



Office of the State Controller

OFFICIAL MEMORANDUM

To: Chief Fiscal Officers, Vice Chancellors, and Business Managers

From: Dr. Linda Combs, State Controller

Date: April 30, 2020

Subject: 2020 Governmental Accounting Update

I am pleased to announce that on June 4, 2020, the Office of the State Controller will host the 2020 OSC Governmental Accounting Update. In respect for everyone's safety and the importance of social distancing, this conference will be presented virtually rather than in person. This virtual conference will provide an update of recent activities of the Governmental Accounting Standards Board (GASB) and other topics including data security, grant compliance, cyber threats, HIPAA, and IRS compliance. Attendance will qualify for up to eight hours of CPE credit. The course announcement is attached for your review. Instructor biographies are available on [OSC's website](#).

The registration fee is **\$40 per attendee**. To register for this conference, visit the [Office of the State Controller's website](#). Please register as soon as possible as the **registration deadline is Thursday, May 28, 2020. Payments must be made on or before this date.** After this date, no requests for refunds will be considered. Please refer to [OSC's registration policies](#) for more information regarding refunds, cancellations, or complaints.

Payment can be made by credit card or electronic transfer in the Cash Management Control System (CMCS) to the **Office of the State Controller**. Agencies should register attendees individually (with separate email addresses). Agencies using CMCS can submit one payment to cover all registration fees if all necessary notations have been made.

If you are paying by electronic transfer, please follow the instructions below:

- **NCAS agencies:** Use IGO vendor number 561611588-03. For the cash management transfer, in the description or remit message line, you must include the following for proper processing: attendee full name; reference 2020 Governmental Accounting Update.
- **Non-NCAS agencies paying through CMCS:** Use department code 4161 for payment in the description or remit message line. You must include the following for proper processing: attendee full name; reference 2020 Governmental Accounting Update.

If you have questions, please contact Jan Prevo at jan.prevo@osc.nc.gov or 919-707-0714. We look forward to your participation in the conference and thank you for your service to our State.

Attachment
SA 20-27

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2020 Governmental Accounting Update

Continuing Professional Education

North Carolina Office of the State Controller

| | |
|---------------------------------------|---|
| Date: | June 4, 2020 8:15 a.m. to 4:50 p.m. |
| Location: | Web-based Virtual Conference |
| Learning Objectives: | To gain an understanding of recent activities of the Governmental Accounting Standards Board (GASB) and other topics including data security, cyber threats, and compliance. |
| Content: | <u>GASB Update - Chris Pembrook, Crawford & Associates</u> <ul style="list-style-type: none">- GASB 84, Fiduciary Activities - including the Implementation Guide No. 2019-2- GASB 87, Leases – including the Implementation Guide No. 2019-3- GASB 89, Accounting for Interest Cost Incurred before the End of a Construction Period- GASB 90, Majority Equity Interests – an amendment of GASB Statements 14 and 61- GASB 91, Conduit Debt Obligations- GASB 92, Omnibus 2020- GASB 93, Replacement of Interbank Offered Rates- GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements- Implementation Guide No. 2019-1- Implementation Guidance Update- GASB Exposure Draft, Postponement of the Effective Dates of Certain Authoritative Guidance- GASB Exposure Draft, Certain Component Unit Criteria and Accounting and Financial Reporting for IRC 457 Deferred Compensation Plans <u>Other Governmental Accounting Topics – Elliott Davis</u> <ul style="list-style-type: none">- IRS compliance issues- Grant compliance- Data security and cyber threats- Applicability of HIPAA law to governmental entities |
| Instructors: | Chris Pembrook - Crawford & Associates Denise Hill, Janice Ratica, Tom McNeish, Jimmy Buddenberg and Ira Bedenbaugh - Elliott Davis |
| CPE Credit Offered: | Up to eight hours |
| Fields of Study: | Accounting – Governmental, Taxes, Information Technology, Specialized Knowledge |
| Materials: | Available in advance on the OSC web page |
| Instructional Delivery Method: | Group internet based |
| Lunch: | 12:05 p.m.- 1:05 p.m. (on your own) |
| Prerequisites: | Must be employed by a State agency or institution that is part of the State financial reporting entity (i.e., an entity included in the State's Comprehensive Annual Financial Report) |
| Advance Preparation: | None |
| Level: | Basic |

DEVELOPER: [CRAWFORD & ASSOCIATES, PC](#) AND [ELLIOTT DAVIS](#)

SPONSOR: [NC Office of the State Controller](#)



AGENDA

2020 Governmental Accounting Update

June 4, 2020

8:15 – 8:20 Call to Order – Michael Euliss, Office of the State Controller,
Communications/Government Relations/Training Director

8:20 – 8:30 Opening Remarks – Dr. Linda Combs, State Controller

Governmental Accounting Standards Board Update (Chris Pembroke, Crawford & Associates)

8:30 – 9:20 GASB Update: Statements 84, 87 and 90 through 94; Implementation Guide No. 2019-1 through 2019-3; and Exposure Drafts

9:20 – 9:30 Break

9:30 – 10:50 GASB Update – Continued

10:50 – 11:05 Break

11:05 – 12:05 GASB Update – Continued

12:05 – 1:05 Lunch

Other Governmental Accounting Topics (Elliott Davis)

1:05 – 1:55 Views from a Tax Perspective – Denise Hill and Janice Ratica

1:55 – 2:10 Break

2:10 – 3:00 Grant Compliance Update – Tom McNeish

3:00 – 3:50 Data Security and Cyber Threat Update – Jimmy Buddenberg

3:50 – 4:00 Break

4:00 – 4:50 Does HIPAA Really Apply? – Ira Bedenbaugh

Closing Remarks – Michael Euliss, Office of the State Controller

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| Upcoming Training Dates: July 15, 2020 – 2020 Professional Ethics and Conduct Webcast December 16, 2020 – 2020 OSC Financial Conference |
|---|



J. Ira Bedenbaugh

Principal

Services: Consulting | **Industries:** Healthcare

Professional Overview

Ira has more than 10 years of experience providing consulting services to physician practices, hospitals and other healthcare entities, specializing in strategic planning, physician compensation, practice operations, analytics and HIPAA.

Related to physician compensation, Ira regularly works with clients in the development of compensation formulas, addressing STARK concerns within compensation formulas, fair market valuations and works with his team to provide clients with compensation calculations services.

Ira supports clients with HIPAA compliance services related to HIPAA's Security Rule in performing security rule assessments and assisting entities with operational implementation of HIPAA's Privacy and Security Rules.

Prior to joining Elliott Davis in 2006, Ira served as the practice administrator for a multi-physician primary care practice in South Carolina, where he successfully integrated an electronic health record system in 2001. The practice was named a Better Performing Practice by Medical Group Management Association in both 2000 and 2005 for physician productivity and cost containment. Ira's current physician practice clients benefit from the insights he brings to bear from his experience as a practice administrator and his unique understanding of the regulatory and operational pressures physician practices face.

Education, Credentials and Special Training

M.B.A., Clemson University

B.S., Financial Management, Clemson University

Professional Affiliations

Medical Group Managers Association (MGMA)

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elliott davis

Does HIPAA Really Apply?

OFFICE of the STATE CONTROLLER
2020 Governmental Accounting Update

June 4, 2020

Ira Bedenbaugh, Consulting Principal

Disclaimer

This material was used by Elliott Davis during an oral presentation; it is not a complete record of the discussion. This presentation is for informational purposes and does not contain or convey specific advice. It should not be used or relied upon in regard to any particular situation or circumstances without first consulting the appropriate advisor. No part of the presentation may be circulated, quoted, or reproduced for distribution without prior written approval from Elliott Davis.

Does HIPAA Really Apply?

- History of HIPAA
- Who is subject to HIPAA
- Privacy Rule
- Security Rule
- Areas of focus

History of HIPAA

- Health Insurance Portability and Accountability Act
 - Title I – Health Care Access, Portability and Renewability
 - Title II – Preventing Health Care Fraud and Abuse; Administrative Simplification; Medical Liability Reform
 - Title III – Tax-related health provisions governing medical savings accounts
 - Title IV – Application and enforcement of group health insurance requirements
 - Title V – Revenue offset governing tax deductions for employers

History of HIPAA

- Health Insurance Portability and Accountability Act
- Privacy Rule
- Security Rule
- HITECH Act
- Enforcement

Protected Health Information

- Individually identifiable health information, including demographic data, that relates to
 - The individual's past, present or future physical or mental health or condition
 - The provision of health care to the individual
 - The past, present, or future payment for the provision of health care to the individual
- Information which identifies the individual or for which there is a reasonable basis to believe can be used to identify the individual (Demographic)

Demographic Information

- Name
- Geographical subdivisions
- All elements of dates
- Telephone and fax numbers
- Vehicle identifiers
- Email addresses
- URLs
- Social Security numbers
- IP addresses
- Medical record numbers
- Biometric identifiers
- Health plan beneficiary numbers
- Account numbers
- Full face photographs

Source: US Department of Health and Human Services; Guidance Regarding Methods for De-identification of Protected Health Information in Accordance with HIPAA

Subject to HIPAA

- Covered Entities
 - Health Plans
 - Health Care Providers
 - Health Care Clearinghouses
- Business Associates

Source: US Department of Health and Human Services; Summary of the HIPAA Privacy Rule

Hybrid Entity

- A legal entity whose business activities include both covered and non-covered functions that designates its healthcare components as covered entities
- The entity must draw lines of separation in which the designated healthcare components are required to comply with HIPAA and only those designated healthcare components have the right to use, maintain, store or transmit PHI
- If the entity does not deem itself a hybrid entity and identify the covered healthcare components, then the entire entity is considered to be a covered entity

Examples Hybrid Entities

- Post-secondary institutions
- IT companies
- Research centers
- County and municipal governments

Source: Ableitner, Alexandra; McNeese Wallace & Nurick LLC; Are You a Hybrid Entity Under HIPAA

Hybrid Electronic Transactions

- Health plan enrollment or disenrollment
- Health plan eligibility determinations
- Health plan premium payments
- Referral certification and/or authorization
- Claim submissions and status inquiries
- Coordination of health plan benefits
- Payment and remittance advice

Source: Ableitner, Alexandra; McNeese Wallace & Nurick LLC; Are You a Hybrid Entity Under HIPAA

UMass Settlement with HHS

- On June 4, 2013, UMass notified OCR of a breach of ePHI, from workstation infected with malware, effecting 1,670 individuals
- Findings
 - UMass failed to include each component, which would be considered covered, in its hybrid entity designation
 - UMass did not conduct an accurate and thorough risk analysis
 - UMass did not implement technical security measures
- In November 2016, UMass agreed to pay HHS \$650,000 and enter into a correction action plan

Source: UMass Resolution Agreement and Corrective Action Plan

Privacy Rule

- The Privacy Rule protects all protected health information held or transmitted by a covered entity or its business associate, in any form or media, whether electronic, paper, or oral.
- The Privacy Rule excludes from protected health information employment records that a covered entity maintains in its capacity as an employer and education and certain other records subject to, or defined in, the Family Educational Rights and Privacy Act, 20 U.S.C. §1232g.
- A major purpose of the Privacy Rule is to define and limit the circumstances in which an individual's protected health information may be used or disclosed by covered entities.

Privacy Rule - Disclosures

- Required disclosures
 - To individuals or their representative
 - HHS when it is undertaking a compliance investigation

Privacy Rule - Disclosures

- Required disclosures
- Permitted disclosures
 - To the individual
 - Treatment, payment and health care operations
 - Opportunity to agree or object
 - Incidental to an otherwise permitted use and disclosure
 - Public interest and benefit activities
 - Limited data set

Source: Summary of the HIPAA Security Rule; HHS.gov

Privacy Rule - Disclosures

- Public interest and benefit activities
 - Required by law
 - Public health oversight activities and essential government functions
 - Victims of abuse, neglect or domestic violence or serious threat to health or safety of an individual
 - Judicial and administrative proceedings including law enforcement purposes
 - Decedents
 - Workers compensation

Security Rule

- The Security Rule requires covered entities to maintain reasonable and appropriate administrative, technical and physical safeguards for protecting e-PHI. Covered entities must:
 - Ensure the confidentiality, integrity and availability of all e-PHI they create, receive, maintain or transmit;
 - Identify and protect against reasonably anticipated threats to the security or integrity of the information;
 - Protect against reasonably anticipated, impermissible uses or disclosures; and
 - Ensure compliance by their workforce.

Source: 45 C.F.R. § 164.306(a)

Security Rule

- Implementation and successful of the Security Rule requires all components of an entity to be part of the implementation
- Security Rule Safeguards
 - Administrative
 - Physical
 - Technical
- Implementation
 - Required – Safeguard must be implemented
 - Addressable – Allows entity to determine whether the Safeguard is reasonable and appropriate and allows entity to adopt an alternative measure to meet the standard

Security Rule – Administrative

- Security Management Process
- Assigned Security Responsibility
- Workforce Security
- Information Access Management
- Security Awareness and Training
- Security Incident Procedures
- Contingency Plan
- Evaluation
- Business Associate Contracts

Security Rule – Administrative

- Security Management Process
 - Risk Analysis (Required) § 164.308(a)(1)(ii)(A)

“Conduct an accurate and thorough assessment of the potential risks and vulnerabilities to the confidentiality, integrity, and availability of electronic protected health information held by the covered entity.”

Security Rule – Administrative

- Security Awareness and Training

- Security Reminders (Addressable) § 164.308(a)(5)(ii)(A)

“Implement a security awareness and training program for all members of its workforce (including management).”

Security Rule – Administrative

- Contingency Plan

- Data Backup Plan (Required) § 164.308(a)(7)(ii)(A)

“Establish and implement procedures to create and maintain retrievable exact copies of electronic protected health information.”

Security Rule – Physical

- Facility Access Controls
- Workstation Use
- Workstation Security
- Device and Media Controls

Source: Summary of the HIPAA Security Rule; HHS.gov

Security Rule – Technical

- Access Control
- Audit Controls
- Integrity
- Person or Entity Authentication
- Transmission Security

Source: Summary of the HIPAA Security Rule; HHS.gov

Security Rule – Technical

- Access Control
 - Encryption and Decryption (Addressable) § 164.312(a)(2)(iv)

“Implement a mechanism to encrypt and decrypt electronic protected health information.”

