

GASB Update – What You Need to Know

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Create Opportunities

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- This presentation is for educational purposes only. It should not be construed or relied on as legal advice or to create any client, advisory, fiduciary, or professional relationship between you and CLA.*



Learning Objectives

By the end of this session you will be able to recognize and prepare for implementation of new accounting changes, including being able to:

Recognize the provisions of GASB Standard No. 95

Recognize the requirements of other recently issued GASBs

Identify impact on governmental financial reporting

Review upcoming proposed GASB activity

Introductions



Bhakti Patel, CPA

- State and Local Government Principal, San Antonio

Reba Long, CPA

- State and Local Government Manager, Fort Worth





GASB 95 Postponement of the Effective Dates of Certain Authoritative Guidance

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GASB Postpones Effective Dates of Upcoming Pronouncements



The screenshot shows the GASB (Governmental Accounting Standards Board) website. The header includes the GASB logo and navigation links: FAF, FASB, GASB, CONTACT US, HELP, SEARCH, and ADVANCED SEARCH. Below the header is a secondary navigation bar with links: HOME, STANDARDS & GUIDANCE, PROJECTS, MEETINGS, REFERENCE LIBRARY, NEWS & MEDIA, ABOUT US, STAY CONNECTED, and STORE. The main content area is titled 'NEWS & MEDIA' and features a news article. The article has a title 'GASB Postpones Effective Dates of Upcoming Pronouncements' and a date 'MAY 8, 2020'. The text of the article states: 'Norwalk, CT, May 8, 2020—The Governmental Accounting Standards Board (GASB) today issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic....'. Below the text is a link: 'Media Advisory | Statement No. 95'. To the right of the article is a sidebar with two additional news items: 'APRIL 23, 2020: GASB Provides Guidance to Assist Stakeholders with Implementing Its Pronouncements' and 'APRIL 20, 2020: GASB Issues Guidance on Accounting for P3s'.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

HOME STANDARDS & GUIDANCE PROJECTS MEETINGS REFERENCE LIBRARY NEWS & MEDIA ABOUT US STAY CONNECTED STORE

NEWS & MEDIA

GASB Postpones Effective Dates of Upcoming Pronouncements

Norwalk, CT, May 8, 2020—The Governmental Accounting Standards Board (GASB) today issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic....

[Media Advisory](#) | [Statement No. 95](#)

MAY 8, 2020
GASB Postpones Effective Dates of Upcoming Pronouncements

APRIL 23, 2020
GASB Provides Guidance to Assist Stakeholders with Implementing Its Pronouncements

APRIL 20, 2020
GASB Issues Guidance on Accounting for P3s

https://www.gasb.org/jsp/GASB/GASBContent_C/GASBNewsPage&cid=1176174602308

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

Group 1: Postponed one year.

- Many of these previously implemented.

Group 2: Postponed 18 months.

New Effective Dates

GASB	Updated Effective Date	For Years Ending:
83, Certain Asset Retirement Obligations	Reporting period beginning after June 15, 2019	June 30, 2020 September 30, 2020
84, Fiduciary Activities	Reporting periods beginning after December 15, 2019	June 30, 2021 September 30, 2021
87, Leases	Fiscal years beginning after June 15, 2021	June 30, 2022 September 30, 2022
88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	Reporting periods beginning after June 15, 2019	June 30, 2020 September 30, 2020



New Effective Dates - Continued

GASB	Updated Effective Date	For Years Ending:
89, Accounting for Interest Costs Incurred before the End of a Construction Period	Reporting period beginning after December 15, 2020	June 30, 2022 September 30, 2022
90, Majority Equity Interests	Reporting periods beginning after December 15, 2019	June 30, 2021 September 30, 2021
91, Conduit Debt Obligations	Fiscal years beginning after December 15, 2021	June 30, 2023 September 30, 2023
92, Omnibus 2020	Reporting periods beginning after June 15, 2021	June 30, 2022 September 30, 2022



New Effective Dates - Continued

GASB	Updated Effective Date	For Years Ending:
93, Replacement of Interbank Offered Rates	Reporting period beginning after June 15, 2021	June 30, 2022 September 30, 2022
Implementation Guide 2017-3, Accounting and Financial Reporting for OPEB	First reporting period in which the measurement date of the net OPEB liability is on or after June 15, 2019, and for actuarial valuations as of December 15, 2018 or later	June 30, 2020 September 30, 2020
Implementation Guide 2018-1, Implementation Guidance Update – 2018	Reporting periods beginning after June 15, 2019	June 30, 2020 September 30, 2020



New Effective Dates - Continued

GASB	Updated Effective Date	For Years Endings:
Implementation Guide 2019-1, Implementation Guidance Update – 2019	Reporting periods beginning after June 15, 2020	June 30, 2021 September 30, 2021
Implementation Guide 2019-2, Fiduciary Activities	Reporting periods beginning after December 15, 2019	June 30, 2021 September 30, 2021
Implementation Guide 2019-3, Leases	Fiscal years beginning after June 15, 2021	June 30, 2022 September 30, 2022



GASB 88

*Certain Disclosures Related to Debt, including Direct Borrowings
and Direct Placements*

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Objectives

Improve consistency in debt related disclosures, including direct borrowings and direct placements

- Direct Borrowing - A government enters into a loan agreement with a lender
- Direct Placements – A government issues a debt security directly to an investor
- Both have terms negotiated directly with the investor/lender and are not offered for sale to the public

Provide financial statement users with additional essential information about debt

Definition of Debt for Purposes of Disclosure

“.....a liability that arises from a contractual obligation to pay cash (or other assets in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.”



Additional Disclosures

Amounts of unused lines of credit

Assets pledged as collateral for debt

Terms specified in debt agreements related to significant:

- Events of default with finance-related consequences
- Termination events with finance-related consequences
- Subjective acceleration clauses

Separate information in debt disclosures regarding:

- Direct borrowings and direct placement, and
- Other debt

Example Disclosure

The County's outstanding notes from direct borrowings related to business-type activities of \$70,400 are secured with collateral of an undeveloped lot zoned for commercial use. The outstanding notes from direct borrowings related to business-type activities of \$70,400 contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the County is unable to make payment, outstanding amounts are due immediately.

Effective Date and Implementation Tips

Effective Date: For reporting periods beginning after June 15, 2018

- Already implemented for 6/30 clients (6/30/19)
- Effective 12/31/19 for 12/31 clients

Common issues

- Changes in long term debt and future payments schedule not broken out between direct borrowings and direct placements and other debt
- Lack of awareness of debt terms that may necessitate additional disclosures
- Review debt agreements to ensure we understand what type of debt we have and any clauses that may require additional disclosure



Implementation Tips

Additional
Disclosures
for Long-
Term Debt

- Classify liabilities as debt or non-debt and review with your auditor.
- Establish processes to identify all lines of credit and pledged assets.
- Review debt arrangements for the specific terms required to be disclosed.
- Applied prospectively.



GASB 89

Accounting for Interest Cost Incurred before the end of a Construction Period

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GASB 89

Economic resources measurement focus

- Interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred.
- Such interest cost should not be capitalized as part of the historical cost of a capital asset.

Current financial resources measurement focus

- Interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles

Construction-in-progress

- Interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized

Implementation Tips

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.
- Will cause noticeable fluctuations in interest expense in year of implementation compared to prior year.



