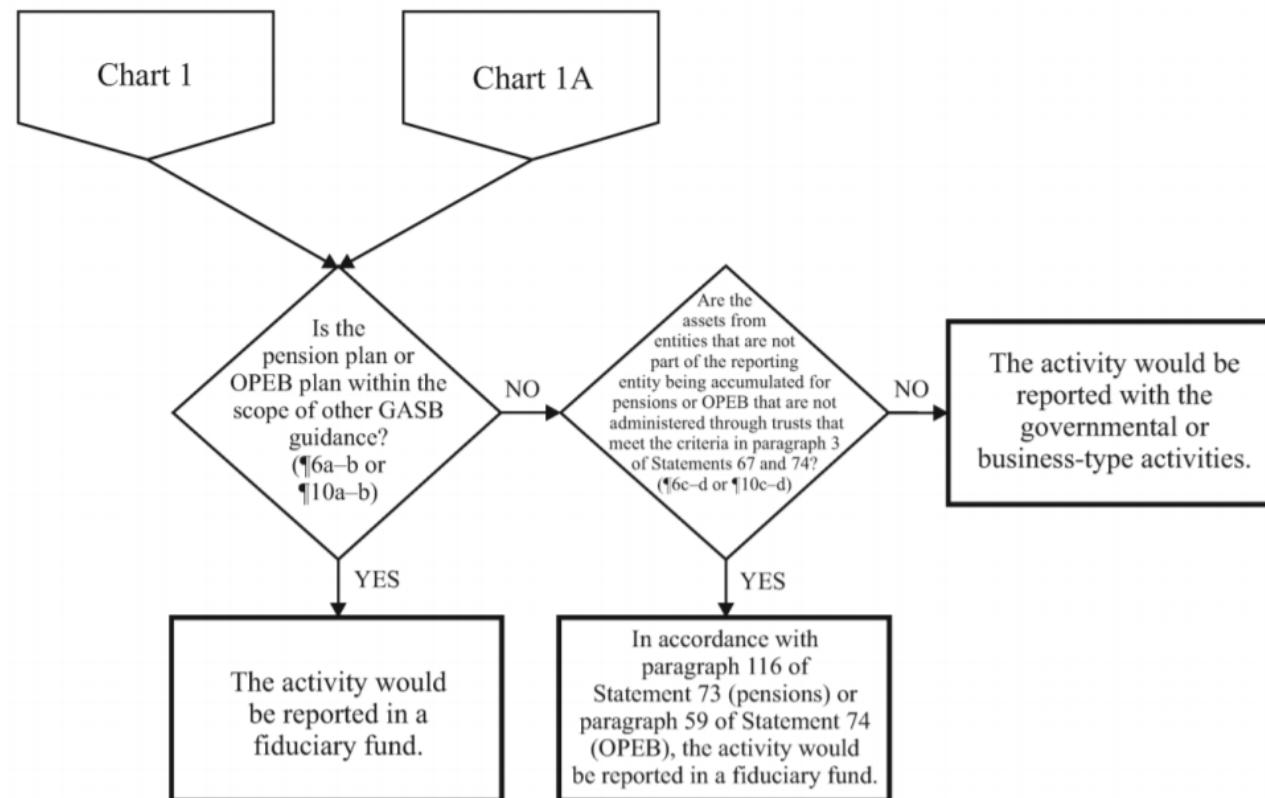
Pension and OPEB arrangements, including Component Units

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84 – Chart 1b

Chart 1B—Flowchart for Evaluating and Reporting Potential Fiduciary Activities (Postemployment Benefit Arrangements)



Component Units that Provide Pension/Postemployment Benefits

Fiduciary if (1) meets definition of component unit and (2) one of following:

Pension plan administered through trust that meets paragraph 3 of Statement 67

OPEB plan administered through trust that meets criteria paragraph 3 of Statement 74

Assets from entities not part of reporting entity are accumulated for pensions per paragraph 116 of Statement 73

Assets from entities not part of reporting entity are accumulated for OPEB per paragraph 59 of Statement 74



Pension/Postemployment Benefits that are not Component Units

Fiduciary if (1) government controls assets of arrangement, and (2) arrangement is one of following:

Pension plan administered through trust that meets paragraph 3 of Statement 67

OPEB plan administered through trust that meets paragraph 3 of Statement 74

Assets from entities not part of reporting entity are accumulated for pensions per paragraph 116 of Statement 73

Assets from entities not part of reporting entity are accumulated for OPEB per paragraph 59 of Statement 74