Source: § 164.308(a)(1)(ii)(A)

HIPAA and COVID-19

- Enforcement discretion was issued for telehealth and COVID-19 community based testing sites during the public health emergency.
- Guidance regarding COVID-19 disclosure to law enforcement, paramedics, other first responders and public health authorities.
- Enforcement discretion regarding business associates and their good faith uses and disclosures of PHI for public health and health oversight during the COVID-19 public health emergency.

Questions?

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Jimmy Buddenberg

Risk Advisory and Cybersecurity Practice Leader

Services: Risk Advisory and Cybersecurity | **Industries:** Healthcare, Manufacturing and Distribution, Retail, Technology, Energy, Telecommunications, Government

Professional Overview

As leader of the Risk Advisory and Cybersecurity practice, Jimmy helps clients protect their critical assets, data, and operations from Cybersecurity threats. His pragmatic approach enables clients to maximize investments while achieving necessary regulatory compliance.

Jimmy has more than 20 years of experience in providing high quality IT and Security services to over 150 customers in industries including: Retail, Manufacturing, Financial Services, Transportation, Technology, Media, Telecommunications, Energy, and Public Sector. Prior to joining Elliott Davis, Jimmy was a senior vice president for a \$13B global IT services company.

Education, Credentials and Special Training

B.S., Mathematics/Computer Science, magna cum laude, Muskingum University

Professional Affiliations

Information Systems Audit and Control Association (ISACA)
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Civic and Community Activities

President, Parent Teacher Association Board
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Data Security and Cyber Threat Update

Jimmy Buddenberg

- 1) In a ransomware attack does paying result in getting your data more than not? How do you guarantee payment will get your organizations data back?

You can think of the ransomware industry as a business. If organizations never recovered their data after a ransomware attack the news would spread and everyone would be reluctant to pay. So, in most instances, paying the ransom does result in organizations being able to recover their data. That being said, you are dealing with criminals, so you always run the risk that they will take your money and not assist with recovering your information. It would be tough to receive any guarantees that you will be able to recover your data.

- 2) How do you know whether or not you are using VPN using the split tunneling method?

In order to determine if you are using a VPN with split tunneling enabled you will need to use a technical command called tracert (stands for trace route). You will need to open a command prompt on your Windows computer and once at the prompt type in tracert 8.8.8.8 (this is a Google DNS server). VPN networks using split tunneling will display a trace that leads directly to their Internet provider (see below). If a VPN network is not configured for split tunneling there will be several additional hops beginning at line 2 (highlighted) that will demonstrate the traffic being routed through the VPN concentrator at your organization.

```
C:\Users\brian.kirk>tracert 8.8.8.8
```

```
Tracing route to dns.google [8.8.8.8]  
over a maximum of 30 hops:
```

```
 1  4 ms  3 ms  4 ms testwifi.here [192.168.86.1]  
 2  4 ms  4 ms  4 ms dtr03ssvlsc-tge-0-2-0-5.ssvl.sc.charter.com [96.34.67.216]  
 3 20 ms 15 ms 15 ms dtr01ssvlsc-tge-0-2-0-5.ssvl.sc.charter.com [96.34.67.217]  
 4 19 ms 16 ms 17 ms 096-034-095-153.biz.spectrum.com [96.34.95.153]  
 5 16 ms 16 ms 15 ms crr01gnvlsc-bue-300.gnvl.sc.charter.com [96.34.93.199]  
 6 18 ms 19 ms 17 ms crr12gnvlsc-tge-0-1-0-1.gnvl.sc.charter.com [96.34.92.62]  
 7 20 ms 22 ms 21 ms bbr01spbgsc-bue-4.spbg.sc.charter.com [96.34.2.50]  
 8 22 ms 22 ms 22 ms bbr02slidla-tge-0-1-0-4.slid.la.charter.com [96.34.0.133]  
 9 27 ms 41 ms 21 ms bbr02atlnga-tge-0-2-0-0.atln.ga.charter.com [96.34.3.111]  
10 21 ms 20 ms 20 ms 74.125.51.142  
11 24 ms 25 ms 20 ms 108.170.225.164  
12 22 ms 22 ms 22 ms 108.170.225.117  
13 21 ms 21 ms 18 ms dns.google [8.8.8.8]
```

```
Trace complete.
```

```
C:\Users\brian.kirk>
```

- 3) What percent of these criminals actually get caught?

No one knows an accurate number to this question because most cybercrimes are not reported. Additionally, most criminals that are caught are never prosecuted. Finally, as most criminals operate outside the United States it makes it even more difficult to obtain an indictment. One of the reasons cybercrime is so prevalent is because it's extremely difficult to get caught and prosecuted.

- 4) Can we get his 13 recommendations document?

Included

- 5) Do you recommend that capabilities be made to eliminate inserting flash drives into computers?

Some organizations, such as banks, don't require the use of removable media on individual workstations. I would recommend you block the ability for flash drives to be used in your environment if they are not required.

- 6) How many days of backups is recommended? How often would you recommend an incremental vs full back up?

Determining a company's backup rotation is dependent on their business model and how quickly they need to recover operations. In order to properly answer this question we would need to understand the type of business and the impact of downtime. Many companies do full backups on the weekends and incremental every day, however, some organizations perform full backups every night as they want to recover quickly in the event of an outage or cyber-attack. A company should have offline copies of full backups (either tape or cloud).

- 7) If a company pays the money to get their data back from the attacker, are there cases where the attackers keep copies of the company's data and still uses it even after they have been paid to return it? How is a company sure their data won't be used after they pay to get it back?

There are no guarantees that you can trust criminals. Recent ransomware attacks have included a data exfiltration component so that attackers can also threaten to release the information obtained if the ransom is not paid. No one knows if the attackers truly destroy the data obtained if the ransom is paid.

elliott davis

Securing Your Organization

As a result of COVID-19

Introduction

History has proven that cyber criminals increase their attack efforts on organizations when there are other significant events at play such as natural, technological, or manmade disasters. These criminals are now taking advantage of the COVID-19 pandemic with increased attempts to steal data and interrupt business operations through the use of Ransomware.

Many organizations have sent employees home to work remotely to stop the spread of COVID-19. In doing this, the “attack surface” for a cyber criminal to gain access to an organization’s data and critical systems has expanded. This expanded attack surface along with the increase in threats, is creating the perfect storm for an organization to fall victim to an attack.

In this document, the Elliott Davis Risk Advisory and Cybersecurity Team recommends certain steps be performed **as soon as possible** to mitigate this increased risk.

We stand ready to assist you!

Jimmy Buddenberg

Director of Risk Advisory & Cybersecurity Services



National Cyber Awareness System:

[AA20-099A: COVID-19 Exploited by Malicious Cyber Actors](#)

04/08/2020 08:00 AM EDT

Original release date: April 8, 2020

Summary

This is a joint alert from the United States Department of Homeland Security (DHS) Cybersecurity and Infrastructure Security Agency (CISA) and the United Kingdom’s National Cyber Security Centre (NCSC).

This alert provides information on exploitation by cybercriminal and advanced persistent threat (APT) groups of the current coronavirus disease 2019 (COVID-19) global pandemic. It includes a non-exhaustive list of indicators of compromise (IOCs) for detection as well as mitigation advice.

Both CISA and NCSC are seeing a growing use of COVID-19-related themes by malicious cyber actors. At the same time, the surge in teleworking has increased the use of potentially vulnerable services, such as virtual private networks (VPNs), amplifying the threat to individuals and organizations.

APT groups and cybercriminals are targeting individuals, small and medium enterprises, and large organizations with COVID-19-related scams and phishing emails. This alert provides an overview of COVID-19-related malicious cyber activity and offers practical advice that individuals and organizations can follow to reduce the risk of being impacted. The IOCs provided within the accompanying .csv and .stix files of this alert are based on analysis from CISA, NCSC, and industry.

Note: this is a fast-moving situation and this alert does not seek to catalogue all COVID-19-related malicious cyber activity. Individuals and organizations should remain alert to increased activity relating to COVID-19 and take proactive steps to protect themselves.

Recommended Actions to Take

Action #1: Review Remote Access Policy and Provide Recommendations

With the lines between home and corporate networks being blurred, organizations should clarify acceptable and unacceptable uses of technology to reduce the risk of employees inadvertently introducing cybersecurity threats to the environment.

Action #2: Provide Cyber Awareness Training to Employees - Including Proper and Secure Data Storage

Awareness training plans need to be updated to reflect employees staying and working from home almost exclusively during the pandemic. Users should also be educated on proper areas for file storage and transfer while out of the office.

Action #3: Evaluate Whether There are Unsecured Remote Access Products (e.g. RDP) Exposed to the Internet

Unsecure instances of Remote Desktop Protocol (RDP) are one of the leading contributors of Ransomware attacks against organizations. With new remote access solutions being configured and rolled out in a short amount of time, organizations should test them for weaknesses that can be exploited by criminals.

Action #4: Review VPN Authentication Methods and Assist in the Setup of Multi-factor Authentication if Needed

Organizations should have a third party review their VPN connectivity to verify proper security controls are in place as attackers are working to leverage newly implemented VPN's for their attacks. Multi-factor authentication should be enabled for all remote users to protect the organization from compromise.

Action #5: Review Antivirus and Patch Management Procedures

With a remote workforce now in place, previous controls regarding patching of systems and updating antivirus may no longer be working properly. A review of key patching and virus technologies is necessary to make sure they are functioning properly across remote connections.

Recommended Actions to Take

Action #6: Perform a Review of Network Administrative Groups

Many organizations have rushed to implement new technologies to support a remote work force and it is possible that additional permissions were temporarily given to users and support personnel to facilitate the changes. Now is the time to review these groups to make sure they are secured.

Action #7: Check the Integrity of Backups and Failover Systems

With an increased attack surface, it is more important than ever for organizations to verify that they can restore their organization quickly in the event of a significant outage or cyberattack. The speed in which an organization can recover its systems should be communicated and agreed to by senior management.

Action #8: Examine Network for Abnormally Long Connections That Could Be Indicative of a Cyber Attack

Persistent connections to external entities can represent attackers communicating to command and control centers or tunneling information out of the network. Reviewing network logs and firewalls for these types of connections is a best practice.

Action #9: Review Other Changes Made to Enable Remote Access and Secure According to Best Practices

An audit of existing remote access policies (split tunneling for example) is necessary to make sure that newly implemented remote connectivity does not reduce the security posture of the organization.

Recommended Actions to Take

Action #10: Perform a Full External Network Scan to Determine all Exposed Ports

Now that all new remote access technologies are in place, organizations should have a third party perform an external vulnerability scan to verify that only the ports and protocols necessary for remote access are enabled. We often see organizations misconfigure firewall rules, which increases an organization's attack surface.

Action #11: Review and Assist in Configuring Firewall Rules to Best Practices

A review of firewall rules (especially those implemented quickly for remote access) is a good idea to ensure an organization is following best practice in regards to the security of its perimeter.

Action #12: Perform a Full Cyber Security Assessment (scorecard) and Issue a Formal Report

Cyber assessments against an industry framework assist organizations with understanding their key areas of risk and how they should invest in future initiatives to reduce overall risk.

Action #13: Perform a Full Network Penetration Test and Issue a Formal Report

A network penetration test will simulate the actions of an attacker and provide an organization with key areas that need improvement to keep attackers off their network. When evaluating customer environments, it is important to evaluate all technologies including any web applications developed internally or by third parties. Web applications often leak key information on employees and products and can also provide a conduit for an attack on a company's infrastructure.

Action #12: Cybersecurity Assessment Scorecard

| CIS Control | | Policy | Implementation | Reporting | Weighted Average | Grade | |
|--|----|---|----------------|------------|------------------|-----------|----|
| Basic | 1 | Inventory and Control of Hardware Assets | 60% | 77% | 70% | 75% | C |
| | 2 | Inventory and Control of Software Assets | 56% | 71% | 72% | 70% | C- |
| | 3 | Continuous Vulnerability Management | 48% | 59% | 57% | 58% | F |
| | 4 | Controlled Use of Administrative Privileges | 79% | 81% | 85% | 81% | B- |
| | 5 | Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers | 70% | 87% | 87% | 85% | B |
| | 6 | Maintenance, Monitoring and Analysis of Audit Logs | 63% | 86% | 83% | 83% | B |
| Basic Controls - Results | | 63% | 77% | 76% | 75% | C | |
| Foundation | 7 | Email and Web Browser Protections | 46% | 60% | 58% | 58% | F |
| | 8 | Malware Defenses | 53% | 72% | 72% | 70% | C- |
| | 9 | Limitation and Control of Network Ports, Protocols, and Services | 70% | 87% | 87% | 85% | B |
| | 10 | Data Recovery Capabilities | 100% | 100% | 93% | 99% | A+ |
| | 11 | Secure Configuration for Network Devices, such as Firewalls, Routers and Switches | 70% | 93% | 89% | 90% | A- |
| | 12 | Boundary Defense | 66% | 80% | 80% | 79% | C+ |
| | 13 | Data Protection | 57% | 52% | 52% | 53% | F |
| | 14 | Controlled Access Based on the Need to Know | 63% | 79% | 79% | 77% | C+ |
| | 15 | Wireless Access Control | 53% | 69% | 69% | 67% | D+ |
| | 16 | Account Monitoring and Control | 67% | 85% | 84% | 83% | B |
| Foundational Controls - Results | | 65% | 78% | 76% | 76% | C | |
| Organization | 17 | Implement a Security Awareness and Training Program | 42% | 66% | 28% | 60% | D- |
| | 18 | Application Software Security | 67% | 80% | 79% | 79% | C+ |
| | 19 | Incident Response and Management | 86% | 77% | 77% | 78% | C+ |
| | 20 | Penetration Tests and Red Team Exercises | 28% | 28% | 28% | 28% | F |
| Organizational Controls - Results | | 56% | 63% | 53% | 61% | D- | |
| Overall Grade | | 63% | 75% | 73% | 74% | C | |

As an output of our cybersecurity assessment, you will receive an overall 'scorecard' (example above), a detailed assessment report including scope of the assessment, log of assessment findings, remediation recommendations, and a summary overview for management.