GASB 90

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

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GASB 90

Purpose and Goals:

- Improve the consistency and comparability in reporting a government's majority equity interest in a legally separate organization
- Improve the relevance of financial statement information for certain component units

Majority Equity Interest

GASB 90 definition of Equity Interest

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

When a majority equity interest in a legally separate organization exists

- Evaluate if a government's holding of the equity interest meets the definition of an investment under GASB Statement 72
- Report the interest as an investment measured using the equity method

Investments under GASB 72

Under GASB 72, paragraph 64, an investment is a security or other asset that:

- A government holds primarily for the purpose of income or profit
AND
- Has a present service capacity based solely on its ability to generate cash or to be sold to generate cash

Investments under GASB 72

Held primarily for the purpose of income or profit

- Acquired with the expectation of future income or profit

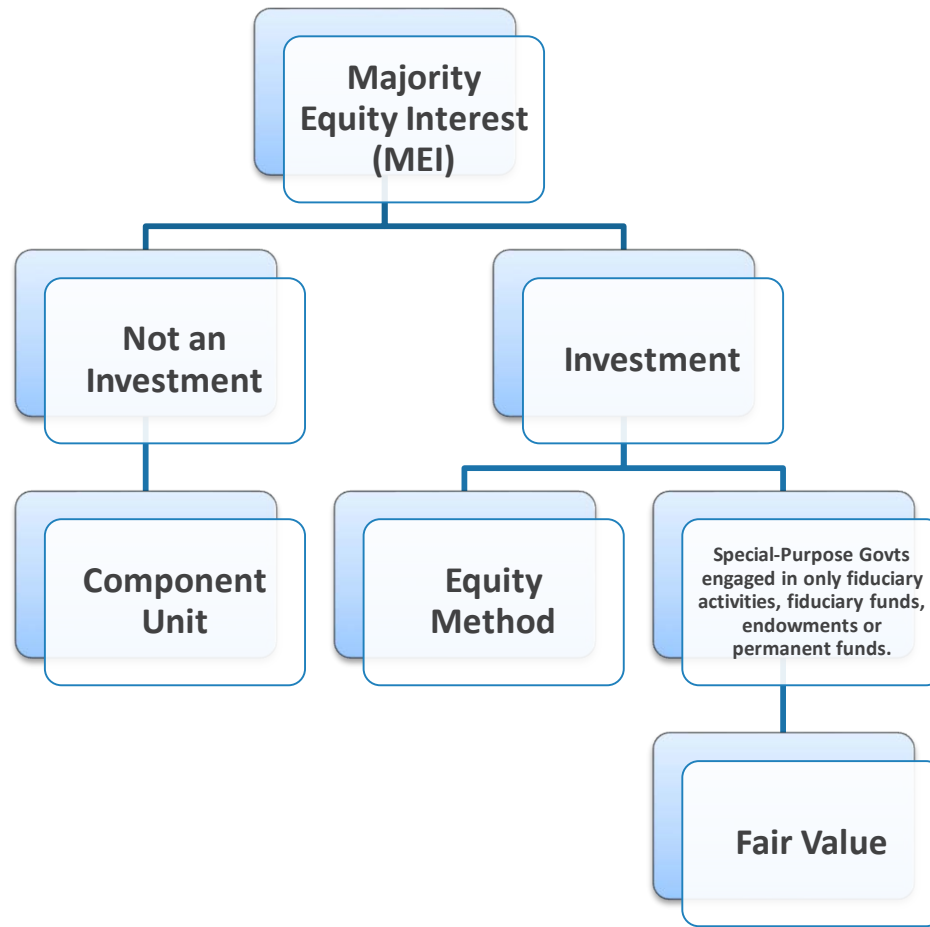
Present service capacity

- Refers to a government's mission to provide services
- Indirectly enables a government to provide services

Majority Equity Interests Considered Investments

A majority equity interest in a legally separate entity that meets the definition of an investment **should not be** reported as a component unit

When a majority equity interest is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund the majority equity interest should be measured at **fair value**



Majority Equity Interests Not Considered Investments

Holding a majority equity interest in an organization automatically results in financial accountability for the organization

- Current guidance includes other considerations that might not result in a majority owner being considered financially accountable

When a government has financial accountability for a separate legal entity that is not considered an investment, it should be reported as a component unit

Majority equity interest should be reported as an asset of the government and eliminated if the component unit is blended

100 Percent Equity Interests

Acquisition of 100 percent equity interest in a legally separate organization that is recognized as a component unit

- The component unit should measure its assets, deferred outflows of resources, liabilities and deferred inflows of resources at the acquisition value
- Follow guidance in GASB 69, paragraphs 29-42, at the date the government acquires the 100 percent equity interest

The previously recognized majority interest should be considered as part of the acquisition price

Joint Ventures

GASB 90 does not apply to joint ventures, as defined in Statement 14 paragraph 69,

Joint Venture Definition

- An entity subject to joint control by the participants, meaning that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture
- A government cannot by definition hold a majority equity interest in a joint venture

Implementation Tips

Majority
equity
interest in
another
organization
may be
reported as
an
investment

- Applied retrospectively except the provisions related to reporting a majority equity interest in a CU and reporting a CU if the government acquires a 100% equity interest.
- Take inventory of organizations in which the government has a financial interest.
- Go through the decision tree on slide 26.



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

Summary

Clarifies existing definition of conduit obligation

Establishes obligation is liability of the 3rd party obligor and not issuer

GASB 91

Establishes standards for accounting and reporting for additional commitments made by issuers