GASB 84 Quandaries for Higher Education Institutions

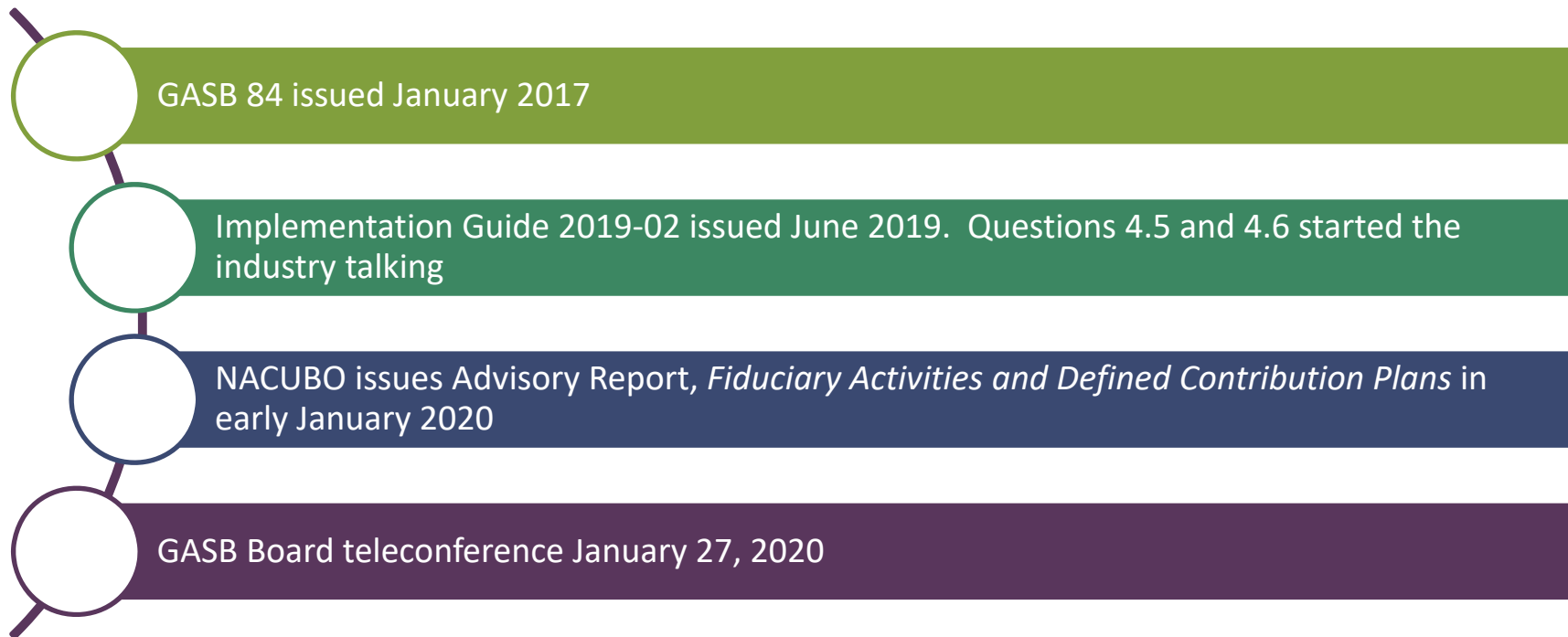
Defined Contribution Plans

- Should defined contribution plans be reported as pension trust funds?

Student Activity Funds

- Are these required to be reported if not material to the University as a whole?

GASB 84 and the Defined Contribution Plan Dilemma Timeline



Implementation Guide 2019-02

- 4.5. Q—A pension or OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, as applicable, does not have a governing board. Instead, another government (for example, a sponsoring government) performs the duties that a governing board typically would perform (for example, the government determines or amends the structure of the plan [vesting requirements and required contributions]). If that other government (for example, a sponsoring government) is legally obligated to make contributions to the pension or OPEB plan, should the plan be included as a fiduciary component unit of that other government?

A—Yes. In accordance with paragraph 21a of Statement 14, as amended, a government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. For purposes of that paragraph, a government (for example, a sponsoring government) that performs the duties of a governing board in the absence of one should be considered equivalent to a governing board for which the government appoints a voting majority. Furthermore, in accordance with paragraph 7 of Statement 84, a government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the pension or OPEB plan. As a result, the plan should be included as a fiduciary component unit of the other government (for example, a sponsoring government).



GASB January 27, 2020 Board Teleconference

STAY TUNED!

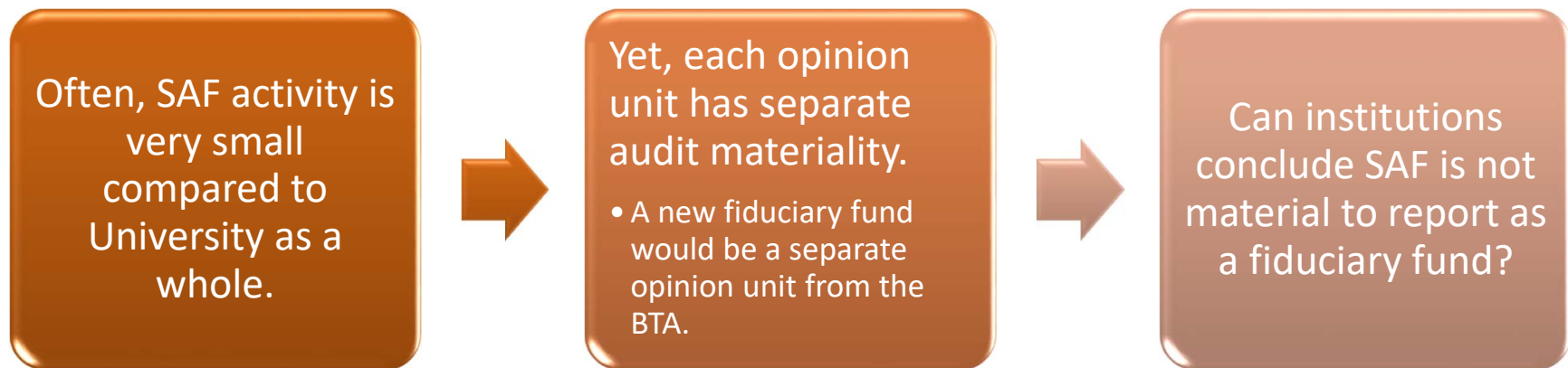
Discussed revised guidance that will scope out many defined contribution plans from GASB 84.

Possibly to be included in future 457 plan topic and included in the re-exposure draft.

Discussed postponing implementation date of certain questions in the Implementation Guide (Q 4.5 and Q 4.6)



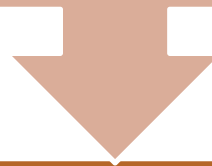
Student Activity Funds (SAF) Quandary



Student Activity Fund Quandary Resolved

AICPA issued a TQA titled Auditor Assessment of a Special-Purpose Government's Only Immaterial Fiduciary Fund:

<https://www.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/tqa-sections/tqa-section-6950-23-24.pdf>



Refers to Q7.4.1 of GASB Implementation Guide

Provides guidance of materiality determination for each type of fiduciary fund could be made based on (a) significance of those funds to all fiduciary funds of the government or (b) significance of those funds to all funds of government.