Scope of Value

| Services | Ultimate | Premium | Essential |
|---|----------------|----------------|----------------|
| 1. Review remote access policy and provide recommendations | ✓ | ✓ | ✓ |
| 2. Provide cyber awareness training to employees including proper and secure data storage | ✓ | ✓ | ✓ |
| 3. Evaluate whether there are unsecured remote access products (e.g. RDP) exposed to the Internet | ✓ | ✓ | ✓ |
| 4. Review VPN authentication methods and assist in the setup of multi-factor authentication if needed | ✓ | ✓ | ✓ |
| 5. Review antivirus and patch management procedures | ✓ | ✓ | ✓ |
| 6. Perform a review of network administrative groups | ✓ | ✓ | ✓ |
| 7. Check the integrity of backups and failover systems | ✓ | ✓ | ✓ |
| 8. Examine network for abnormally long connections that could be indicative of a cyber attack | ✓ | ✓ | ✓ |
| 9. Review other changes made to enable remote access and secure according to best practices | ✓ | ✓ | ✓ |
| 10. Perform a full external network scan to determine all exposed ports | ✓ | ✓ | |
| 11. Review and assist in configuring firewall rules to best practices | ✓ | ✓ | |
| 12. Perform a full cyber security assessment (scorecard) and issue a formal report | ✓ | ✓ | |
| 13. Perform a full network penetration test and issue a formal report | ✓ | | |
| Payment Terms | 25% Prepayment | 50% Prepayment | 75% Prepayment |
| Price | \$ TBD | \$ TBD | \$ TBD |

Please reach out with
questions

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Denise P. Hill, CPA

Senior Manager

Services: Tax | **Industries:** Not-for-Profit, Governmental, Charter Schools, and Foundations

Professional Overview

Denise has more than 30 years of public accounting experience. She is an expert in compliance related issues for tax exempt organizations, and has assisted our higher education clients and their affiliated organizations to ensure compliance with all aspects of tax reporting, including proper inclusion and classification of unrelated business income. Denise routinely assists not-for-profit organizations undergoing audits by the IRS and other taxing authorities. In addition to her not-for-profit experience, Denise has also performed several special projects for governmental entities, including counties, municipalities and public colleges and universities.

Education, Credentials and Special Training

Certified Public Accountant
B.S., Accounting, University of South Carolina

Professional Affiliations

American Institute of Certified Public Accountants
South Carolina Association of Certified Public Accountants

Civic and Community Activities

Past Member and Treasurer, Friends of the Richland County Library
Past Member and Treasurer, American Red Cross - Columbia Chapter
Board Member, Ivey Family Foundation

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Tom McNeish, CPA

Shareholder and Government Practice Leader

Services: Assurance | **Industries:** Government, Not-for-Profit

Professional Overview

As chair of the firm's Government practice, Tom focuses on providing audit and consulting services to public sector clients including counties, municipalities, special purpose districts and public colleges and universities. He has more than 25 years of experience with financial reporting under government accounting standards and compliance requirements related to Yellow Book and Uniform Guidance (OMB Circular A-133). Tom's clients include large and small local governments, including agencies with annual budgets in excess of \$1 billion. Prior to joining Elliott Davis in 1998, Tom provided audit and consulting services as a member of a Big Four accounting firm. He began his career as a commercial loan officer with a national bank. He is a frequent speaker at government industry conferences.

Education, Credentials and Special Training

Certified Public Accountant
Masters of Accountancy, University of South Carolina
B.S., Finance, University of South Carolina

Professional Affiliations

American Institute of Certified Public Accountants
North Carolina Association of Certified Public Accountants
South Carolina Association of Certified Public Accountants
Government Financial Officers Association

Civic and Community Activities

Board Member and Treasurer, Goodwill Industries
Board Member and Former President, Central (SC) Habitat for Humanity
Board Member and Treasurer, Congaree Land Trust
Graduate of the Diversity Leadership Initiative at Furman University
Former Board Member, Court Appointed Special Advocates
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1



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2

Overview

- The New Yellow Book
- Revisions to the Uniform Guidance
- Grant Efficiency Agreements Transparency (GREAT) Act
- Coronavirus Aid, Relief, and Economic Security (CARES) Act



3

The New Yellow Book

General

- Revised *Government Auditing Standards* (GAS) in July 2018 to update the 2011 version
- Reorganized to make it easier to find relevant rules when performing research
- Significant changes to evaluating the non-audit services and threats to independence
- Clarifications on competence and CPE requirements
- Expands on 2011 concepts of waste and abuse
- Adds standards for review engagements
- Effective Dates – For the period ending on or after:
 - For the period ending on or after *June 30, 2020* – Financial statement audits and reviews, and attestation engagements
 - For performance audits beginning on or after July 1, 2019



4

The New Yellow Book

Reorganization

Table of contents:

| <i>2011 revision</i> | | |
|---|------------------------------------|----|
| Chapter 1 Government Auditing: Foundation and Ethical Principles | Introduction | 4 |
| | Purpose and Applicability of GAGAS | 5 |
| | Ethical Principles | 7 |
| | | |
| <i>2018 revision</i> | | |
| Chapter 1: Foundation and Principles for the Use and Application of Government Auditing Standards | | 3 |
| Introduction | | 3 |
| Types of GAGAS Users | | 6 |
| Types of GAGAS Engagements | | 7 |
| Financial Audits | | 7 |
| Attestation Engagements and Reviews of Financial Statements | | 9 |
| Performance Audits | | 10 |
| Terms Used in GAGAS | | 15 |
| The GAGAS Format | | 16 |

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5

The New Yellow Book

Independence and Non-audit Services

- Non-audit services should be evaluated to determine if they create a threat to independence
- The evaluation should be documented and follow the existing GAS independence framework:
 - identify any threats, including the performance of non-audit services
 - evaluate the significance of the threat and consider the skills, knowledge, and experience of client personnel charged with overseeing the service
 - if the threat is deemed significant, then a safeguard must be implemented
- Preparing financial statements from a client-provided TB or underlying records is *always* considered a significant threat to the auditors' independence.

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6

The New Yellow Book

Independence and Non-audit Services

Common safeguards considered to be effective include :

- Assigning separate engagement personnel for audit and nonaudit services
- Obtaining secondary reviews by personnel not involved in planning or supervising the engagement
- Educating management on the nonaudit services performed
- Requiring such engagements to undergo an engagement quality control review (EQCR)
- Having an independent organization perform a secondary review of the file or reports
- Having a partner not involved with planning or supervising the audit engagement review the financial statements before releasing them
- Educating management so they are in a position to review and approve the financial statements
- Requesting that the audited entity complete a disclosure checklist as part of its overall review.



7

The New Yellow Book

Independence and Non-audit Services

Certain non-audit services automatically impair independence such that no safeguard could possibly be applied to eliminate this threat including:

- Keeping the original books and records of the entity
- Changing journal entries, account coding, or classification
- Authorizing or approving the entity's transactions
- Preparing or making changes to source documents without management approval.



8

The New Yellow Book

Independence and Non-audit Services

Other frequently performed nonaudit services that *do not automatically* impair independence should be evaluated to determine if they create significant threats. These services include the following:

- Making cash to accrual conversions
- Performing reconciliations
- Preparing Form 990 and other taxes
- Maintaining depreciation schedules
- Recording transactions in the entity's books that management has approved
- Preparing certain line items on financial statements based on information in the trial balance
- Posting entries that management has approved to the entity's trial balance.



9

Polling Question #1

10

The New Yellow Book

Independence and Non-audit Services

Key factors in determining whether a non-service should be considered a threat to independence:

- the extent to which the outcome of the service could have a material effect on the financial statements,
- the degree of subjectivity in determining amounts, and
- the extent of the management's involvement in determining significant matters of judgment.



11

The New Yellow Book

CPE Requirements

| <i>Required Subject Matter</i> | <i>Hours required to be completed in</i> | | |
|--|--|---------------|--------------|
| | <i>Year 1</i> | <i>Year 2</i> | <i>Total</i> |
| Directly related to the government environment, government auditing, or the specific environment in which the audited entity operates. | 14 | 10 | 24 |
| Directly enhance professional expertise to conduct engagements | 21 | 35 | 56 |
| Total hours with a minimum of 20 hours in each year | 35 | 45 | 80 |

- Auditors who plan, direct, perform, and report on an engagement in accordance with GAS should develop their competency by meeting the above requirements
- Auditors must collectively possess competence for the engagement's objectives and GAS before beginning work on the engagement.



12

The New Yellow Book

Other Changes

- The revised standards add a definition for “waste” as the act of using or expending resources carelessly, extravagantly, or to no purpose
- Auditors are not responsible for detecting waste or abuse, the standards emphasize the following:
 - waste or abuse should be examined in the context of a possible internal control weakness that needs to be reported.
 - the discovery of waste or abuse may indicate that fraud or noncompliance with laws, regulations, contracts, and grant agreements
- The revised Yellow Book also adds standards for review engagements in accordance with the following AICPA standards:
 - SSAE 18 - *Attestation Standards: Clarification and Recodification*, and
 - SSARS 21 - *Statements on Standards for Accounting and Review Services: Clarification and Recodification*.



13

The New Yellow Book

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14

Revisions to the Uniform Guidance

General

- The Uniform Guidance was originally created to reduce administrative burden on award recipients and guard against the risk of waste and misuse of federal funds.
- The OMB is required to review the Uniform Guidance every five years.
- The January 22, 2020 proposed update has three primary objectives:
 - Support implementation of the Cross Agency Priority (CAP) Goals and other Administration priorities
 - Meet statutory requirements and align Title 2 with other recent regulations
 - Clarify areas of misinterpretation



15

Revisions to the Uniform Guidance

Procurement

- Procurement methods to be grouped into two separate categories: *formal* and *informal*.
- For purchases not exceeding the Simplified Acquisition Threshold (SAT), grantees may use informal methods
- Micro purchases and small purchases will be considered informal.
- Sealed bids, proposals and non-competitive methods will be considered formal.
- Nonfederal entities will be permitted to request higher procurement thresholds from its cognizant agency for indirect cost.
- Domestic procurement preferences will be required



16

Revisions to the Uniform Guidance

Merit Reviews and Notices

- Requirement for agencies to strengthen their merit review process for all grants when the federal agency has the discretion to choose the recipient.
- Clarify the objective of selecting recipients most likely to be successful in delivering results based on programs objectives.
- Federal awarding agencies to expand its program planning and design
 - Establish program goals, objectives and indicators *before* drafting a Notice of Funding Opportunity
 - Program goals, objectives and indicators are required to align with the congressional intent of the program.
 - Agency goal and metrics for measuring performance must be published in the assistance listing.



17

Revisions to the Uniform Guidance

Expanded Use of De Minimis Rate

- Grant recipients can apply the de minimis rate, despite having previously received a negotiated rate.
- Objective of reducing the administrative burden for both granting agencies and recipients.
- Revisions to clarify that when a grantee is using the de minimis rate, documentation is not required for proof of covered costs.



18

Polling Question #2

19

Revisions to the Uniform Guidance

Sub-recipient Monitoring

- Clarification that a pass-through entity is only responsible for resolving audit findings specifically related to its sub awards, and not for other findings of its subrecipients
- If audit issues arise, the pass-through entity is able to focus solely on its own relevant award requirements
- The subrecipient's auditors and cognizant oversight can be relied on to address those issues that are applicable to the sub recipient.

20

Revisions to the Uniform Guidance

Other Changes

- Alignment with the National Defense Authorization Act (NDAA) including:
 - Requirement for grant applicants to provide information in the System for Award Management (SAM) on their immediate owner and subsidiaries
 - Restriction on recipients from using government funds to enter in contracts with entities that use covered telecommunications equipment or services produced by companies like Huawei Technologies or ZTE
- Alignment with GAAP, including GASB statement 68 and 45 related to pension costs and depreciation to help clarify which costs are allowable.
- Revisions to terms and definitions, including changing "Catalog of Federal Domestic Assistance (CFDA)" to "Assistance Listing"



21

The GREAT Act

Congressional Action

- In December of 2019 Congress passes the *Grant Reporting Efficiency Agreements Transparency Act*.
- Primary requirements of the law:
 - OMB to designate a single data standard-setting agency to work with it, and in consultation with other stakeholders, to develop a set of data set standards by December 30, 2021.
 - OMB to develop a set of unique identifiers for federal awards and grant recipients that are consistently applied across the government.
 - The data standards are to require that information collected by the federal government from should be
 - fully searchable and machine-readable, and
 - incorporate any standards already created under the Digital Accountability and Transparency Act



22

The GREAT Act

Why is it needed?

- In 2019 thirty-five federal agencies awarded nearly \$750 billion in grants to over 40,000 recipients via 1,800 different programs
- Reporting occurs within an antiquated, document-based process in which recipients are required to fill out an excessive number of forms under multiple agency reporting systems.
- HHS 2017 Study - More than 440 different grant reporting forms containing duplicative data collection requirements and using different titled data elements
- 2017 OMB report to Congress found that:
 - Thirty out of 115 standard grant reporting forms included 371 instances of requests for duplicative data elements.
 - Out of nearly 12,000 financial assistance data elements, only 112 had standard definitions.



23

The GREAT Act

OMB Conclusion and Recommendations

- OMB determined that grant reporting should be simplified with improved accuracy and timeliness
- Recommendations:
 - Require that reported data elements be defined and standardized in a central, open repository.
 - Require reported data to be collected and maintained in a central location.
 - Encourage use of IT that can auto-populate data from existing federal sources across government programs.
 - Have resources available to explain requirements and business processes.



24

The GREAT Act

Deadlines

- *December 30, 2022* - OMB and HHS are to issue guidance to agencies on applying the standards.
- *December 30, 2023* - Agency directors to ensure their award recipients use the data standards for all information collected by their agency.
- *December 30, 2024* - OMB to enable the collection, public display, and maintenance of Federal award information as a Governmentwide data set on a single public portal.



25

The GREAT Act

Benefits of the Act

- Reduce recipient compliance costs for reporting by leveraging technology and automation.
- Recipients can devote more time to their mission rather than continuing “convoluted, costly compliance exercises.”
- Improved oversight and greater transparency about how funds are being used
- Better comparability of performance among grantees by making data interoperable.
- Agencies will be able to “better manage the data that recipients already provide to the Federal Government.”
- Ease of use of commercial accounting and project management software to simplify reporting obligations, since customization would no longer occur from program to program.
- Increased transparency and availability of detailed grant data will allow for greater analysis for independent assessments of accountability and program performance.
- Stronger oversight and management of grants and cooperative agreements by agencies by consolidating the collection and display and access of these data.