Improves note disclosures

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

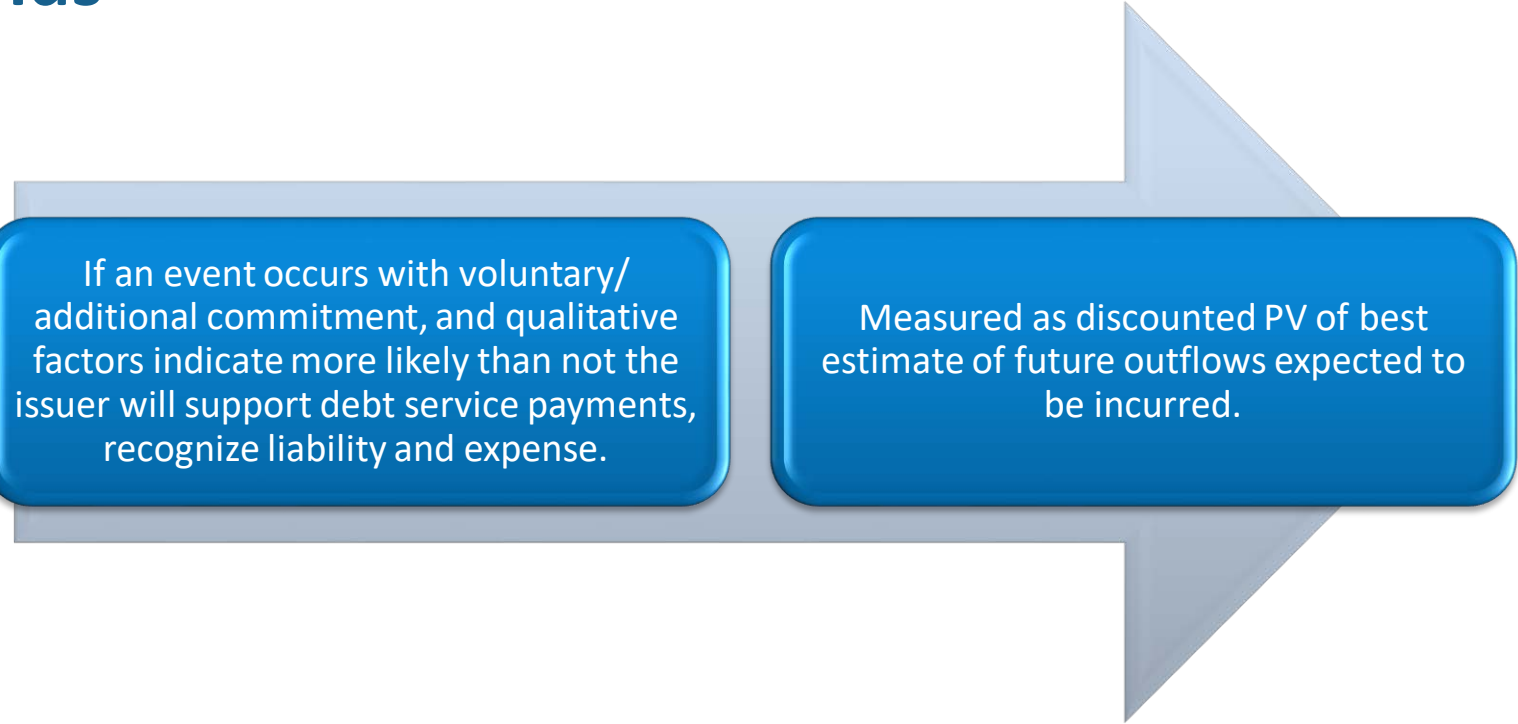
3rd party obligor, not issuer, is primarily obligated for debt service payments



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 Tips

Conduit
debt
reported
by
disclosure
only

- Applied retrospectively for all prior periods presented.
- If organization issued any conduit debt that is currently recognized as a liability, the treatment will need to change.
- You should also consider whether any other debt obligations would now fall under the new definition of conduit debt.



GASB Statements No 92 - 94

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GASB Statement No. 92

GASB No. 92, Omnibus

- Addresses issue identified during implementation of other GASBs
- Intra-entity transfers between government and pension component units
- Applicability of certain No. 84 requirements
- Measurement of liabilities related to AROs in acquisition
- Reporting clarification for public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Derivative instrument terminology
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature

GASB Statements No. 93 and 94

GASB Statement No. 93, Replacement of Interbank Offered Rates

- LIBOR ceasing current form end of 2021
- Provides exception for hedge accounting terminations with LIBOR is replaced as the reference rate
- Identifies new benchmark rates for the evaluation of the effectiveness of interest rate swap (Secured Overnight Financing Rate and Effective Federal Funds Rate)

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

- Defines PPPs and APAs.
- Carries forward requirements for SCAs and Leases.
- Provides guidance for transferred rights or receipt of such rights.



Implementation Guides

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Implementation Guides

2019-1:
Implementation
Guidance Update -
2019

2019-2: Fiduciary
Activities

2019-3: Leases

2020-1:
Implementation
Guidance Update -
2020

Implementation Guide 2019-1

- 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

Implementation Guide 2020-1

Financial Reporting Entity

- Defined Benefit Plans/component units

Internal portion in external investment pool

Fiduciary Activities examples

Leases examples

AROs – asbestos removal not AROs

Conduit debt obligations

Amendments to previously issued questions



Upcoming GASB activity

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Upcoming GASB Activity

Current Projects

Conceptual Framework – Disclosure Framework (Exposure Draft comment period)

Conceptual Framework – Recognition (Exposure Draft)

Financial Reporting Model (Exposure Draft)

Revenue and Expense Recognition (Preliminary Views)

Certain Component Unit Criteria, and Accounting and Financial Reporting For Section 457 Plans (Exposure Draft Redeliberations)

Compensated Absences – Reexamination of Statement 16 (Initial Deliberations)

Prior Period Adjustments, Accounting Changes, and Error Corrections – Reexamination of Statement 62 (Initial Deliberations)

Subscription-Based Information Technology Arrangements (Final Pronouncement Expected any day now!)

Upcoming GASB Activity

Pre-Agenda Research

Going
Concern
Disclosures

Capital
Assets

Investment
fees

Interim
Financial
Reporting

Conclusion





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Single Audit Update – 2020 Compliance Supplement and the CARES Act

Tony Emadi, CPA
Bhakti Patel, CPA

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- *This presentation considers guidance provided by the US Department of the Treasury and OMB through September 2, 2020. Additional guidance is being provided on a regular basis, please refer to the US Department of the Treasury website (<https://home.treasury.gov/policy-issues/cares/state-and-local-governments>) for recent updates.*

Learning Objectives

By the end of this session, you will be able to -

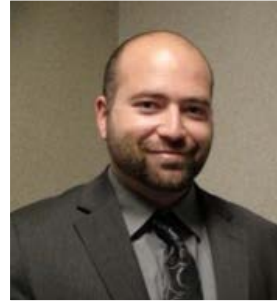
- Describe the CARES Act and related funding.
- Review potential uses of *Coronavirus Relief Funds*.
- Review your organization's preparedness for the approaching *Uniform Guidance* audit (Single Audit) related to CARES Act funding.
- Recognize the changes in the 2020 Compliance Supplement

Introductions



Bhakti Patel, CPA

- State and Local Government Principal



Tony Emadi, CPA

- State and Local Government Director

CARES Act Related Governmental Funding

RELIEF FUND

\$150 billion in direct aid specifically for COVID-19 related expenses to states, tribal governments, and others with population greater than 500,000 people.

FEDERAL RESERVE MUNICIPAL LIQUIDITY FACILITY

The Federal Reserve will purchase up to \$500 billion of short term notes directly from U.S. states, counties and cities.