Quandary Resolved (continued)

Management should assess and document conclusion (can't just "assume" it is not material)



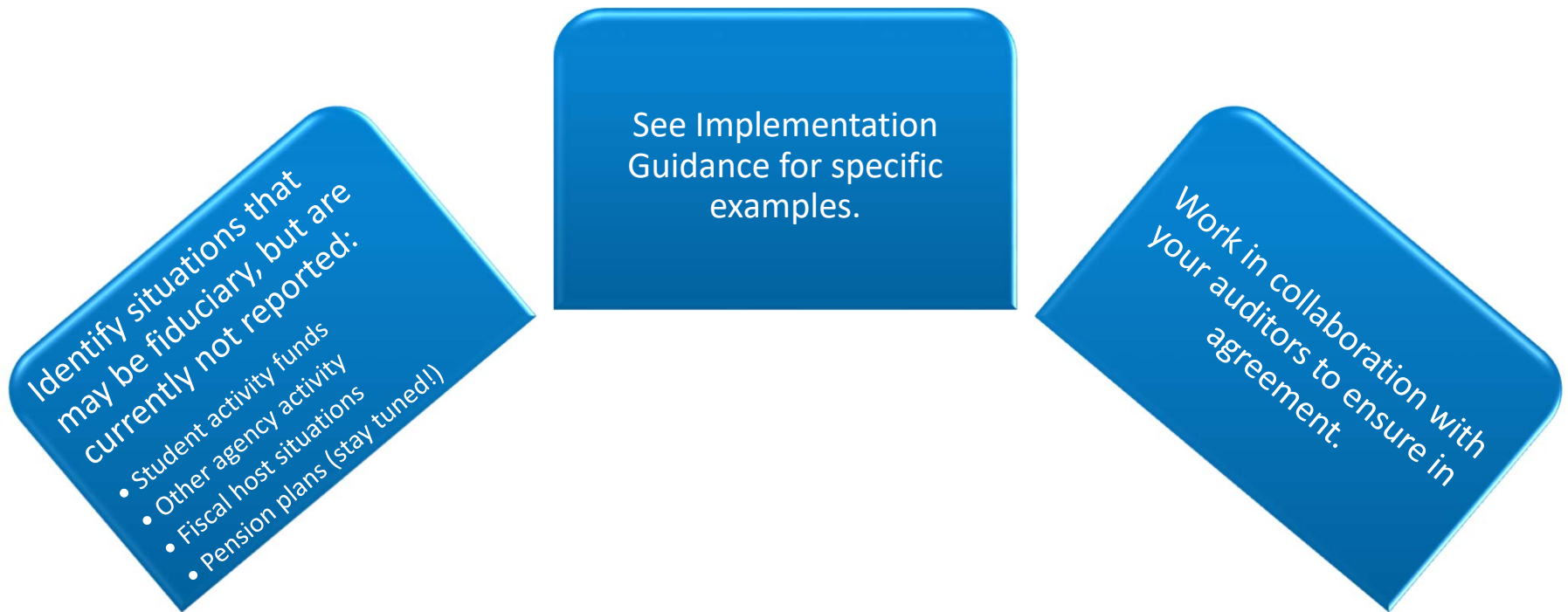
Auditors will assess management's assertion that the omission is appropriate (not quantitatively or qualitatively material to other funds of the government)



If in agreement, no impact on audit or audit reports



Action Steps





GASB 87

Leases – Applicable for periods starting after December 15, 2019

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Background

WHAT

- Revises existing lease standards on lease accounting and financial reporting (GASB 62)

WHEN

- Effective for periods after December 15, 2019

WHY

- Existing standards were dated

WHO

- Governmental Lessees
 - ◇ Over 89,000 state and local governments, including states, counties, cities, ports, hospitals, universities, and special-purpose governments
 - ◇ Over 500 federally recognized tribal governments
- Governmental Lessors
 - ◇ 90 primary commercial airports, sports stadiums, tribal casinos, ports and marinas, and utilities' power poles