26

The CARES Act

Overview

- In March of 2020 Congress passes the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* which provides for a \$2 trillion stimulus to counter the effects of covid-19, including the following funding:
 - \$367 billion loan and grant program for small businesses and a
 - Expansion of unemployment benefits by \$600 per week for a period of four months
 - Direct payments of \$1,200 per adult and \$500 per child for households making up to \$75,000
 - Over \$130 billion to hospitals, health care systems, and providers
 - Cash grants of \$32 billion for airlines, air cargo carriers, and for airline contractors for payroll support
 - Ban on stock buybacks for large companies receiving government loans \$150 billion to state and local governments
 - 150 billion to state and local governments



27

The CARES Act

Relief Fund for State and Local Governments

- Treasury will make payments to States and eligible units of local government; the District of Columbia and U.S. and Tribal governments
- The Act requires that the payments from the Fund only be used to cover expenses that—
 - are necessary due to the public health emergency with respect to COVID-19;
 - were not accounted for in the budget most recently approved as of March 27, 2020
 - were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.
- Payments to eligible units of local government are based on population.
- The Act directs Treasury to use the most U.S. Census Bureau data for determining population
- Eligible units include entities below the state level with populations that exceed 500,000.
- Eligible units must submit required certification to Treasury by 12:00 pm EDT on May 29, 2020



28

Polling Question #3

29

The CARES Act

Municipal Liquidity Fund (MLF)

- In April 2020 the Federal Reserve established the MLF as a short term liquidity facility to support lending to states and to cities (> 1 mil residents), and to counties (> 2 mil residents)
- A Federal Reserve Bank will commit to lend to a special purpose vehicle (a "SPV") on a recourse basis.
- The Reserve Bank will be secured by all the assets of the SPV
- The SPV will have the ability to purchase up to \$500 billion in notes directly from issuers.
- Eligible notes include TANs, TRANs, BANs, and other similar short-term notes with maturities limited to 24 months
- The SPV may purchase notes in one or more issuances of up to an aggregate amount of 20% of the issuer's general revenue and utility revenue for fiscal year 2017.
- Proceeds may be used by to help manage the cash flow impact of income tax deferrals; reductions of tax and other revenues or increases in expenses related to or resulting from the COVID-19
- Proceeds may also be used for debt service requirements of the relevant State, City, or County, and
- Pricing is be based on an issuer's rating at the time of purchase and an origination fee is required equal to 10 basis points of the principal amount notes

30

The CARES Act

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31

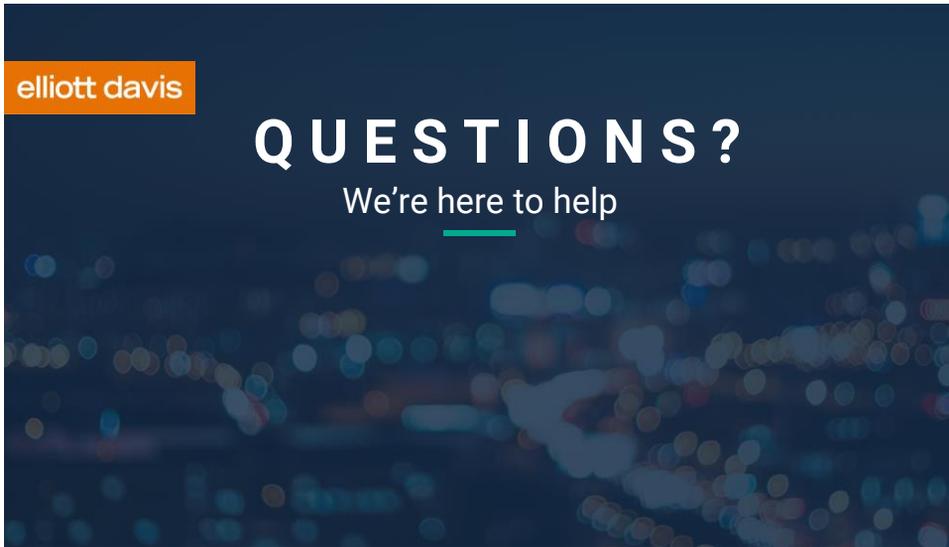
The CARES Act

Single Audit Implications

- On March 9 OMB issued a memo to the federal agencies identifying certain agency actions to relieve short term administrative, financial management and audit requirements.
- On April 10, the GAQC issued a letter to the OMB highlight questions that have arisen, relating to the CARES Act funding including:
 - Are the PPP loans and other CARES Act funds subject to Single Audit?
 - Do the PPP loans and other CARES Act funds need to be reported on the SEFA?
 - What is the CFDA number associated with the funding?,
 - What are the compliance requirements?
 - Will the funding be included in the OMB Compliance Supplement?
 - Will there be new clusters?
- So far specific guidance has been mostly limited to the SBA stipulating that EIDL funds *are* subject to single audit requirements while PPP funds *are not*.



32



33



Chris Pembroke, MBA, CGAP, CPA, CRFAC is a Shareholder at Crawford & Associates, P.C., in Oklahoma City. Prior to joining the firm, he served as the Chief Financial Officer of the Oklahoma Police Pension & Retirement System and the Deputy Director of the Local Government & Special Services Division of the Oklahoma State Auditor & Inspector's Office.

He is currently serving as a committee member of the AICPA State and Local Government Expert Panel and the Oklahoma Society of CPA's Government Accounting & Auditing Committee. He also was selected to serve on the joint COSO-ACFE Task Force for the development of the group's Fraud Risk Management Guide.

GASB UPDATE: The Not So Rapid Fire Session!

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1

GASB 95 - Deferral of Effective Dates

- ▶ GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (Issued May 2020)
- ▶ The following standards are delayed for one year:
 - GASB Statements Nos. 83, 84, 88, 89, 90, 91, 92, 93
 - Implementation Guide Nos. 2017-3, 2018-1, 2019-1, 2019-2
- ▶ The following standards are delayed for 18 months:
 - GASB Statement No. 87
 - Implementation Guide No. 2019-3

Early application is permitted and encouraged to the extent specified in each originally issued standard



2

2

Effective Dates: December 31

Fiscal Year 2020

- Statement 83 – asset retirement obligations
- Statement 84 – fiduciary activities
- Statement 88 – debt disclosures
- Statement 90 – majority equity interests
- IG 2018-1 – Update
- IG 2019-2 – fiduciary activities

Fiscal Year 2021

- Statement 89 – construction-period interest
- Statement 93 – interbank offered rates (except LIBOR removal)
- IG 2019-1 – update

Fiscal Year 2022

- Statement 87 – leases
 - IG 2019-3 – leases
- Statement 91 – conduit debt
- Statement 92 – omnibus (multiple effective dates)
- Statement 93 – LIBOR removal

Fiscal Year 2023

- Statement 94 – public-private partnerships (not part of Stmt No. 95)



3

Effective Dates: June 30

Fiscal Year 2020

- Statement 83 – asset retirement obligations
- Statement 88 – debt disclosures
- IG 2018-1 – Update

Fiscal Year 2021

- Statement 84 – fiduciary activities
- Statement 90 – majority equity interests
- Statement 93 – interbank offered rates (except LIBOR removal)
- IG 2019-1 – update
- IG 2019-2 – fiduciary activities

Fiscal Year 2022

- Statement 87 – leases
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4

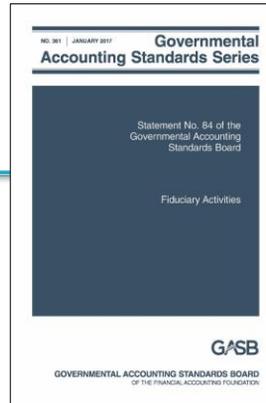
Poll Question #1



5

Fiduciary Activities

Statement No. 84



6

6

Fiduciary Activities

What?

The Board issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements

Why?

Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; BTAs are uncertain about how to report fiduciary activities

When?

Effective for periods beginning after December 15, 2018, COVID Impact

Earlier application is encouraged



7

7

Four potential paths to reports assets in a fiduciary fund

1. Is there a component unit present that are postemployment benefit arrangements? (Pensions / OPEB)

2. Is there are component unit present that may be a fiduciary activity, **but not a postemployment benefit arrangement?**

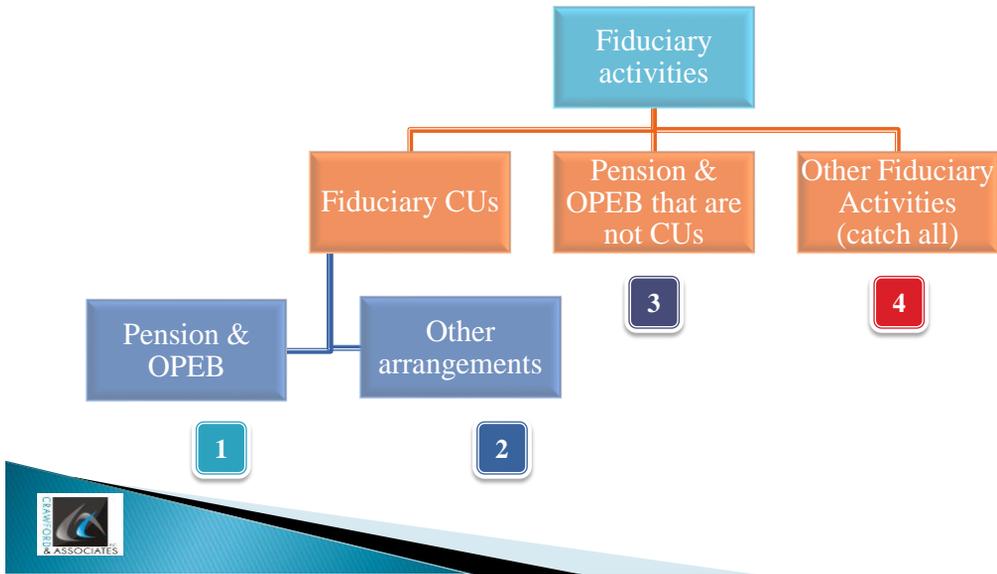
3. Are there postemployment benefit arrangements that are not component units (currently agency funds)?

4. Are there other potential fiduciary activities? (Investment trust funds, private purpose trusts, agency funds)?



8

Fourth Paths - Visual



9

Evaluating Potential Fiduciary C.U's

- ▶ Legally Separate
 - Are Trust legally separate? – IG Q&A
- ▶ Voting Majority of the Board (Test One)
 - IG Q&A
- ▶ Imposition of will (Test One)
 - Next slide
- ▶ Fiscally dependent (Test Two)
 - Approve budget, approve rates, approve issuance of debt
- ▶ Misleading to exclude



10

Evaluating Potential Fiduciary C.U's

▶ Imposition of Will

- PG has ability to impose will if it can significantly influence programs, projects, activities or level of services performed or provided.
- Existence of any ONE of the following meets the criteria:
 - Ability to remove appointed members of the orgs. Governing board at will
 - Ability to modify or approved the budget
 - Ability to modify or approve rate or fee changes affecting revenue
 - Ability to veto, overrule or modify other decisions of the orgs governing body
 - Ability to appoint, hire, reassign or dismiss mgmt. of the org.



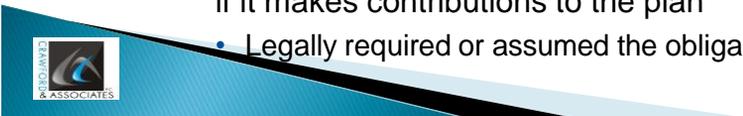
11

Fiduciary component units

- Component unit (CU) criteria of GASB 14



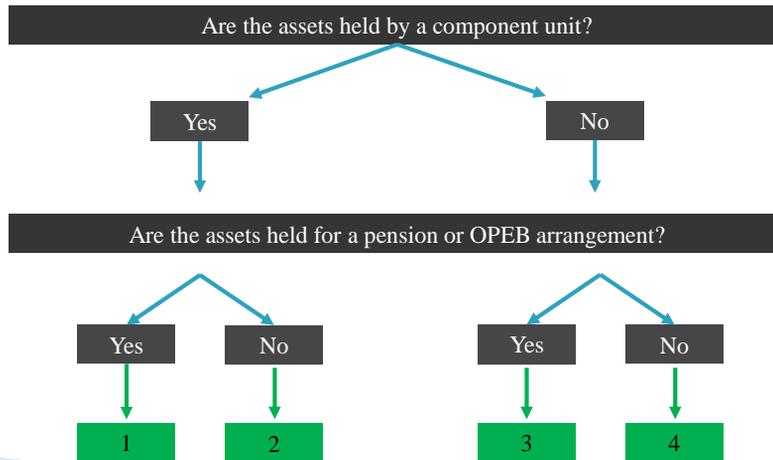
- Normally, Pension and OPEB plans that are in GASB 67 and 74 compliant trusts are separate legal entities
- Primary government considered to have *financial burden* if it makes contributions to the plan
 - Legally required or assumed the obligation



12

When Should be reported in a Fiduciary Fund?

► Determination Process:



Keys -



13

Alternative way to decide fiduciary activities

1. Is the entity a component unit? **If no go to step 3.**
2. Are the assets held for pensions or OPEB arrangements? **If no, go to step 4. If 1 and 2 are yes, then fiduciary reporting.**
3. Does the government **control the assets?** **If no, stop – not a fiduciary fund. Go to Step 5.**
4. Does the assets meet the revenue and other characteristics? **If no, stop – not a fiduciary fund. If yes – fiduciary fund.**
5. Are the assets held for pension or OPEB arrangements? **If yes, report in a fiduciary fund**
6. Are the assets not derived from certain revenues? **If no, stop – not a fiduciary fund. If yes – fiduciary fund.**



14

Component Unit – Postemployment Benefits

- ▶ Normally, pension and OPEB plans that are in GASB 67 and GASB 74 compliant trusts are separate legal entities
 - IG – 4.1; Pension/OPEB Trust are consider legally separate for financial reporting purposes
 - IG – 4.3; if Pension/OPEB is an equivalent arrangement legally separate is a legal issue. (legal - consider CU criteria, not - evaluate control)



15

Component Unit – Postemployment Benefits

- ▶ 4.5 - Absent a Board – Common with OPEB and Single Employer Pension Plans
 - 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. . 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
 - **How does this impact your component unit consideration:**
 - Impact: If there is no board, and governing body/sponsoring govt is acting in the capacity of the board? Does the government have imposition of will? Current Guidance says.... “Wait & See!!!”