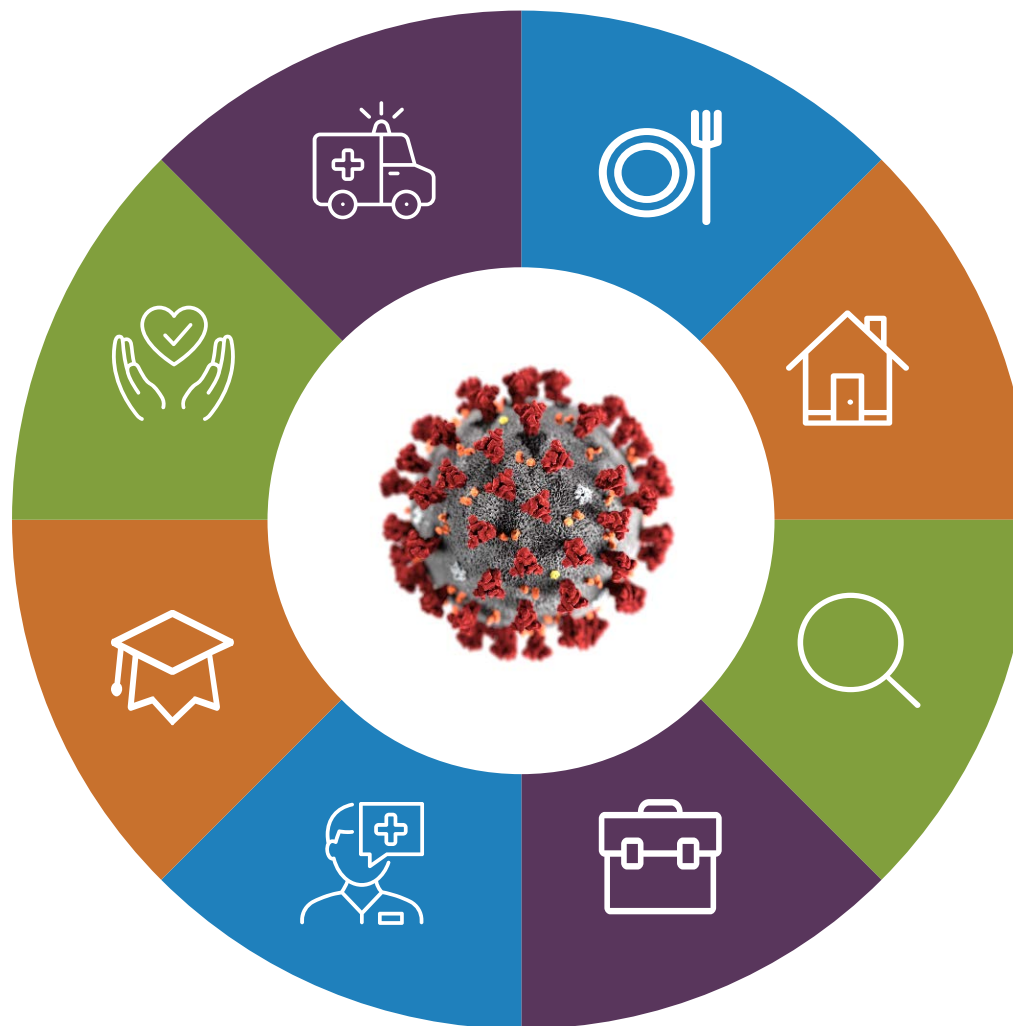
EDUCATION

\$30 billion to be distributed to entities providing education services.

CENTERS FOR DISEASE CONTROL

\$1.5 billion for the (CDC) State and Local Preparedness Grants.

\$100 billion to reimburse eligible health care providers for health care related expenses.



FEMA

Public Assistance Grants

TRANSPORTATION

\$25 billion for COVID-19 related operating and capital costs are eligible.

JUSTICE

\$850 million for the Coronavirus Emergency Supplemental Funding (CESF) grant program to assist state and local law enforcement and jails prevent, prepare for, and respond to COVID-19.

FEDERAL AVIATION ADMINISTRATION

\$9.9 billion in total available to commercial airports through the Airport Improvement Program (AIP). \$9.4 billion for airports to prevent, prepare for, and respond to COVID-19.



Create Opportunities

Overview, Coronavirus Aid, Relief, and Economic Security Act (CARES) Act

- Issued into law March 27, 2020
- Over \$339 billion in funding sent to various federal agencies with some impact to state and local governments
- 16 *new* federal programs with CFDA's have been established as a result of the Coronavirus (COVID-19) pandemic
- Not all programs will be subject to the UG or Subpart F (Single Audit requirements) of the UG
- GAQC has issued a non-authoritative summary of information based on public information in <https://beta.sam.gov/>

New CARES Act Programs – UG applicability (nonauthoritative)

Program Title	CFDA	Does the Assistance Listing indicate that UG applies?	Does the Assistance Listing indicate that the single audit requirements in Subpart F of the UG apply?
Coronavirus Emergency Supplemental Funding Program	16.034	Yes	Yes
Coronavirus Relief Fund (CRF)	21.019	Yes	Yes
COVID-19 Telehealth Program	32.006	Yes	Yes
Disaster Assistance Loans	59.008	Yes	Yes
CARES Act Project SERV	84.184C	Yes	Yes
Education Stabilization Fund	84.425	Yes	Yes
Uninsured COVID Testing and Treatment	93.461	Yes	Yes
Provider Relief Fund	93.498	Yes	Yes
New & Expanded Services Under Health Center Program	93.527	Yes	Yes
Emergency Grants to address Mental and Substance use Disorders During COVID 19 Pandemic	93.665	Yes	Yes
Rural health Clinic Testing	93.697	Yes	Yes
Coronavirus Food Assistance Program	10.130	No	N/A
Coronavirus Relief –Pandemic Relief for Aviation Workers	21.018	No	N/A
Economic Injury Disaster Loan Emergency Advance	59.072	No	N/A
Payroll Protection Program Loans	59.073	No	N/A
OED Resource Partners Training Portal	59.074	No	N/A





Coronavirus Relief Fund (CFDA 21.019)

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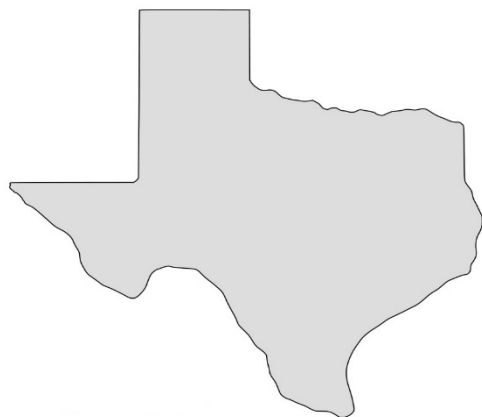
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Coronavirus Relief Fund (CFDA 21.019)

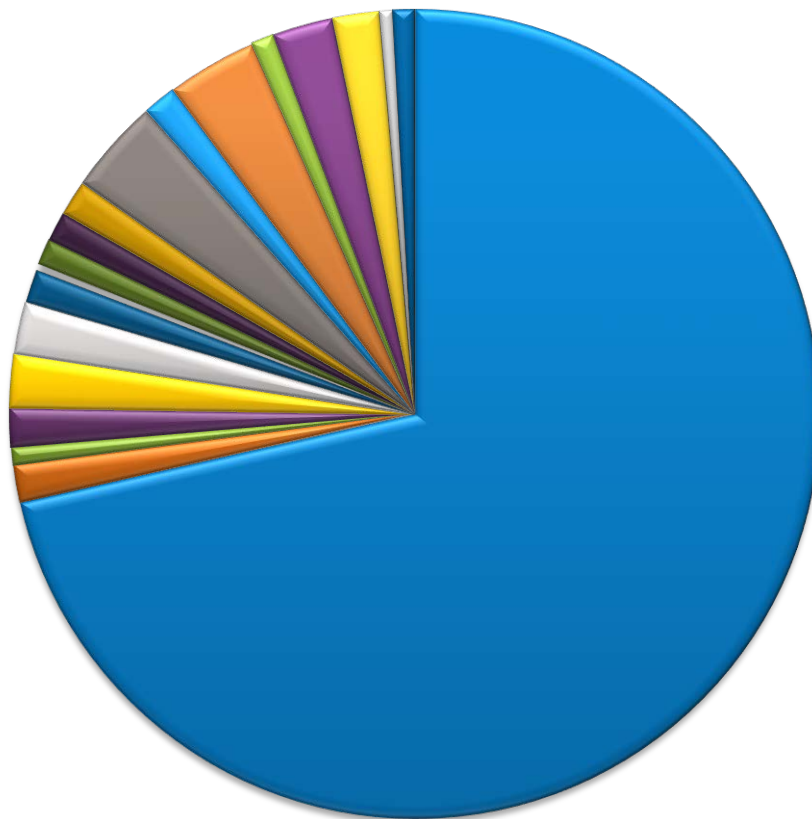
- \$150 billion for the Coronavirus Relief Fund (CFDA #21.019)
 - Administered by U.S. Department of Treasury
 - \$3 billion reserved for territories and DC
 - \$8 billion reserved for tribes
- Amounts were paid based on 2019 population data
- Each state received a minimum of \$1.25 billion
- Each state and local government over a population of 500,000
- Texas was allocated \$11.243 billion