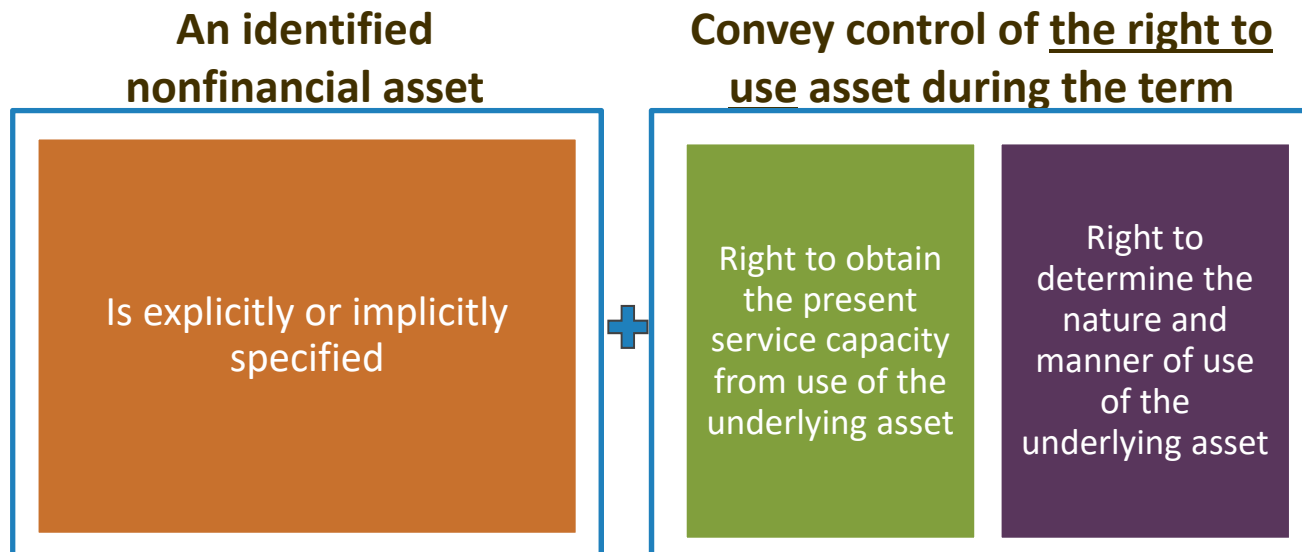
Unified Reporting Model for Leases

- No classification of leases into operating/capital or other categories
- Underlying assumption that leases are financings
- Exceptions (lessors and lessees)
 - Short-term leases
 - Leases that transfer ownership and do not contain termination options
- Exceptions for lessors
 - Leases of assets that are investments
 - Certain regulated leases (e.g. airport-airline agreements)



Definition of a Lease

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.



Exclusions from Scope

- Intangible assets (mineral rights, patents, software, copyrights) - except for the sublease of an intangible right-to-use asset
- Biological assets (including timber, living plants, and living animals)
- Inventory
- Service concession arrangements (GASB 60)
- Assets financed with outstanding conduit debt unless both the asset and conduit debt are reported by lessor
- Supply contracts, such as power purchase agreements

Scope exclusions are carried forward from GASB 62 because of the unique features and complexities associated with those types of transactions



Lease Term

- Starts with the noncancelable period, plus periods covered by lessees' and lessors' options to:
 - Extend the lease, if the option is reasonably certain of being exercised
 - Terminate the lease, if the option is reasonably certain of NOT being exercised
- Excludes "cancelable" periods
 - Periods for which lessee and lessor each have the option to terminate or both parties have to agree to extend
 - Rolling month-to-month leases
- Fiscal funding/cancellation clauses ignored unless *reasonably certain* of being exercised

Example: "The term of this Agreement begins on the date of delivery of the Equipment and ends on the later of the last day of the Minimum Lease Term ("Term") or the Extension Period (as herein defined). At the end of the Term, this Agreement is extended on a month-to-month basis until the Equipment is returned to the Lessor (the "Extension Period"). During the Extension Period the Lessor has the right to, on 30 days notice, increase the rate per month After the end of the Term either party can terminate this Agreement on 30 days written notice."



Financial Statement Impact (Lessee)– Financing & Short-Term Lease

	Statement of Net Position	Statement of Activities	Statement of Cash Flows
Financing Lease	<ul style="list-style-type: none"> Intangible Right-to-Use Asset (subject to GASB 42 impairment guidance) Lease Liability 	<ul style="list-style-type: none"> Amortization expense Interest expense (front loaded) 	<ul style="list-style-type: none"> Interest & Lease Principal = Capital & Related Financing
Short-Term Lease	<p>N/A</p> <p>(unless payments are made in advance or subsequent to the reporting period)</p>	<ul style="list-style-type: none"> Lease expense Based on payment provisions of the contract Not straight-lined for rent holiday 	<ul style="list-style-type: none"> Operating

Similar to former Operating Lease treatment under GASB 13



Other Considerations

Discount rate

- Lessees
 - Interest rate charged by lessor; may be an implicit rate (when determinable)
 - Lessee's incremental borrowing rate
- Lessors – rate charges lessee
- Discount rates should only be reassessed in following instances:
 - Lessee - Upon change in the lease term or a change in determination as to whether lessee is reasonably certain to exercise purchase option
 - Lessor - Upon change in lease term or change in interest rate charged to lessee



Separating Lease and Non-lease Components

Separate lease components from non-lease components (e.g., copy machine plus toner cartridges)



Services are non-lease components (e.g., maintenance, CAM, utilities)



Allocate contract price based on 'reasonable' individual component prices



Maximize use of observable information in estimates, if individual prices are not available or unreasonable

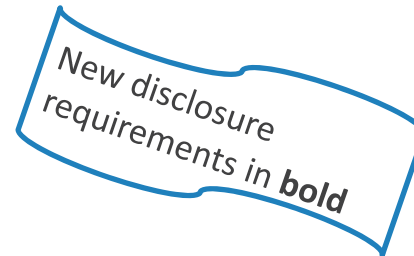


Only if estimating individual prices is **not practical**, may multiple component contracts be accounted for as single lease unit

GASB:
'inconvenient'
does not fall under
'not practical'!



Disclosures-Qualitative



- General description of the nature of lease
- Lessee to include:
 - **Basis, terms, and conditions on which variable payments are determined, or existence, terms and conditions of residual value guarantees provided by lessee, either of which are not included in the measurement of lease liability**
- Lessor to include:
 - **Basis, terms, and conditions of any variable payments not included in measurement of lease receivable are determined**
 - **The existence, terms, and conditions of options by the lessee to terminate the lease, or to abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments**
- Terms and conditions of sublease transactions (separate from lease)
- Terms and conditions of sale-leaseback transactions (separated)
- Terms and conditions of lease-leaseback transactions (netted)
- Nature and extent of leasing transactions with related parties



Disclosures-Quantitative - Lessee

- Total amount of leased assets and related accumulated amortization, disclosed separately from other capital assets, and segregated by major classes of underlying assets
- The amount of outflows of resources [expenses] recognized in the reporting period for 1) variable payments and 2) other payments such as residual value guarantees or termination penalties, ***not previously included in the measurement of the lease liability***
- Principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five-year increments thereafter
- Commitments under leases before the commencement of the lease term
- Components of any loss associated with an impairment