16

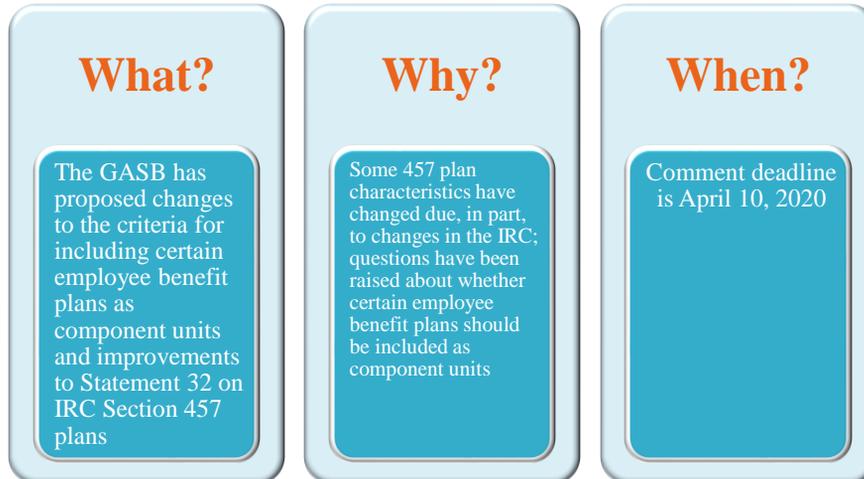
What About Statement 32

- ▶ With GASB Statement No. 32 many of the 457 plans were no longer reported within the reporting entity.
- ▶ Does this statement change the treatment under Statement No. 84?
- ▶ What about other DC type plans 403(b), 401(a)?
- ▶ Main question is how does previous slides impact component unit status?
 - Most do not have a board – IG 4.5 – Absent a board = Sponsoring Government.
 - DC Plans Contributions = “Financial Burden” ??
- ▶ Standard Issuance - Soon



17

Fiduciary Component Units and Deferred Compensation Plans



18

Relevant Guidance on Fiduciary Component Units

Paragraph 7 of Statement 84 amended Statement 14 to indicate that a primary government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to a pension plan or OPEB plan

Implementation Guide 2019-2 provided guidance that in the absence of a governing board, a government performing the duties of a governing board for a defined contribution (DC) plan that is administered through a trust that meets the criteria in Statement 67 is effectively the same as appointment of a voting majority



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Relevant Guidance on Fiduciary Component Units (continued)

The implication of that existing and considered guidance is that many governments would be required to report DC plans and other employee benefit plans as component units in their fiduciary fund financial statements

The Board directed the staff to conduct additional outreach on the structure of those types of arrangements and user needs for information about them

Based on the outreach, the Board decided to expand the project and issue a new proposal including guidance on component units



20

Proposals for Component Unit Criteria

For purposes of determining whether a primary government is financially accountable, the absence of a governing board (when the government is perform the duties a governing board normally would perform) should be treated the same as the appointment of a voting majority of a governing board, *except for DC pension plans, DC OPEB plans, or other employee benefit plans*

The criterion that a legal obligation to contribute (or otherwise assuming the obligation) would apply only to defined benefit plans

The effective date for the relevant Q&As in Implementation Guide 2019-2 – 4.3, 4.5, and 4.6 – would be delayed until completion of this project



21

Proposals for 457 Plans

All requirements relevant to pension plan reporting should be applied to Section 457 plans that meet the definition of a pension plan

All requirements relevant to pensions should be applied by employers to benefits provided through Section 457 plans that meet the definition of a pension plan

Investments would be valued as of the end of the reporting period (allowance to use the most recent report of the plan administrator would be eliminated)



22

Poll Question #2



23

Project Timeline

| | |
|--|----------------|
| Original Project Added to Current Technical Agenda | December 2018 |
| Original Exposure Draft Approved | June 2019 |
| Expanded Project Approved | January 2020 |
| New Exposure Draft Issued | March 2020 |
| Comment Deadline | April 10, 2020 |
| Final Statement Expected | June 2020 |



24

Pension & OPEB - Evaluations



25

Pension/OPEB

- ▶ Single Employer Defined Benefit Pension Plan
 - 5 member Board
 - 1 elected by active participants
 - 1 elected by retired participants
 - 3 appointed by City Council
 - Qualifying Trust – meeting 3 criteria
 - Employer contributions to the plan
 - No approval of the plan's budget or contribution requirements by the PG

Fiduciary or not fiduciary?



26

Evaluation

- ▶ Single Employer – DB Plan

| <i>Description (fund name/activity)</i> | |
|---|----------------|
| Step 1 | |
| Component Unit Criteria Met | <i>Answers</i> |
| <i>OR</i> | |
| Govt. controls the assets | |
| AND | |
| Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange | |
| Step 2 | |
| Trust which meets the criteria of a qualifying trust of Statements 67 & 74 | |
| <i>OR</i> | |
| Assets (accumulated for pension/OPEB) from entities that are not part of the reporting entity and not administered through qualifying trust | |
| Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary) | |



27

Evaluation

- ▶ Single Employer – DB Plan

Is the plan considered to be a component unit?

- Legally separate? **Yes, - IG 4.1**
- Majority appointment? **Yes – (3 of 5)**
- Financial benefit/burden AND fiscal dependency
 - Financial benefit/burden –
 - **Yes, employer contributions = burden**
 - Fiscal dependency – **No**
- **Conclusion: Meets Component Unit Criteria**



28

Evaluation

- ▶ Single Employer – DB Plan

| Description (fund name/activity) | Answers |
|---|---------|
| Step 1 | |
| Component Unit Criteria Met | Yes |
| <i>OR</i> | |
| Govt. controls the assets | |
| AND | |
| Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange | |
| Step 2 | |
| Trust which meets the criteria of a qualifying trust of Statements 67 & 74 | |
| <i>OR</i> | |
| Assets (accumulated for pension/OPEB) from entities that are not part of the reporting entity and not administered through qualifying trust | |
| Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary) | |



Evaluation

- ▶ Single Employer – DB Plan

| Description (fund name/activity) | Answers |
|---|---------|
| Step 1 | |
| Component Unit Criteria Met | Yes |
| <i>OR</i> | |
| Govt. controls the assets | |
| AND | |
| Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange | |
| Step 2 | |
| Trust which meets the criteria of a qualifying trust of Statements 67 & 74 | Yes |
| <i>OR</i> | |
| Assets (accumulated for pension/OPEB) from entities that are not part of the reporting entity and not administered through qualifying trust | |
| Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary) | |
| | Yes |



Pension/OPEB

- ▶ Single Employer Defined Contribution Plan
 - Qualifying Trust – meeting 3 criteria
 - Employer has not established a board for the trust
 - Employer has hired a third party administrator (TPA)
 - Employer contributions to the plan - match of 3% up to \$1,000
 - Employee has ability to direct investments through TPA

Fiduciary or not fiduciary?



31

Evaluation

- ▶ Single Employer – DB Plan

Is the plan considered to be a component unit?

- Legally separate? **Yes, - IG 4.1**
- Majority appointment? **Yes – No Board ref to IG 4.3, Proposed guidance makes DC exception!**
- Financial benefit/burden AND fiscal dependency
 - Financial benefit/burden –
 - **Yes, employer contributions = burden; proposed guidance makes DC exceptions!**
 - Fiscal dependency – Yes, approval of rates by PG
 - But in would need both dependency and burden in this scenario
- **Conclusion: Not a component unit**



32

What is Control?

- ▶ GASB 84 defines Controls as:
 - Government holds the assets
 - Government (or designee) has the ability to direct the use, exchange, or employment
 - Having a designee does not relinquish fiduciary responsibility from the government
- Appointing a designee / administrator / contractor doesn't matter.
- Restriction on assets does not matter.
- Footnote 5 – appointment of a designee to act on the govt's behalf does not alter a govt's ability to direct the use, exchange, or employment.



33

All Other Activities

Fiduciary if all three of the following are met:

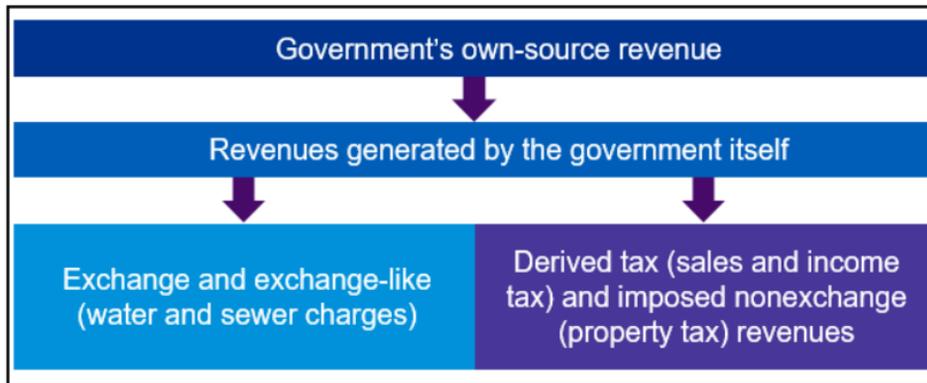
- ▶ The government **controls** the assets
- ▶ Those assets are *not* derived either:
 - Solely from the government's own-source revenues
 - From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants and for which the government does not have administrative or direct financial involvement
- ▶ One of the criteria on the next slide is met



34

Own-Source Revenue

- ▶ Assets associated with activity not derived:
 - ▶ solely from the government's own-source revenue, or
 - ▶ from government-mandated or voluntary nonexchange transactions



35

Poll Question #3

36

All other Activities(cont.)

- ▶ Criteria for Control of the assets, and
- ▶ Assets not derived from own source revenue or govt mandated or voluntary nonexchange:

1

- Administered through a trust or equivalent, government not beneficiary
- Dedicated to provide benefits to recipients per the benefit terms
- Legally protected from the government's creditors

2

- Benefit of individuals and government does not have administrative or direct financial involvement with the assets
- Not derived from provision of goods and services to those individuals

3

- Benefit of organizations or other governments not part of reporting entity
- Not derived from provision of goods and services to those organizations or other governments



37

Implementation Guide Q and A

- ▶ 4.16. Q—The chess club of a public high school is established in accordance with the school's operating policies and is not legally separate from the high school. The club members organize and conduct fundraising activities to pay for the club's annual tournament and other club activities during the school year. The proceeds from the 7 fundraising activities are held in a separate bank account in the school's name. In determining whether those resources controlled by the school are a fiduciary activity, are the assets held for the benefit of individuals as addressed in paragraph 11c(2) of Statement 84 (and thus require evaluation of whether the school has administrative involvement or direct financial involvement), or do they benefit an organization as addressed in paragraph 11c(3) of Statement 84 (and thus require evaluation of whether the club is part of the primary government)?



38

Individual Vs Organization

- ▶ Key consideration as one requires consideration of Administrative Involvement
 - Individual – Have to consider
 - Organization – No consideration

- ▶ 2019-2 IG 4.16 – Chess Club Answer:
 - Assets are for the benefit of an organization if the benefits accrue to the organization as an institution....club is not legally separate...it is not itself an institution. As a result, the provisions in paragraph 11c(2) should be applied.



39

What is Administrative Involvement vs. Direct Financial Involvement?

Administrative Involvement Could Be:

- Monitoring compliance - (Sub-recipient relationship).
- Determining eligible expenditures (Sub-recipient relationship).
- Having the ability to exercise discretion in how assets are allocated.

Direct Financial Involvement Could Be:

- Providing matching resources for the activities. (ex. grant match)
- When liable for disallowed costs (or the sub-recipient through the pass-through-entity).



40

Administrative Involvement – 2020 IG

- ▶ Q—A school district holds the resources raised by the ski club. There is a school board policy that states that the resources raised by the ski club can be spent only on an annual ski club trip. The policy does not establish the specific types of ski trip disbursements that are acceptable for payment. A school district staff member is required to monitor compliance with the requirements of the activity. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?



41

Administrative Involvement – 2020 IG

- ▶ A—Yes, the school district has administrative involvement. The school district's role is substantive because the school district has established specific guidelines in an approved policy that defines the purposes for which the club's resources can be spent. In addition, the school district has administrative involvement because a school district staff member is monitoring compliance with the requirements of the activity.



42

Everything Else! - Evaluations



43

Property Tax

- ▶ Local School District has levied a property tax for the fiscal year
- ▶ Property tax levies are billed and collected by the County Government
- ▶ The County collects and remits the amounts associated with the Districts levy monthly as the amounts are collected
- ▶ The School District is not part of the reporting entity of the County.

Fiduciary or not fiduciary?



44

Evaluation

▶ Property Tax

| Step 1 | Answer |
|--|---------------|
| Component Unit Criteria Met | |
| <i>OR</i> | |
| Govt controls the assets | |
| AND | |
| Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange | Y |
| Step 2 | |
| 1. Trust which gov't not a beneficiary 2. dedicated to providing benefits in accordance with terms 3. legally protect from gov't's creditors | |
| <i>OR</i> | |
| For the benefit of individuals & gov't does not have <i>administrative involvement</i> or <i>direct financial involvement</i> | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | |
| <i>OR</i> | |
| For the benefit of organizations or other gov'ts that are not part of financial reporting entity | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | Y |
| Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary) | Y |

45

Property Tax –IG 4.39

- ▶ Q—A county collects property taxes on behalf of the other tax-levying governments within its jurisdiction. The county collects a fee, equal to 1 percent of the amount billed, from the other governments to provide this service. The taxes are deposited into the county collector's property tax distribution account, a custodial fund. Should the county report the fees in the custodial fund with the taxes collected?

46

Property Tax –IG 4.38

- ▶ A—No. The county is obligated to provide the collection service for which a fee is charged to the other taxing governments. The nature of that transaction is exchange or exchange-like, resulting in own-source revenues of the county. Paragraph 11b(1) of Statement 84 states that an activity is not fiduciary if the assets are derived from the government’s own-source revenues. Therefore, the county should report the fees in its governmental fund financial statements.



47

Payroll withholding – IG 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 the fiduciary fund financial statements?



48

Payroll withholding –IG 4.15

- ▶ 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 liability 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.