Texas Allocation of Coronavirus Relief Fund (CFDA 21.019)



Total Allocation to Texas



State of Texas	\$8,038,314,291
City of Austin	\$170,811,897
Bexar County	\$79,626,415
Collin County	\$171,453,156
Dallas County	\$239,952,373
City of Dallas	\$234,443,128
Denton County	\$147,733,722
El Paso County	\$27,484,280
City of El Paso	\$118,956,279
Fort Bend County	\$134,262,394
City of Fort Worth	\$158,715,568
Harris County	\$425,942,656
Hidalgo County	\$151,582,673
City of Houston	\$404,868,873
Montgomery County	\$104,983,285
City of San Antonio	\$269,983,717
Tarrant County	\$209,816,857
Travis County	\$61,147,507
Williamson County	\$93,382,340

Source: <https://home.treasury.gov/system/files/136/Payments-to-States-and-Units-of-Local-Government.pdf>

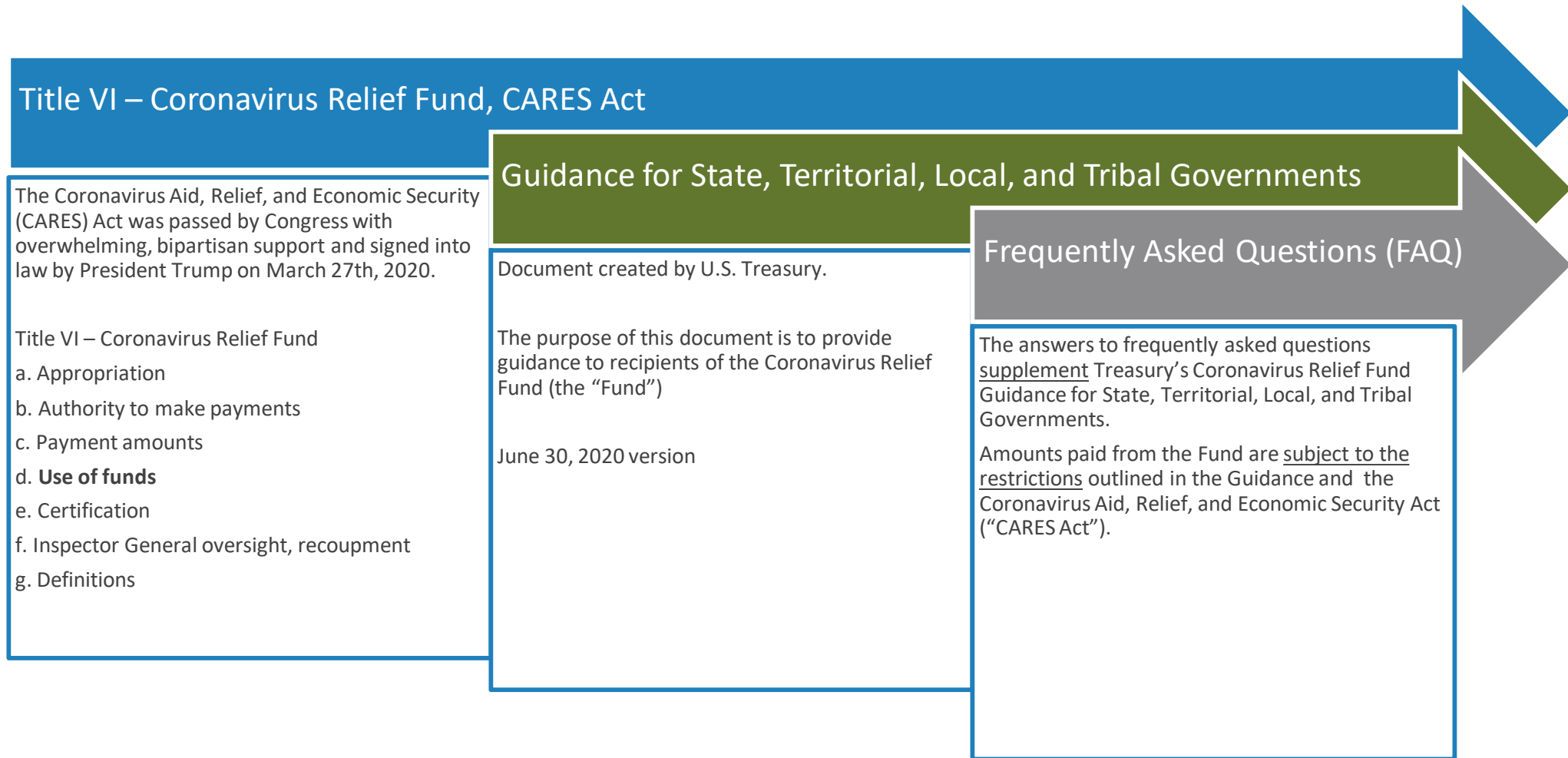


Interim Report State & Local Recipients - Costs Incurred by Spend Category through June 30 Data (Texas only)