Many of these disclosures were included under GASB 62, but only for capital leases, not including operating leases



Lessee – Capital Asset Note Disclosure

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 12,038,276	\$ -	\$ (4,280)	\$ 12,033,996
Construction in progress	31,222,996	12,890,833	(30,025,559)	14,088,270
Total capital assets not being depreciated	43,261,272	12,890,833	(30,029,839)	26,122,266
Other capital assets				
Buildings and improvements	240,126,741	30,072,509	(1,949,759)	268,249,491
Equipment and fixtures	26,200,540	2,239,879	(31,254)	28,409,165
Leased buildings	636,731	57,791	-	694,522
Leased equipment and fixtures	5,005,414	-	-	5,005,414
Total other capital assets at historical cost	271,969,426	32,370,179	(1,981,013)	302,358,592
Less accumulated depreciation for				
Buildings and improvements	(67,806,215)	(7,317,012)	1,579,277	(73,543,950)
Equipment and fixtures	(18,380,429)	(2,365,552)	31,254	(20,714,727)
Less accumulated amortization for				
Leased assets	(1,938,346)	(1,105,860)	-	(3,044,206)
Total accumulated depreciation and amortization	(88,124,990)	(10,788,424)	1,610,531	(97,302,883)
Other capital assets, net	183,844,436	21,581,755	(370,482)	205,055,709
Capital assets, net	\$ 227,105,708	\$ 34,472,588	\$ (30,400,321)	\$ 231,177,975



Lessee – Lease Liability Note Disclosure

Year Ending Dec. 31	Principal Payments	Interest Payments	Total
2022	\$ 1,522,550	\$ 141,188	\$ 1,663,738
2023	1,343,745	111,951	1,455,696
2024	1,375,985	81,825	1,457,810
2025	1,421,848	50,151	1,472,000
2026	11,807	163	11,970
2027-2031	XXX	XXX	XXX
	<u>\$5,675,936</u>	<u>\$385,278</u>	<u>\$ 6,061,214</u>



Disclosures-Quantitative - Lessor

The total amount of inflows of resources:

- For example, lease revenue, interest revenue, and any other lease-related inflows if that amount cannot be determined based on amounts displayed on the face of financial statements;
- Amount of inflows of resources recognized in reporting period for variable and other payments not previously included in measurement of lease receivable, including inflows of resources related to residual value guarantees and termination penalties.



Initial Measurement - Lessee

Initial measurement of lease liability includes:

- Fixed payments (less lease incentives receivable from lessor)
- Variable payments based on an index or rate (such as CPI), using rate as of beginning of lease
- Variable payments that are fixed in substance
- Residual value of guarantees *reasonably* certain of being required
- Purchase options *reasonably* certain of being exercised
- Termination penalties, if lease term reflects lessee exercising termination options/fiscal funding clauses
- Any other *reasonably* certain payments

Lease liability does not include lease payments dependent on lessee's performance / usage of an underlying asset

Lease liability payments discounted using rate lessor charges lessee (may be implicit) or, if not readily determined, lessee's incremental borrowing rate



Subsequent Measurement - Lessee

- Lease liability reduced for actual payments less amortization of discount on lease liability (interest expense)

EXAMPLE

Interest Expense	\$5,000
Lease Liability	\$20,000
Cash	\$25,000
<i>(To record cash payment, interest expense, and reduction of liability.)</i>	

- Re-measure lease liability when certain changes occur (if expected to significantly affect liability measurement)
- If liability re-measured
 - Adjust liability for change in variable payments index/rate
 - Update discount rate when certain other judgments change
- Adjustments to the lease liability generally should adjust lease asset by the same amount
 - Exception if adjustment is greater than carrying value of asset, difference is recognized in the operating statement



Lessor – Recognition and Measurement

Recognize lease receivable and deferred inflow of resources.

Do not derecognize underlying asset and do not recognize residual asset.

- Depreciate underlying asset as normal, unless required to be returned in its original or enhanced condition or has an indefinite useful life



Lessor - Initial Measurement

Initial measurement of a lease receivable includes:

- Fixed payments
- Variable payments that depend on index or rate (such as CPI) at beginning of lease
- Variable payments that are fixed in substance (Exclude variable lease payments that are dependent on a lessee's performance or usage of an underlying asset)
- Residual value guarantees that are fixed in substance
- Less provision for uncollectible accounts

Discount the lease receivable using the rate the lessor charges lessee

- Interest rate may be implicit in lease

Initially excludes following:

- Residual value guarantees that are not fixed in substance should be recognized as a receivable when: (1) Payment is required, and (2) Amount can be reasonably estimated

Purchase option payments or termination penalties

- Recognized when exercised



Lessor – Deferred Inflow of Resources

Deferred Inflow of Resources — Initial Measurement

- Receivable amount, plus
- Any cash received up front that relates to future periods (e.g., final month's rent)

Recognize revenue in a systematic and rational manner over the term of the lease



Areas of Impact

Current business activities

Current financial and accounting policies (e.g., capex –approval process & signature authority, accrued liabilities)