49

Student Activity Fund –IG 4.20

- ▶ A school district holds the funds raised by various student clubs, which are not legally separate from the school district.
- ▶ There is no school board or school administration policy related to the club’s activities and how the resources 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.
- ▶ The funds are not held in a trust or equivalent arrangement.

Fiduciary or not fiduciary?



50

Evaluation

- ▶ Student Activity Fund

| Step 1 | Answer |
|--|--------|
| Component Unit Criteria Met | |
| OR | |
| Govt controls the assets | |
| AND | |
| Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange | |
| Step 2 | |
| 1. Trust which govt not a beneficiary 2. dedicated to providing benefits in accordance with terms 3. legally protect from govt's creditors | |
| OR | |
| For the benefit of individuals & govt does not have <i>administrative involvement</i> or <i>direct financial involvement</i> | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | |
| OR | |
| For the benefit of organizations or other govts that are not part of financial reporting entity | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | |
| Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary) | |

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Evaluation

- ▶ Student Activity Fund

| Step 1 | Answer |
|--|--------|
| Component Unit Criteria Met | N |
| OR | |
| Govt controls the assets | |
| AND | |
| Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange | Y |
| Step 2 | |
| 1. Trust which govt not a beneficiary 2. dedicated to providing benefits in accordance with terms 3. legally protect from govt's creditors | |
| OR | |
| For the benefit of individuals & govt does not have <i>administrative involvement</i> or <i>direct financial involvement</i> | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | |
| OR | |
| For the benefit of organizations or other govts that are not part of financial reporting entity | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | |
| Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary) | |

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Evaluation

- ▶ Student Activity Fund

| Step 1 | Answer |
|--|--------|
| Component Unit Criteria Met | N |
| OR | |
| Govt controls the assets | |
| AND | |
| Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange | Y |
| Step 2 | |
| 1. Trust which govt not a beneficiary 2. dedicated to providing benefits in accordance with terms 3. legally protect from govt's creditors | N |
| OR | |
| For the benefit of individuals & govt does not have <i>administrative involvement</i> or <i>direct financial involvement</i> | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | N |
| OR | |
| For the benefit of organizations or other govts that are not part of financial reporting entity | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | N |
| Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary) | |

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Evaluation

- ▶ Student Activity Fund

| Step 1 | Answer |
|--|--------|
| Component Unit Criteria Met | N |
| OR | |
| Govt controls the assets | |
| AND | |
| Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange | Y |
| Step 2 | |
| 1. Trust which govt not a beneficiary 2. dedicated to providing benefits in accordance with terms 3. legally protect from govt's creditors | N |
| OR | |
| For the benefit of individuals & govt does not have <i>administrative involvement</i> or <i>direct financial involvement</i> | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | N |
| OR | |
| For the benefit of organizations or other govts that are not part of financial reporting entity | |
| AND | |
| Assets not derived from the governments provisions of goods & services to those individuals | N |
| Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary) | N |

54



Its Fiduciary Now What?



55

Fiduciary Fund Types

- ▶ Pension/OPEB trust funds – we know these!!
- ▶ Investment trust funds - report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the criteria in paragraph 11c(1).
- ▶ Private-purpose trust funds - report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust that meets the criteria in paragraph 11c(1).
- ▶ Custodial funds - report fiduciary activities that are not required to be reported in the other three trust funds.



56

FIDUCIARY FUND REPORTING – ONLY ONE MAJOR CHANGE

- Pension and other Employee Benefit Trust Funds – **no change**
- Investment Trust Funds – **no change**
- Private-Purpose Trust Funds – **no change**
- Custodial Funds – **NEW**
 - Could be Multi-Column
 - **External portion of investment pool**



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Fiduciary Fund Types - Custodial

- ▶ Custodial funds
 - Report fiduciary activities not held in trust
 - Report external portion of investment pool not held in trust in separate 'external investment pool fund' column under custodial funds
- ▶ Exception: Assets normally expected to be held 3 months or less by a business-type activity
 - May report asset and corresponding liability instead of a separate custodial fund
 - Additions/deductions reported as operating cash inflows/outflows in statement of cash flows



58

Statement of Change in Net Position - Custodial Funds

- Required to report for Custodial Funds:
 - Agency funds did not report this statement.
- If resources held for three months or less
 - Option to report single aggregated totals for
 - Additions
 - Deductions
 - Example – County collects and remits property taxes to other taxing bodies
 - Addition – *Property taxes collected for other governments*
 - Deduction – *Property taxes remitted to other governments*



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| Government ABC Statement of Fiduciary Net Position Fiduciary Funds June 30, 20X2 (in thousands) | | | | |
|---|---|---------------------------|--------------------------------|--------------------|
| | Pension (and Other Employee Benefit) Trust Funds | Investment Trust Funds | Private-Purpose Trust Funds | Custodial Funds |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 184,351 | \$ 840,693 | \$ 104,747 | \$ 58,196 |
| Receivables: | | | | |
| Employee | 2,123 | — | — | — |
| Employer | 83,004 | — | — | — |
| Taxes for other governments | — | — | — | 206,937 |
| Interest and dividends | 175,402 | 12,186 | — | — |
| Sale of investments | 30,879 | — | — | — |
| Total receivables | 291,408 | 12,186 | — | 206,937 |
| Investments at fair value: | | | | |
| Short-term investments | 2,268,960 | 241,645 | 61,591 | — |
| Bonds, notes, mortgages, and preferred stock | 14,115,391 | 804,576 | 167,650 | — |
| Common stock | 20,342,440 | — | 520,196 | — |
| Real estate | 3,408,145 | — | — | — |
| International investments | 1,723,951 | — | — | — |
| Mutual funds | 72,315 | 178,046 | — | — |
| Pooled investment funds | 23,128 | — | — | — |
| Total investments | 41,954,330 | 1,224,267 | 769,437 | — |
| Securities lending collateral | 1,746,544 | — | — | — |
| Other assets | 13,519 | 181 | 81,157 | 361 |
| Total assets | 44,190,152 | 2,077,307 | 955,341 | 265,494 |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | 130,846 | 1,361 | 61,447 | 1,451 |
| Due to local governments | — | — | — | 164,201 |
| Obligations under securities lending | 1,346,544 | — | — | — |
| Other long-term liabilities | 1,817 | — | 7,870 | — |
| Total liabilities | 1,479,007 | 1,361 | 69,317 | 165,652 |
| NET POSITION | | | | |
| Restricted for: | | | | |
| Pensions | 29,897,802 | — | — | — |
| Postemployment benefits other than pensions | 12,813,343 | — | — | — |
| Pool participants | — | 2,075,946 | — | — |
| Individuals, organizations, and other governments | — | — | 866,024 | 99,842 |
| Total net position | \$ 42,711,145 | \$ 2,075,946 | \$ 866,024 | \$ 99,842 |

► *Similar except
for Custodial
Funds*



60

| Government ABC | | | | |
|---|---|---------------------------|--------------------------------|--------------------|
| Statement of Changes in Fiduciary Net Position | | | | |
| Fiduciary Funds | | | | |
| for the Year Ended June 30, 20X2 | | | | |
| (in thousands) | | | | |
| | Pension (and Other Employee Benefit) Trust Funds | Investment Trust Funds | Private-Purpose Trust Funds | Custodial Funds |
| ADDITIONS | | | | |
| Contributions: | | | | |
| Members | \$ 297,846 | \$ — | \$ — | \$ — |
| Employers | 1,259,384 | — | — | — |
| Other plans | 148,792 | — | — | — |
| Gifts and bequests | — | — | 197,258 | — |
| Total contributions | 1,706,022 | — | 197,258 | — |
| Investment earnings: | | | | |
| Net increase in fair value of investments | 1,852,408 | 64,663 | 33,702 | — |
| Interest, dividends, and other | 1,416,448 | 58,465 | 30,378 | — |
| Securities lending income | 75,075 | — | — | — |
| Total investment earnings | 3,344,931 | 123,128 | 64,080 | — |
| Less investment costs: | | | | |
| Investment activity costs | 32,281 | 50,236 | 63 | — |
| Securities lending costs | 73,642 | — | — | — |
| Net investment earnings | 3,239,008 | 72,892 | 64,017 | — |
| Capital share and individual account transactions: | | | | |
| Shares sold | — | 2,817,210 | — | — |
| Reinvested distributions | — | 72,892 | — | — |
| Shares redeemed | — | (2,778,843) | — | — |
| Net capital share and individual account transactions | — | 113,259 | — | — |
| Sales tax collections for other governments | — | — | — | 1,811,120 |
| Miscellaneous | 1,130 | — | — | 1,499 |
| Total additions | 4,946,160 | 166,151 | 261,275 | 1,812,599 |
| DEDUCTIONS | | | | |
| Benefits paid to participants or beneficiaries | 1,963,047 | — | — | — |
| Medical, dental, and life insurance for retirees | 536,027 | — | — | — |
| Refunds and transfers to other systems | 170,514 | — | — | — |
| Administrative expense | 19,920 | — | 43 | 293 |
| Beneficiary payments to individuals | — | — | 211,179 | — |
| Payments of sales tax to other governments | — | — | — | 1,811,120 |
| Distributions to shareholders | — | 72,892 | — | — |
| Total deductions | 2,689,508 | 72,892 | 211,222 | 1,811,413 |
| Net increase (decrease) in fiduciary net position | 2,256,652 | 113,259 | 50,053 | 1,175 |
| Net position—beginning | 40,454,493 | 1,962,687 | 835,971 | 98,667 |
| Net position—ending | \$ 40,454,493 | \$ 1,962,687 | \$ 835,971 | \$ 99,842 |

▶ *Similar
except for
Custodial
Funds*

61

Liability Recognition

- ▶ Recognize a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources
 - Events that compel a government to disburse resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the asset.

Liabilities other than those to beneficiaries should be recognized in accordance with existing accounting standards using the economic resources measurement focus

62

IG Question 4.47

- ▶ Q—The city’s parks department sponsors a youth soccer program from April through July each year. Registration is free, but each participant is encouraged to contribute to the uniforms and equipment fund. The city has determined that the contributions meet the criteria in Statement 84 to be accounted for in a custodial fund. Should the city recognize a liability in the custodial fund for those expected purchases when the donations are received at registration?



63

IG Question 4.47

- ▶ A—No. Liabilities should be recognized when the uniforms and equipment are acquired by the coaches. At that point, the city is compelled to disburse the resources. The city will report net position in the fund for the difference between the resources held and the liabilities incurred.



64

Poll Question #4



65

Stand-Alone Business-Type Activities

- ▶ A stand alone BTA's fiduciary activities should be reported in separate fiduciary fund financial statements.
- ▶ Resources expected to be held 3 months or less can be reported instead in the statement of net position, with inflows and outflows reported as operating cash flows in the statement of cash flows



66

Reporting Entity Consideration

- ▶ As the primary government what is the appropriate treatment of fiduciary funds of a discrete component unit?
- ▶ Statement 84 does not affect the current guidance of Statement 34 par. 126.
 - Requires inclusion of the aggregated total of a CU, which does not include its fiduciary funds or fiduciary CU's.



67

How to implement??

Someone has to be in charge to gather information – completeness is key

- May take many *periods*
- May involve legal team and treasurer / CFO
- May involve software changes

Compare each activity against

- GASB-84
- Governmental Fund Provisions in Other Standards
- Enterprise / Proprietary Fund Provisions in Other Standards
- Component Unit Standards

Information could be in

- Laws / regulations (especially student activity funds)
- Contracts
- Trust agreements / similar
- Gather information on revenue sources / uses



DOCUMENT IT – consistent forms a good idea

68

How to implement??

Could result in

- Reclassification to governmental / enterprise funds
- Reclassification from one fiduciary type to another
- Adjustments
- Redrafting of policies / procedures for fund creation, accounting and reporting
- Systems updating

DOCUMENT DECISIONS / CHANGES – consistent forms a good idea

Implementation Guide issued 2019-2



69

Materiality - Accountant

- ▶ Add IG question regarding materiality from GASB IG 2015-1 Question 7.4.1
- ▶ Q—In preparing financial statements, how should those financial statements be viewed for determining materiality?
 - Quantitative and Qualitative significance
 - Components of remaining fund info consider professional judgement considering relevant qualitative factors and relationship of fund reporting units to other info in the financial statements
 - quantitative materiality determination for each fiduciary fund type could be made based on the significance of those funds to all fiduciary funds of the reporting government, or it could be based on the significance of those funds to all funds of the government



70

TQA – 6950.23-.24

- ▶ ...first **assess management's assertion that the omission of the fiduciary fund is appropriate** (that is, the fiduciary fund is both quantitatively and qualitatively immaterial based on relevant GAAP). Based on the guidance in GASB Implementation Guide 2015-1, Q7.4.1, as amended, the government can assess quantitative materiality of the fiduciary fund type based on the significance of those funds to all funds of the government. In all cases, qualitative materiality aspects should be appropriately considered. **If the auditor agrees with management's assessment of materiality (quantitative and qualitative)** relevant to the omission, the **auditor does not need to perform any further audit procedures** related to this omitted fund.



73

How to implement??

Someone has to be in charge to gather information – completeness is key

- May take many *periods*
- May involve legal team and treasurer / CFO
- May involve software changes

Compare each activity against

- GASB-84
- Governmental Fund Provisions in Other Standards
- Enterprise / Proprietary Fund Provisions in Other Standards
- Component Unit Standards

Information could be in

- Laws / regulations (especially student activity funds)
- Contracts
- Trust agreements / similar
- Gather information on revenue sources / uses



DOCUMENT IT – consistent forms a good idea

74

Implementation

- ▶ Inventory Potential Fiduciary Activities
 - Current activates reported as fiduciary
 - Component Units
 - Current reported BTA/Governmental funds
 - Bank Accounts
 - Activities/Fees Collected/Remitted to Other Entities
 - Non-reported activities
 - Ex. Defined Contributions plans
 - Resources potentially controlled by Government



75

How to implement??