	Payment Amount	Transferred to other governments	Payroll for public health and safety employees	Budgeted personnel and services diverted to a substantially different use	Improvements to telework capabilities of public employees	Medical expenses	Public health expenses	Distance learning	Economic support	All items not listed above	Total Costs Incurred	Percent Spent
Total allocation	\$11,243,461,411	\$963,602,291	\$190,543,480	\$30,652,063	\$10,447,345	\$12,763,264	\$32,396,779	\$360,165	\$95,861,723	\$29,914,662	\$1,366,541,773	12.2%
<i>Eligible local</i>												
Austin city	170,811,897	-	32,850,000	5,000,000	3,000,000	10,000,000	10,000,000	-	1,000,000	15,000,000	76,850,000	45.0%
Bexar County	79,626,415	-	-	-	354,732	-	621,904	-	6,908,000	-	7,884,636	9.9%
Collin County	171,453,156	49,831,355	12,139,972	55,631	-	63,460	1,622,101	-	31,674,413	1,446,468	96,833,400	56.5%
Dallas County	239,952,373	11,459,866	-	-	-	-	496,557	-	1,150,000	944,479	14,050,901	5.9%
Dallas city	234,443,128	-	24,000,000	10,400,000	1,488,436	647,767	5,123,807	-	-	-	41,660,010	17.8%
Denton County	147,733,722	-	22,961,265	-	63,872	202,236	913,638	-	4,546,962	-	28,687,973	19.4%
El Paso County	27,484,280	34,727	-	-	48,309	469,065	78,728	-	52,732	1,785	685,346	2.5%
El Paso city	118,956,279	-	46,270	-	4,157	35,623	51,386	-	-	-	137,436	0.1%
Fort Bend County	134,262,394	82,380	14,859	-	294,418	-	5,185	360,165	344,425	36,933	1,138,366	0.8%
Fort Worth city	158,715,568	-	9,127,585	4,542,461	-	-	3,013,923	-	164,659	1,991,662	18,840,290	11.9%
Harris County	425,942,656	-	-	-	4,159,503	-	46,026	-	-	8,989,001	13,194,530	3.1%
Hidalgo County	151,582,673	13,829,674	-	-	205,506	-	858,065	-	-	167,232	15,060,477	9.9%
Houston city	404,868,873	-	15,564,786	3,832,074	623	-	3,969,613	-	14,804,733	-	38,171,828	9.4%
Montgomery	104,983,285	-	19,781,389	922,336	115,037	116,232	323,510	-	-	-	21,258,503	20.2%
San Antonio city	269,983,717	-	53,428,475	5,899,563	-	590,709	3,496,366	-	911,556	-	64,326,669	23.8%
Tarrant County	209,816,857	51,928,580	-	-	-	-	-	-	32,050	-	51,960,630	24.8%
Travis County	61,147,507	3,742,915	17,250	-	207,108	37,795	939,576	-	1,009,911	1,281,675	7,236,230	11.8%
Williamson County	93,382,340	-	309,541	-	505,644	599,841	749,664	-	33,262,282	55,021	35,481,993	38.0%
Payment to the state	8,038,314,291	832,692,794	302,089	-	-	537	86,730	-	-	406	833,082,555	10.4%



Interpreting the Guidance for CRF



Use of Funds Under Title VI, CRF – The CARES Act

Governments shall use the funds to cover only those costs of the state, tribal government, or unit of local government that meeting all three (3) requirements.



Costs are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)

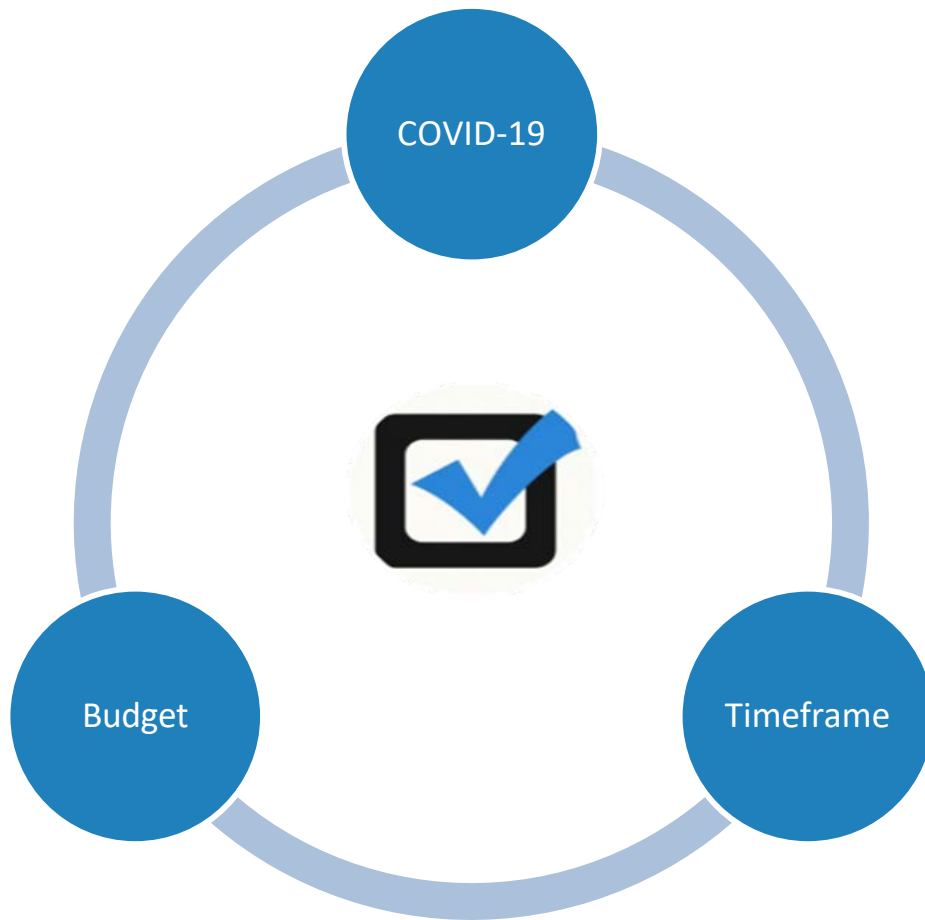


Cost were not accounted for in the budget most recently approved as of March 27, 2020 for the State or government



Cost were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

Compliance Visual



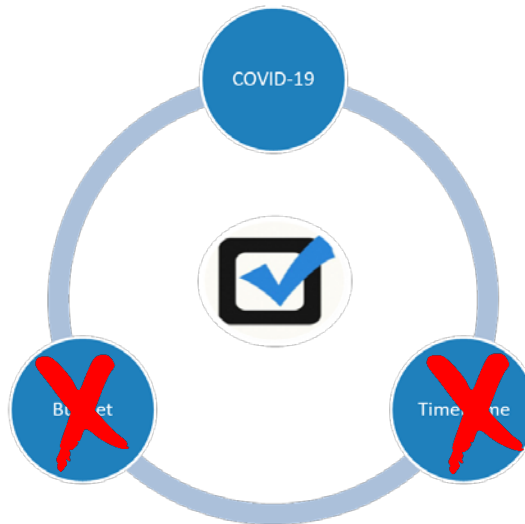
- Every program, transaction, and use idea should be analyzed and documented for compliance with these requirements.
- Imprudent application of these concepts could result in a debt to the Federal government.