Contract negotiations

Budgeting and governmental fund accounting

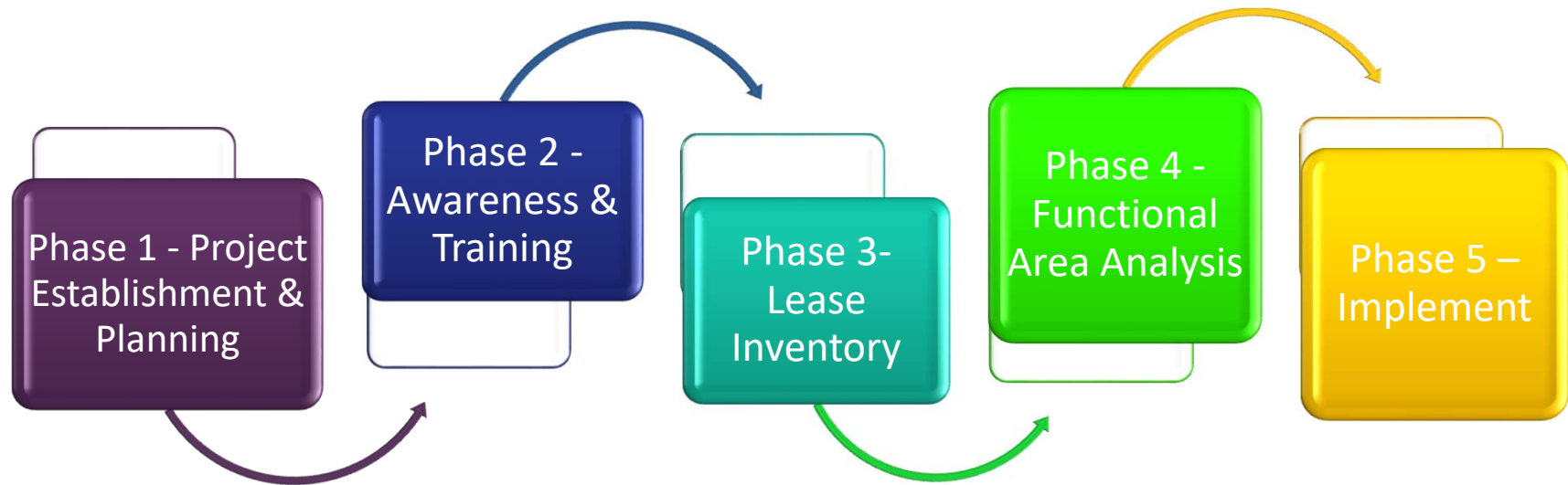
Financial/IT systems – future software/ application needs & processes

Internal controls

Key metrics



Approach to Assess and Implement





GASB 89

Accounting for Interest Cost Incurred before the end of a Construction Period - Applicable for periods starting after December 15, 2019

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Effective Date and Implementation Tips

Effective Date: For reporting periods beginning after December 15, 2019

- Effective 6/30/21 for 6/30 clients
- Effective 12/31/20 for 12/31 clients

Implementation

- Interest cost incurred before end of construction period now expensed; not capitalized.
- Many have chosen to early implement; removes burden of calculating capitalized interest.
- Applied prospectively.
 - Implementation will cause noticeable fluctuations in interest expense in the year of implementation compared to the prior year.





GASB 90

Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61

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Purpose and Goals of GASB 90

- Purpose of GASB 90:
 - Improve consistency in reporting government's majority equity interest in legally separate organization
 - Improve relevance of financial statement information for certain component units
- Effective for reporting periods beginning after 12/15/18
 - For 12/31 year ends, effective 12/31/19
 - For 6/30 year ends, effective 6/30/20



Majority Equity Interest

Definition of Equity Interest

Financial interest
in legally
separate
organization
evidenced by
ownership of
organization's
stock or by
having explicit
measurable right
to net resources
of organization

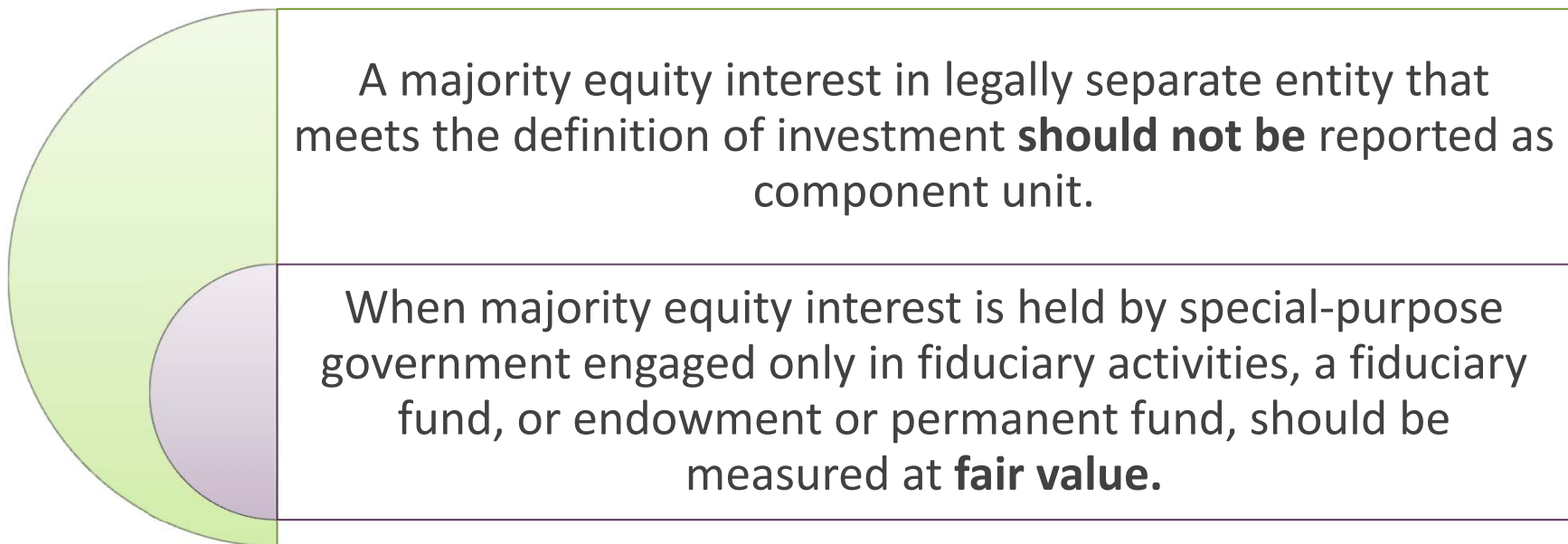
When majority equity interest in a legally separate organization exists