Could result in

- Reclassification to governmental / enterprise funds
- Reclassification from one fiduciary type to another
- Adjustments
- Redrafting of policies / procedures for fund creation, accounting and reporting
- Systems updating

DOCUMENT DECISIONS / CHANGES – consistent forms a good idea

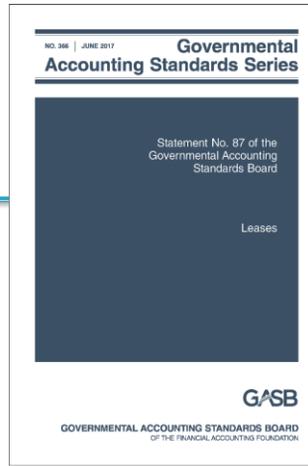
Implementation Guide issued 2019-2



76

Leases

Statement No. 87



Leases

What?

The Board issued Statement 87 to improve lease accounting and financial reporting

Why?

Existing standards in effect for decades without review in light of GASB's conceptual framework; FASB and IASB conducted a joint project to update their lease standards; opportunity to increase comparability and usefulness of information and reduce complexity for preparers

When?

Effective for periods beginning after December 15, 2019, COVID Impact

Earlier application is encouraged



Transition

- ▶ Based on a June 30 year-end



- ▶ Implementation – use facts and circumstances that existed at the beginning of the earliest period presented
- ▶ No hindsight 20/20 – do not have to use the commencement date of the lease.



79

Definition of a Lease

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



80

80

IG 2019-3 – 4.1

- ▶ Q—A government obtains the right to use land, which has a market rent of \$100,000 per year, for \$1 per year. Should the government apply the requirements in Statement 87 to that transaction?

A—No. The definition of a lease in paragraph 4 of Statement 87 specifies that the Statement should be applied only to exchange or exchange-like transactions. Paragraph 1 of Statement No. 33, ...classifies all transactions of state and local governments into two categories: (a) exchange and exchange-like and (b) nonexchange. *The government's right to use land for \$1 does not meet the description of an exchange or exchange-like transaction because each party does not receive or give up essentially equal value or not quite equal value.*

Don't forget Exchange-like transactions

One in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition.



81

Definition of a lease - Control

- ▶ Control requires both of the following:
 1. the right to obtain the present service capacity from use of the underlying asset, and
 2. the right to determine the nature and manner of use of the underlying asset
- ▶ Control applied to the right-to-use lease asset (a capital asset) “specified in the contract”
 - Control criteria NOT limited to contracts that convey substantially all of the present service capacity from use of the underlying asset
 - Right-to-use lease assets include rights to use underlying assets for portions of time, such as certain days each week or certain hours each day



82

IG 2019-3 – 4.2

- ▶ Q—A government enters into a multiyear agreement for the right to use a facility. The government has exclusive use of the facility three days a week. Other parties use the facility on the other days. To meet the definition of a lease, is the government required to have uninterrupted control of the right to use the facility? Control applied to the right-to-use lease asset (a capital asset) “specified in the contract”

A—**No**. In determining whether a contract conveys control of the right to use an underlying asset, a government should assess whether it has (a) the right to obtain the present service capacity from use of the underlying asset and (b) the right to determine the nature and manner of use of the underlying asset “as specified in the contract” (paragraph 5 of Statement 87). ***If the contract specifies that the government has control of those rights during three days of each week, the control criterion is met.*** The provision in the lease definition that the contract be for a period of time does not require uninterrupted control of the right to use the facility.

Control &
Uninterrupted Use



83

Poll Question #5



84

Leases

- Nonfinancial assets
 - Assets that are not “financial assets”, as defined by GASB 72, *Fair Value*
 - Common Examples: land, buildings, vehicles, and equipment
 - Unless determined to be Investments/Financial



85

Leases scope exclusions

- ▶ **Intangible assets (mineral rights, patents, software, copyrights)**
 - Except for the sublease of an intangible right-to-use asset
 - SBITA – Exposure Draft
- ▶ **Biological assets (including timber, living plants, and living animals)**
- ▶ Inventory
- ▶ Service concession arrangements (See GASB Statement 60)
- ▶ Assets financed with outstanding conduit debt unless both the asset and conduit debt are reported by lessor
- ▶ **Supply contracts (such as typical power purchase agreements, which do not convey control of the right to use the underlying power generating facility)**



86

Implementation: While many software/IT related agreements may be excluded from Statement No. 87; they may be included with SBITA.

“Inventory” those as well!!

86

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)



87

IG 2019-3 – 4.21 Transfer Ownership

- ▶ Q—A vendor installs equipment in a government’s building to increase energy efficiency. The government will own the equipment at the end of the agreement, and the contract does not contain a termination option. For financial reporting purposes, should this transaction be reported as a lease or a financed purchase?

A—This transaction should be *reported as a financed purchase*. If *title to the equipment transfers to the lessee* by the end of the contract, the *transaction is not accounted for as a lease* for financial reporting purposes. Rather, the transaction is a financed purchase, as discussed in paragraph 19 of Statement 87.



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Lease Term

- For financial reporting purposes, when does the lease start and end?
 - Start with the **noncancelable period**



- Plus periods covered by options to:
 - **Extend lease**, if reasonably certain of being exercised
 - **Terminate lease**, if reasonably certain of *not* being exercised
- Excludes cancelable periods
 - Periods for which lessee and lessor both have option to extend or terminate (such as rolling month-to-month leases)
- Fiscal funding and cancellation clauses are ignored unless reasonably certain of being exercised



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89

IG 2019-3 – 4.13 Holdover Period

- ▶ Q—A lease contract has a noncancellable period of five years and specifies that at the end of the five years, both the lessor and lessee have the right to cancel the lease or may continue the lease, using the same terms on a month-to-month basis. Is the month-to-month holdover period included in the initial assessment of the lease term?

A—**No**. During the holdover period, the lessee has not contracted for a noncancellable right to use an underlying asset, and the lessor is not required to continue providing the asset. That is, the **holdover period is cancellable** by either party and, therefore, is excluded from the lease term, as defined in paragraph 12 of Statement 87.



90

IG 2019-3 – 4.15 Cancellation penalties

- ▶ Q—A lease contract allows either party to unilaterally terminate the lease at any time but also provides for cancellation penalties. The cancellation penalties are so great that it is reasonably certain that neither party will terminate the lease. Should the cancellable periods be excluded from the lease term?

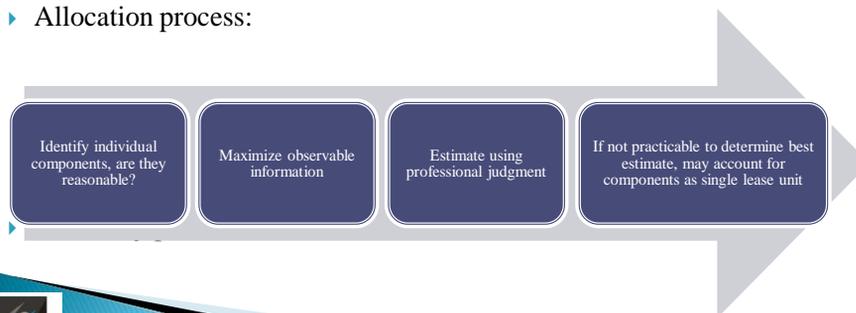
A—**Yes**. Paragraph 12 of Statement 87 requires that periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party be excluded from the lease term as cancellable periods. ***The presence of cancellation penalties does not affect that conclusion.*** Even if, as in this example, both parties are reasonably certain that the lease will not be terminated, the ***cancellable periods should be excluded*** from the lease term.



91

Contracts with Multiple Components

- ▶ Separate contracts into lease and nonlease components or multiple lease components
- ▶ Allocate consideration to multiple underlying assets if:
 - Service components of contract,
 - Differing lease terms, or
 - Are in differing major asset classes for disclosure
- ▶ Allocation process:



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Consider **Contract Combinations** when reviewing **Multiple Components**

Lease Term - Example

5 year lease with lessee-*only* option to cancel at 4 years

| Lessee Options | | Lessor Options | | Term |
|-----------------------|---------------|------------------|---------------|---------|
| <u>Terminate</u> | <u>Extend</u> | <u>Terminate</u> | <u>Extend</u> | |
| Uncertain | N/A | N/A | N/A | 5 years |
| Reasonable Certain | N/A | N/A | N/A | 4years |



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Lease Term - Example

5 year lease with lessee option to extend to 6 and lessor option to cancel at 4.

| Lessee Options | | Lessor Options | | Term |
|------------------|-----------------------|-----------------------|---------------|---------|
| <u>Terminate</u> | <u>Extend</u> | <u>Terminate</u> | <u>Extend</u> | |
| N/A | Uncertain | Uncertain | N/A | 5 years |
| N/A | Uncertain | Reasonably Certain | N/A | 4 years |
| N/A | Reasonably Certain | Uncertain | N/A | 6 years |
| N/A | Reasonably Certain | Reasonably Certain | N/A | 4 years |



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Lease Term - Example

5 year lease with lessee and lessor options to cancel at 4

| Lessee Options | | Lessor Options | | Term |
|--------------------|---------------|--------------------|---------------|---------|
| <u>Terminate</u> | <u>Extend</u> | <u>Terminate</u> | <u>Extend</u> | |
| Uncertain | N/A | Uncertain | N/A | 4 years |
| Uncertain | N/A | Reasonably Certain | N/A | 4 years |
| Reasonably Certain | N/A | Uncertain | N/A | 4 years |
| Reasonably Certain | N/A | Reasonably Certain | N/A | 4 years |

- Cancelable after 4th year because both lessee and lessor can cancel



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95

Lease Term – Reassessment

- ▶ Reassess the lease term only if one or more of the following occurs:
 - Lessee or lessor elects to exercise an option even though originally determined that the lessee or lessor would *not* exercise that option
 - Lessee or lessor elects to *not* exercise an option even though previously determined that the lessee or lessor would exercise that option
 - An event specified in the contract that requires an extension or termination of the lease takes place



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Short-term lease exception

- ▶ A *short-term* lease is one that, at the beginning of the lease, has a “maximum possible term” under the contract, including any options to extend, of 12 months or less
- ▶ Practicality exception for short-term leases
 - For a lease that is cancelable either by the lessee or lessor, such as month-to-month or year-to-year leases, the maximum possible term is the noncancelable period including any notice period



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IG 2019-3 – 4.18 Short-Term Leases

- ▶ Q—A government enters into a lease with a 6-month noncancellable period and an option to extend for another 12 months after the noncancellable period. The government is not reasonably certain that it will exercise the option to extend and, therefore, assesses the lease term as six months. Is this agreement a short-term lease under Statement 87?

A—*No*. Paragraph 16 of Statement 87 states that a short-term lease “has a **maximum possible term** under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.” Therefore, the lessee should report a lease liability and a lease asset; however, the lease term would be only six months.



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Short-term lease exception

- ▶ **Accounting:**
 - Lessee: lease payments recognized as expenses/expenditures based on the payment provisions of the contract
 - Lessor: lease payments recognized as revenue based on the payment provisions of the contract

- ▶ **Disclosures:**
 - None



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Poll Question #6



100

Leases Overview—Initial Reporting

| | Assets | Liability | Deferred Inflow |
|---------------|--|---|---|
| LESSEE | Intangible asset (right to use underlying asset)—value of lease liability plus prepayments and initial direct costs that are ancillary to place asset in use | Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.) | NA |
| LESSOR | <ul style="list-style-type: none"> • Lease receivable (generally including same items as lessee liability) • Continue to report leased asset | NA | Equal to lease receivable plus any cash received up front that relates to a future period |



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Leases Overview—Subsequent Reporting

| | Assets | Liability | Deferred Inflow |
|---------------|--|---|---|
| LESSEE | Amortize the intangible asset over shorter of useful life or lease term | Reduce by lease payments (less amount for interest expense) | NA |
| LESSOR | <ul style="list-style-type: none"> • Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition) • Reduce receivable by lease payments (less payment needed to cover accrued interest) | NA | Recognize revenue over the lease term in a systematic and rational manner |



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Lessee – Initial Measurement

- ▶ Initial measurement of a lease liability includes:
 - Fixed payments over lease term
 - Variable payments based on an index / rate in effect at that date (ex. CPI)
 - Variable payments that are in-substance fixed
 - Residual value guarantees that are *reasonable certain* of being required
 - Termination penalties if based on the determination of the lease term, the termination option is *reasonable certain* of being exercised
 - Purchase options *reasonably certain* of being exercised
 - Any other *reasonably certain* payments



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LESSEE – Recognition & Measurement

- ▶ Recognize a lease liability and intangible lease asset
- ▶ In governmental funds, report capital outlay and other financing source



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104

LESSEE – Lease Liability

- ▶ Initial measurement of a lease liability includes:
 - + Fixed payments (less any lease incentives receivable from the lessor)
 - + Variable payments based on an index or rate (such as CPI),
 - Use the rate as of the beginning of lease
 - + Variable payments that are fixed in substance
 - + Residual value 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



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105

LESSEE – Lease Liability

- ▶ Initial measurement of a lease liability includes:
 - Lease liability does not include lease payments that are dependent on a lessee's performance or usage of an underlying asset
- ▶ Discount the lease liability payments using the rate the lessor charges the lessee
 - Interest rate may be implicit in the lease
 - if that rate cannot be readily determined, the lessee's incremental borrowing rate



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106

LESSEE – Lease Liability

- ▶ Remeasure **lease liability** when certain changes occur (if expected to significantly affect liability measurement)
- ▶ If **lease liability** remeasured
 - 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 the lease asset by the same amount
 - Exception if adjustment is greater than carrying value of asset, difference is recognized in the flows statement



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LESSEE – Lease Right-to-Use-Asset

- ▶ Initially measure **lease asset** as the sum of:
 - a. Initial lease liability
 - b. Any prepayments (amounts paid for the lease prior to measuring the lease liability)
 - Less any incentives *received* from the lessor
 - c. Initial direct costs that are necessary ancillary charges to place the leased asset into use
 - Other initial direct costs (e.g., insurance, legal, administrative) should be expensed



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108

LESSEE – Lease Right-to-Use-Asset

Lease Asset Subsequent Recognition and Measurement

- ▶ **Lease asset** amortized (e.g., amortization expense) using a systematic and rational manner over the shorter of the useful life of the underlying asset or the lease term
 - Lease asset amortization *may* be combined with depreciation expense for other capital assets
 - If the lease has a purchase option which is reasonably certain of being exercised, amortize over the useful life of the underlying asset as if the lessee owns the underlying asset, using the lessee's depreciation policy, unless non-depreciable.