Necessary Expenditures Incurred Due to Public Health Emergency

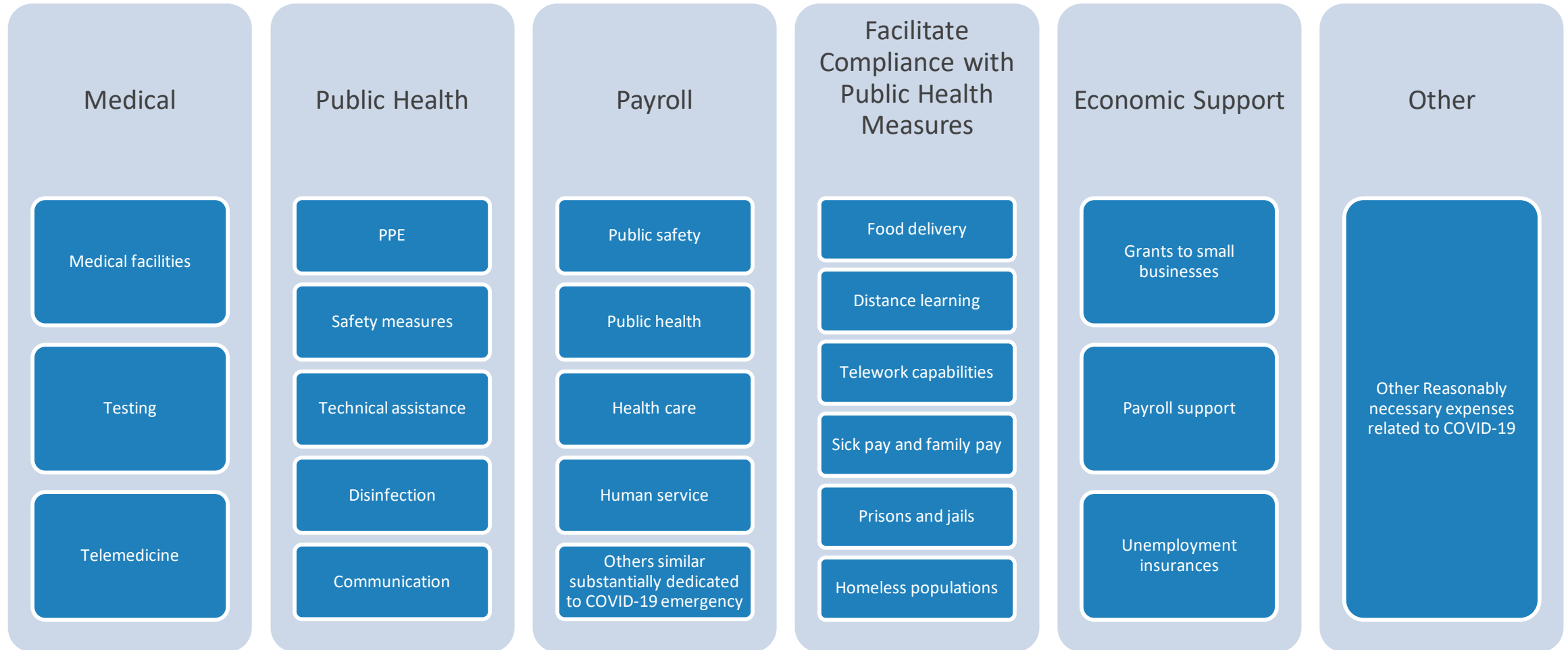
- Due to Public Health
 - For actions taken to respond to emergency
 - ◇ Direct, or
 - ◇ Second-order effects such as economic support for employment and business interruptions
- Necessary
 - Reasonably necessary as determined by the reasonable judgement of government official responsible for spending
- Revenue replacement is not permissible.

Necessary COVID-19 Expenditures

- The Guidance provides a listing of generalized eligible expenditures and ineligible expenditures.
- This listing is suggestive of use of funds. This list does not consider the budget and timeframe of the expenditures.



Coronavirus Relief Funds (CRF) – Eligible Expenditures



Coronavirus Relief Funds (CRF) – Ineligible Expenditures



Expenses for the State share of Medicaid.

Replacement of lost revenues, including property tax relief.

Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.

Reimbursement to donors for donated items or services.

Workforce bonuses other than hazard pay or overtime.

Severance pay or legal settlements

Damages covered by insurance.



Cost Not Accounted for in the Budget

- CRF payments use only to cover cost not accounted for in the most recently approved budget as of March 27, 2020
 - i.e. cost you did not consider when preparing your budget
 - i.e. if we were going to spend the dollars anyway, not those costs.
(referred to *Supplement Not Supplant*)

If the Costs are Budgeted and ...

- The cost cannot lawfully be funded using a line item, allotment, or allocation within that budget OR
- The cost is a **substantially different use** from any expected use of funds in such a line item, allotment, or allocation.



Cost Incurred between March 1 and December 30, 2020

- Incurred during the “covered period”
 - March 1 to December 30, 2020
- Performance or delivery must occur during the covered period
- Payment does not need to be made in the covered period, however, generally expected within 90 days
- Subrecipient need to comply with regulation

Frequently Asked Questions

- Supplement Treasury's Guidance
- Reminder that amount paid for CRF subject to the three criteria discussed earlier
- Treasury maintains an updated list of frequently asked questions at: <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>.

Payroll Expense Eligible

Question 2

The Guidance says that funding can be used to **meet payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency**. How does a government determine whether payroll expenses for a given employee satisfy the “substantially dedicated” condition?

1. *COVID-19 Eligible - Addressed*
2. *Unbudgeted – ?*
3. *Between March 1 and December 30 - Addressed*

Answer

The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local, or Tribal **government may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency**, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.

Substantial Different Use

Question 3

The Guidance says that a cost was not accounted for in the most recently approved budget if the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation. What would qualify as a “substantially different use” for purposes of the Fund eligibility?

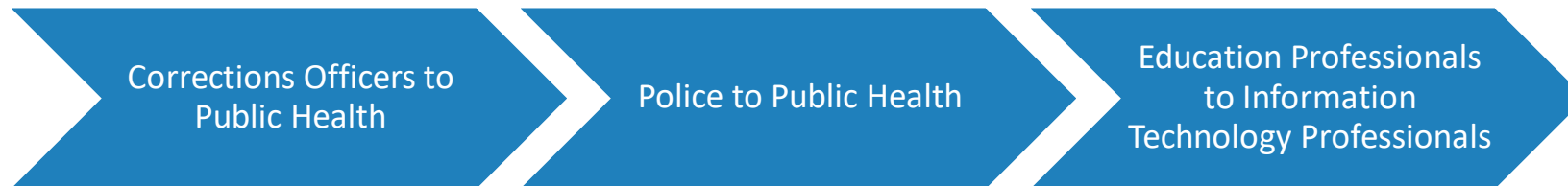
Answer

Costs incurred for a “substantially different use” include, but are not necessarily limited to, costs of personnel and services that were budgeted for in the most recently approved budget but which, due entirely to the COVID-19 public health emergency, have been **diverted to substantially different functions.**
(continued)

Answer Question 3 (continued)

This would include, for example, the costs of redeploying corrections facility staff to enable compliance with COVID-19 public health precautions through work such as enhanced sanitation or enforcing social distancing measures; the costs of redeploying police to support management and enforcement of stay-at-home orders; or the costs of diverting educational support staff or faculty to develop online learning capabilities, such as through providing information technology support that is not part of the staff or faculty's ordinary responsibilities.

- Note that a public function does not become a “substantially different use” **merely because it is provided from a different location or through a different manner**. For example, although developing online instruction capabilities may be a substantially different use of funds, **online instruction itself is not a substantially different use of public funds than classroom instruction**.



Payroll Expense Eligible

Question 11

The Guidance states that the Fund may support a “broad range of uses” including **payroll expenses for several classes of employees whose services are “substantially dedicated to mitigating or responding to the COVID-19 public health emergency.”** What are some examples of types of covered employees?