Evaluate if holding of equity interest
meets definition of investment
under GASB Statement 72

Report interest as investment
measured using equity method



Majority Equity Interests Considered Investments





GASB 91

Conduit Debt Obligations

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Objectives and Effective Date

Eliminate
diversity in
practice related
to:

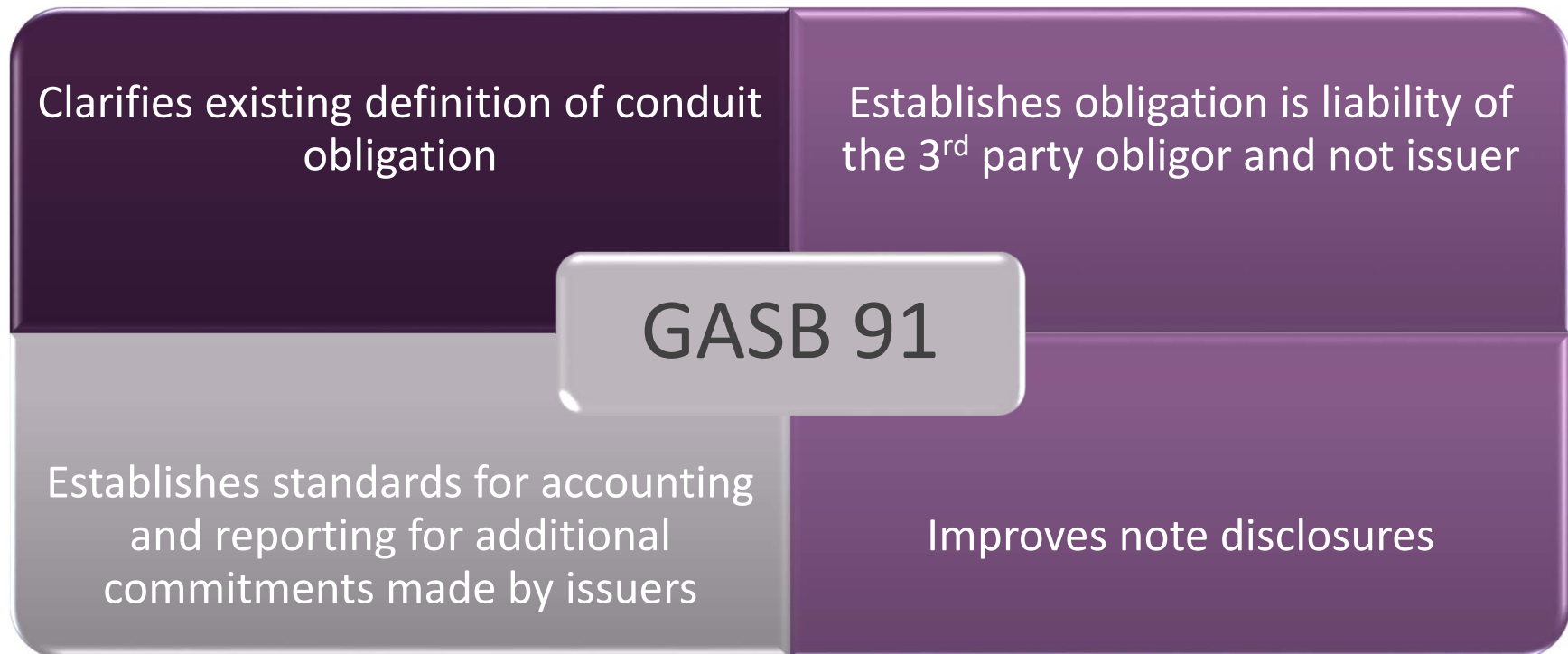
- additional commitments by issuers
- arrangements associated with conduit debt obligations
- related note disclosures

Effective date:
reporting periods
beginning after
12/15/20

- 6/30 year ends – effective 6/30/22
- 12/31 year ends – effective 12/31/21



Summary



Definition

A conduit debt obligation has all of following characteristics:

There are at least 3 parties:

- Issuer
- 3rd party obligor
- Debt holder or debt trustee

Issuer and 3rd party obligor are not within same financial reporting entity

Debt obligation is not parity bond of issuer nor it is cross-collateralized with other debt of issuer

3rd party obligor, not issuer, ultimately received proceeds

3rd party obligor, not issuer, is primarily obligated for debt service payments

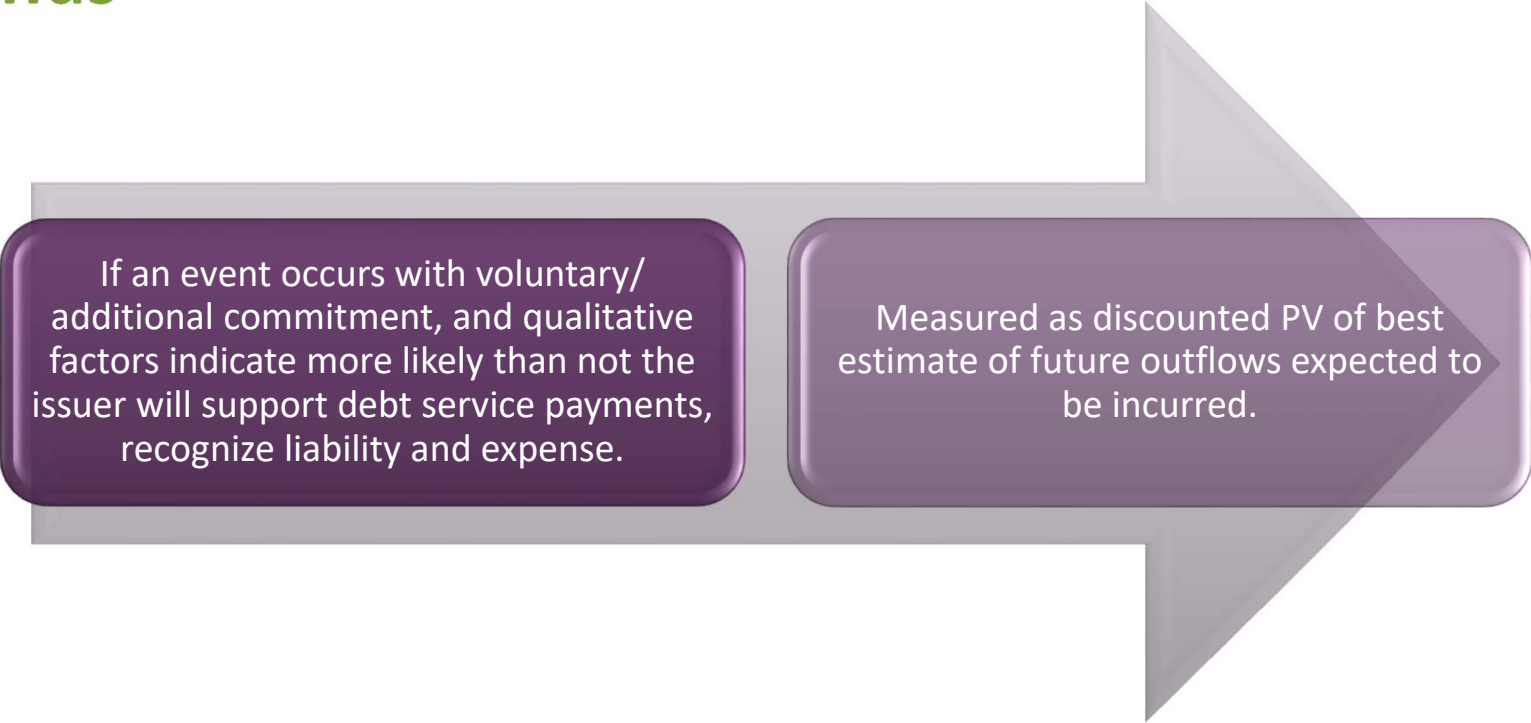


Issuer commitments

Generally limited, where issuer assumes no responsibility for debt service beyond resources provided to 3rd party obligor. However, additional or voluntary commitments may be extended.



Recognition – Government wide and Proprietary Funds



If an event occurs with voluntary/ additional commitment, and qualitative factors indicate more likely than not the issuer will support debt service payments, recognize liability and expense.

Measured as discounted PV of best estimate of future outflows expected to be incurred.





Implementation Guide 2019-1

Applicable for periods beginning after June 15, 2019

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Implementation Guide 2019-1

Effective
date:
Reporting
periods
beginning
after June 15,
2019

- For 6/30 year ends, effective 6/30/20
- For 12/31 year ends, effective 12/31/20



Topics Addressed

- OPEB Liabilities
 - Averaging different index rates, NOT allowed
 - DO for subsequent payments for implicit subsidy
- Interest rate swaps
- Disaster grants and insurance recoveries for storm damage
- Transfers of assets between primary government and component units



Topics Addressed (Continued)

- Clarifies long-term note receivable reporting
- Tax abatement agreements
- Irrevocable split-interest agreements
- Technical correction to GASB 14 for financial accountability
- Clarifies plan reporting related to OPEB and Pension plans





Upcoming GASB activity

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Upcoming GASB Activity

Exposure drafts

- Subscription Based IT Arrangements (in re-deliberations; final standard expected May 2020)
- Public-Private and Public-Public Partnership Arrangements (in re-deliberations; final standard expected March 2020)
- Secured Overnight Financing Rate – London Interbank Offered Rate (in re-deliberations; final standard expected March 2020)
- Deferred Compensation Plans – Re-examination of Statement 32 (in re-deliberations)



Upcoming GASB Activity

Exposure drafts (continued)

Omnibus (in re-deliberations; final standard expected early 2020)

- Effective Date of Statement No. 87
- Intra-entity transfers of assets
- Assets Accumulated for Defined Benefit OPEB plans not administered through trusts
- Applicability of Statement No. 84 to OPEB arrangements
- Treatment of AROs in a government acquisition
- Reinsurance recoveries
- Nonrecurring fair value measurements
- Terminology relating to derivative instruments

2020 Implementation Guidance (currently in comment period; expected to be issued early 2020)

- Fiduciary Activities
- Leases
- Asset Retirement Obligations
- Various other topics



Upcoming GASB Activity

Additional Projects

- Conceptual Framework – Disclosure Framework (initial deliberations)
- Conceptual Framework – Recognition (2nd preliminary views re-deliberations)
- Financial Reporting Model (preliminary views re-deliberations)
- Revenue and Expense Recognition (invitation to comment re-deliberations)
- Compensated Absences – Reexamination of Statement 16
- Prior Period Adjustments, Accounting Changes, and Error Corrections – Reexamination of Statement 62

Pre-Agenda Research

- Going Concern Disclosures
- Capital Assets
- Investment fees
- Interim Financial Reporting



Conclusion





Create Opportunities

CLA exists to
create opportunities —
for our clients, our people,
and our communities.



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