1. *COVID-19 Eligible - Addressed*
2. *Unbudgeted - Mentioned*
3. *Between March 1 and December 30 - Addressed*

Answer

The Guidance provides examples of broad classes of employees whose payroll expenses would be eligible expenses under the Fund. These classes of employees include **public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.** Payroll and benefit costs associated with public employees who could have been furloughed or otherwise laid off but who **were instead repurposed to perform previously unbudgeted functions** substantially dedicated to mitigating or responding to the COVID-19 public health emergency are also covered. Other eligible expenditures include payroll and benefit costs of educational support staff or faculty responsible for developing online learning capabilities necessary to continue educational instruction in response to COVID-19-related school closures. **Please see the Guidance for a discussion of what is meant by an expense that was not accounted for in the budget most recently approved as of March 27, 2020.**

Payroll Expense Eligible

Question 47

The guidance provides that funding may be used to meet payroll expenses for **public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency**. May Fund payments be used to cover such an employee's **entire payroll cost or just the portion of time spent on mitigating or responding to the COVID-19 public health emergency?**

1. *COVID-19 Eligible - Addressed*
2. *Unbudgeted - ?*
3. *Between March 1 and December 30 - Addressed*

Answer

As a matter of administrative convenience, the entire payroll cost of an employee whose time is substantially dedicated to mitigating or responding to the COVID-19 public health emergency is eligible, **provided that such payroll costs are incurred by December 30, 2020**. An employer may also track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department.



Substantial Different Use - Administration Leave

Question 48

May Fund payments be used to cover increased administrative leave costs of public employees who could not telework in the event of a stay at home order or a case of COVID-19 in the workplace?

Answer

The statute requires that payments be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. As stated in the Guidance, a cost meets this requirement if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or (b) the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation. **If the cost of an employee was allocated to administrative leave to a greater extent than was expected, the cost of such administrative leave may be covered using payments from the Fund.**

Budgeted Costs

Question 55

How does a government address the requirement that the allowable expenditures are not accounted for in the budget most recently approved as of March 27, 2020, once the government enters its new budget year on July 1, 2020 (for governments with June 30 fiscal year ends) or October 1, 2020 (for governments with September 30 year ends)?

Answer

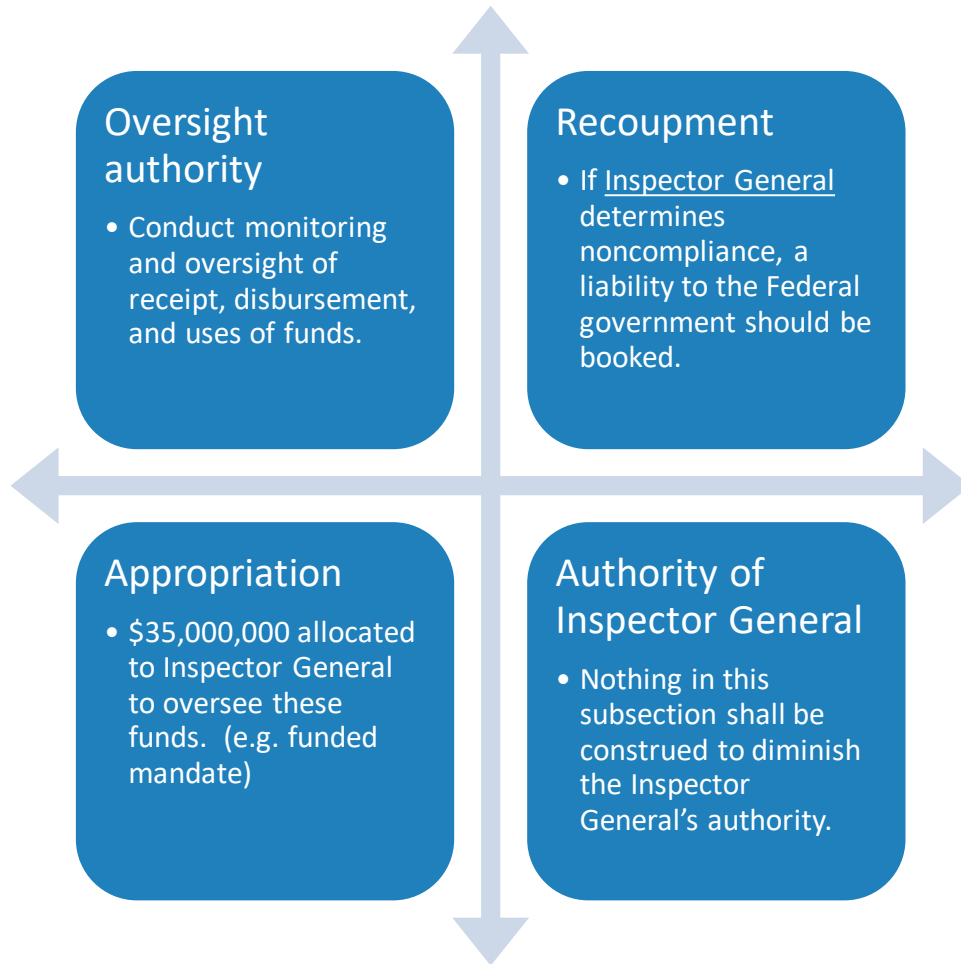
As provided in the Guidance, the “most recently approved” budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health emergency. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Substantial Different Use - Administration Leave

Question 55 - Continued

Furthermore, the budget most recently approved as of March 27, 2020, provides the spending baseline against which expenditures should be compared for purposes of determining whether they may be covered using payment from the Fund. This spending baseline will carry forward to a subsequent budget year if a Fund recipient enters a different budget year between March 27, 2020 and December 30, 2020. The spending baseline may be carried forward without adjustment for inflation.

Department of Treasury Office of Inspector General



Beginning September 1, 2020, the prime recipient of CRF payments began reporting Coronavirus Disease 2019 (COVID-19) related costs incurred from March 1, 2020 to December 30, 2020 in the GrantSolutions portal.

Office of Inspector General released FAQ document OIG-CA-20-028 "Department of the Treasury Office of Inspector General Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping" on August 28, 2020



2020 Compliance Supplement

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

2020 Compliance Supplement Changes

- Appendix V - List of changes for the 2020 Compliance Supplement
 - Provides a list of changes from the 2019 Supplement dated August 2019
 - The following CFDA's/ clusters had changes (updates, additions and deletions):

CFDA					Clusters
10.500	11.611	20.001	84.011	93.566	SNAP Cluster Head Start Cluster
10.511	14.241	20.106	84.048	93.569	Child Nutrition Cluster Medicaid Cluster
10.512	14.872	20.223	84.181	93.658	Foster Grandparent/Senior Companion Cluster CDBG – Disaster Recovery Grants
10.515	14.881	21.015	84.287	93.676	Highway Planning and Construction Cluster
10.520	16.710	21.016	84.424	93.686	Highway Safety Cluster
10.557	16.738	21.020	84.938	93.767	Clean Water State Revolving Fund Cluster
10.558	16.922	84.000	87.051	94.006	Special Education Cluster (IDEA)
10.566	17.225	84.002	87.052	97.036	Health Center Program Cluster
10.760	17.245	84.010	93.558	97.067	CCDF Cluster

Uniform Guidance – Single Audit

- Timing concerns
 - Supplemental Addendum to Compliance Supplement
 - CRF audit guidance will not be available until Fall 2020
- Program coverage and risk assessment
 - Type A threshold increasing on audits due to increase in funds
 - Program selection is difficult and influx
- Changing internal control environments



Findings, Comments, Etc.

- Currently, we are concerned about more findings and comments related to the new and additional funding.
- Coronavirus Relief Fund specific concerns –
 - Undocumented and poorly supported cost eligibility determinations
 - Political pressure, money, and remote work
 - Significant changes (personal, work-challenges, emotional, etc.)
 - Poor communication (Federal, state departments, local government)
 - Creativity and odd rational
 - Is this fund political and the impact of the election?