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2019 Governmental & Not-For-Profit Training Program



109

LESSEE – Lease Right-to-Use-Asset

Lease Asset Subsequent Recognition and Measurement

- ▶ Lease asset generally adjusted by the same amount as lease liability.
 - If this change reduces the carrying value of the lease asset to zero, any remaining amount is a gain
- ▶ If the underlying asset becomes impaired, apply capital asset impairment guidance of Statement 42 to the right-to-use lease asset



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Poll Question #7



111

LESSEE—disclosures

- a. A general description of leasing arrangements, including:
 1. Basis, terms, and conditions, on which variable lease payments are determined
 2. Existence, terms, and conditions of residual value guarantees provided by the lessee
- b. Total amount of assets recorded under leases, and the related accumulated amortization, disclosed separately from other capital assets
- c. Lease assets disaggregated by major classes of underlying assets, disclosed separately from other capital assets
- d. Variable lease payments recognized during the period but not previously included in the lease liability



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LESSEE—disclosures

- e. Other payments recognized during the period but not previously included in the lease liability (such as residual value guarantees or penalties)
- f. A maturity analysis of all future lease payments
 - Payments for each of the first five years
 - Payments in five-year increments thereafter
 - Show principal and interest separately
- g. Lease commitments, other than short-term leases, for which the lease term has not yet begun
- h. Components of any net impairment loss (gross impairment loss less change in lease liability)



113

LESSEE – Pumper Truck Example (cont.)

Assumptions for Lease Liability calculation:

- ▶ The Pumper Truck is delivered on January 1, 2021, date of 1st payment.
- ▶ Payment schedule 5 years, assuming a 6% interest rate.
- ▶ Purchase price, not certain of being exercised (exclude)
- ▶ Present value of \$2,000 monthly payments for 5 years (60 months):
 - Rate = (6% per year / 12 months to get rate per month)
 - Nper (number of payments) = 60
 - Pmt (monthly payment) = 2,000
 - FV (future value) = 0
 - Type = 1 if payments are made at beginning of period, 0 if payments are made at end of period



114



LESSEE – Pumper Truck Example (cont.)

Assumptions for Lease Liability calculation:

- ▶ The Pumper Truck is delivered on January 1, 2021, date of 1st payment.
- ▶ Payment schedule 5 years, assuming a 6% interest rate.
- ▶ Purchase price, not certain of being exercised (exclude)
- ▶ Present value of \$2,000 monthly payments for 5 years (60 months):
 - Rate = (6% per year / 12 months to get rate per month)
 - Nper (number of payments) = 60
 - Pmt (monthly payment) = 2,000
 - FV (future value) = 0
 - Type = 1 if payments are made at beginning of period, 0 if payments are made at end of period



**Present
Value =
103,968**

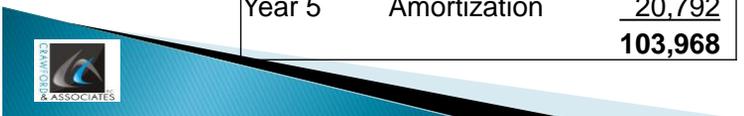


115

LESSEE – Pumper Truck Example (cont.)

| Annualized Payment Schedule | | | |
|-----------------------------|----------------|---------------|----------------|
| | Principal | Interest | Total Payment |
| 2021 | 18,808 | 5,192 | 24,000 |
| 2022 | 19,419 | 4,581 | 24,000 |
| 2023 | 20,616 | 3,384 | 24,000 |
| 2024 | 21,888 | 2,112 | 24,000 |
| 2025 | <u>23,237</u> | <u>761</u> | <u>24,000</u> |
| | 103,968 | 16,032 | 120,000 |

| | | |
|--------|--------------|----------------|
| Year 1 | Amortization | 20,794 |
| Year 2 | Amortization | 20,794 |
| Year 3 | Amortization | 20,794 |
| Year 4 | Amortization | 20,794 |
| Year 5 | Amortization | <u>20,792</u> |
| | | 103,968 |



116

LESSEE – Pumper Truck Example (cont.)

| Governmental Fund - Initial Journal Entry | Debit | Credit |
|--|--------------|---------------|
| Capital outlay | 103,968 | |
| Other financing sources - lease proceeds | | 103,968 |
| <i>To record capital expenditure and related proceeds from lease of vehicles</i> | | |
| Entity-wide - Initial Journal Entry | Debit | Credit |
| Other financing sources - lease proceeds | 103,968 | |
| Lease liability – due within one year | | 18,808 |
| Lease liability – due beyond one year | | 85,160 |
| Intangible lease asset - vehicles | 103,968 | |
| Capital outlay | | 103,968 |
| <i>To record intangible asset and related liability from lease of vehicles</i> | | |



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LESSEE – Pumper Truck Example (cont.)

| Enterprise funds - Initial Journal Entry | Debit | Credit |
|---|--------------|---------------|
| Intangible lease asset - vehicles | 103,968 | |
| Lease liability – due within one year | | 18,808 |
| Lease liability – due beyond one year | | 85,160 |



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LESSEE – Pumper Truck Example (cont.)

| Governmental Fund - Year 1 Journal Entry | Debit | Credit |
|---|--------------|---------------|
| Interest expense | 5,192 | |
| Lease principal payment expenditure | 18,808 | |
| Cash | | 24,000 |
| <i>To record 12 monthly lease payments for first year</i> | | |

| Entity-wide - Year 1 Journal Entries | Debit | Credit |
|--|--------------|---------------|
| Lease liability – due within on year | 18,808 | |
| Lease principal payment expenditure | | 18,808 |
| Amortization expense | 20,794 | |
| Accumulated amortization | | 20,794 |
| <i>To eliminate fund level activity for first year</i> | | |



119

LESSEE – Pumper Truck Example (cont.)

| Enterprise funds - Year 1 Journal Entry | Debit | Credit |
|---|--------------|---------------|
| Lease liability – due within one year | 18,808 | |
| Interest expense | 5,192 | |
| Cash | | 24,000 |
| <i>To record 12 monthly lease payments for first year</i> | | |
| Amortization expense | 20,794 | |
| Accumulated amortization | | 20,794 |
| <i>To record annual amortization expense</i> | | |



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LESSOR

Recognition & Measurement



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LESSOR - Recognition & Measurement

- ▶ Recognize a lease receivable and deferred inflow of resources
- ▶ Do not derecognize the underlying asset and do not recognize a residual asset
 - Depreciate underlying asset as normal, unless required to be returned in its original or enhanced condition or has an indefinite useful life
- ▶ In governmental funds, report lease receivable and deferred inflow of resources
 - Recognize deferred inflow of resources as revenue when “available”



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LESSOR – Lease Receivable

- ▶ Initial measurement of a lease receivable includes:
 - + Fixed payments
 - + Variable payments that depend on an index or rate (such as CPI)
 - Use the rate as of 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 amounts



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LESSOR – Lease Receivable

- ▶ Discount the lease receivable using the rate the lessor charges the lessee
 - Interest rate may be implicit in the lease
- ▶ Initially excludes the following
 - Residual value guarantees that are not fixed in substance should be recognized as a receivable when:
 - a. Payment is required, and
 - b. Amount can be reasonably estimated
 - Purchase option payments or termination penalties
 - Recognized when exercised



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LESSOR – 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)
- ▶ Recognition:
 - Recognize revenue over the lease term on a systematic and rational manner over the lease term



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Poll Question #8



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LESSOR – Subsequent Recognition & Measurement

- ▶ Recognize amortization of the discount on the lease receivable (interest revenue) to produce a constant periodic rate of return on the receivable
- ▶ Lease payments allocated first to accrued interest receivable and then to the lease receivable
- ▶ Remeasure the lease receivable and update the discount rate when one or more of the following occur and are expected to *significantly* affect the receivable amount:

| | | |
|---------------------------------|---|--|
| There is a change in lease term | There is a change in the rate the lessor charges the lessee | A contingency is resolved making variable payments fixed |
|---------------------------------|---|--|



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LESSOR – Subsequent Recognition & Measurement

- ▶ If remeasured:
 - also remeasure for changes in an index/rate used to determine variable lease payments
- ▶ If the discount rate is updated:
 - the receivable should be adjusted using the revised rate
- ▶ The deferred inflow of resources generally adjusted by the same amount as the lease receivable
- ▶ Underlying Asset –
 - Do not derecognize
 - Continue to depreciate during the lease term
 - If asset is to be returned at original condition or enhanced, then do not depreciate during lease term



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Lessor – Governmental Funds

- Accounting in governmental funds (lessor)
 - Inception: debit lease receivable; credit deferred inflow
 - Lease payments received: debit cash; credit lease receivable
 - Systematically over lease term: debit deferred inflow; credit revenue



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LESSOR - exceptions

Two main transactions do not apply the general lessor recognition and measurement guidance (but still required to provide certain disclosures)

- Leases of tangible assets that are investments
 - No lease receivable reported for leased investment assets because investments are reported at fair value
- Certain regulated leases (e.g., airport-airline agreements)
 - Airport-airline agreements have features that don't operate like financings



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LESSOR - disclosures

Lease activities may be grouped for disclosure purposes

- a. A general description of leasing arrangements
 - The basis, terms, and conditions on which variable lease payments not included in the lease receivable are determined
- b. The total amount of inflows recognized in the reporting period related to leases, if not displayed on face of financials



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LESSOR - disclosures

- c. The lease inflows related to variable lease payments and other payments not previously included in the lease receivable
 - Include inflows related to residual value guarantees and termination penalties
- d. If lease payments secure lessor's debt:
 - The existence, terms, and conditions of options by the lessee to terminate a lease or abate lease payments

Similar disclosures required for certain regulated leases (airport-airline agreements)



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LESSOR - disclosures

- ▶ If government's *principal ongoing operations* consist of leasing to other entities,
 - Disclose maturity analysis of all future lease payments included in lease receivable
 - Payments for each of the first five years
 - Payments in five-year increments thereafter
 - Show principal and interest separately



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Lease Modifications

For LESSORS

- ▶ Remeasure the lease receivable on the effective date of modification
 - Assess the need for an updated discount rate
- ▶ Adjust the deferred inflow of resources by the difference between the modified receivable and the receivable immediately before the modification
 - However, to the extent any change relates to payments for the current period, recognize in current period flows statement (for example, revenue)
- ▶ If change results from refunding related debt and passing savings on to the lessee, see remeasurement guidance in paragraph 76



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Lease Terminations

For LESSORS

- ▶ For partial/full lease terminations (other than sales), lessors reduce/remove the lease receivable and related deferred inflow of resources
- ▶ Recognize the difference as a gain or loss
- ▶ If the lessor sells the underlying asset, derecognize underlying asset
 - Include in the calculation of any gain or loss



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135

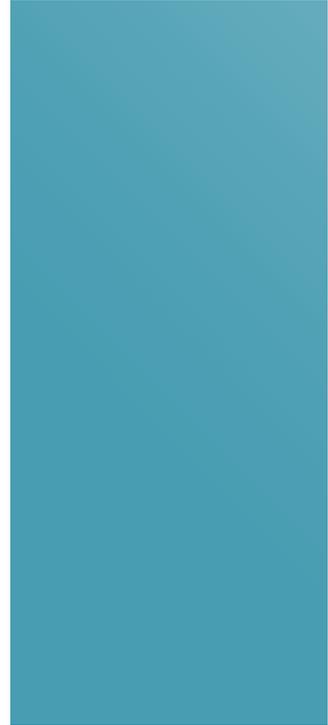
Considerations for Implementation



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Materiality Considerations

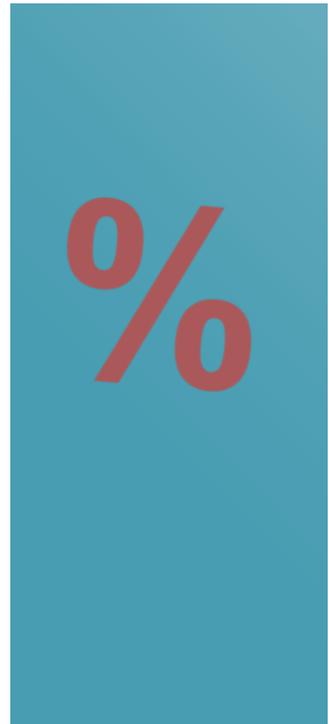
- ▶ Asset value and liability value
 - What if the underlying assets do not meet the government's capitalization threshold?
- ▶ IG question on this 7.9.8 – directing governments to capitalize the **collective** amount if material in total
- ▶ IG 2019-3 question 4.23 – applications of a similar threshold as capital assets to the lease liability



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Identifying the Rate Charged

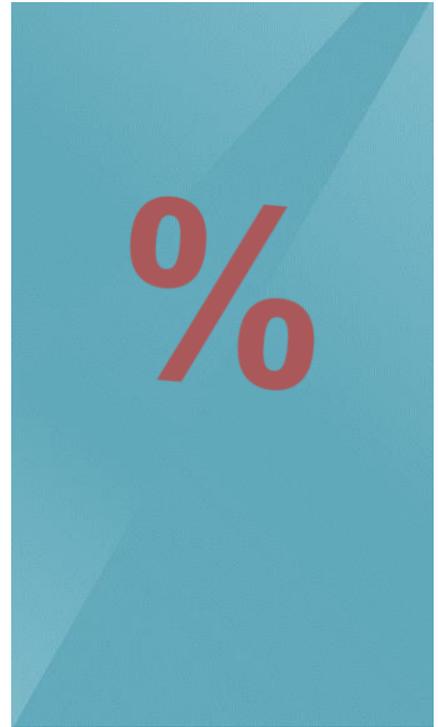
- ▶ From the lessee perspective
 - GASB 62 par 173-187
- ▶ From the lessor perspective
 - Proposed IG Question



138

Identifying the Rate Charged

- ▶ Q—Paragraph 47 of Statement 87 requires a lessor to discount the future lease payments to be received using the interest rate the lessor charges the lessee. How should the lessor determine that rate?



139

Identifying the Rate Charged



A—If the lease contract contains a stated interest rate, the lessor should use that rate. In the absence of a stated rate, the lessor should determine if the rate implicit in the lease can be estimated. Paragraph 47 of Statement 87 provides that lessors may apply the guidance for imputation of interest in paragraphs 173–187 of Statement 62. Paragraph 183 of Statement 62 indicates that the prevailing rates for similar instruments of issuers with similar credit ratings normally will help determine an appropriate interest rate. Lessors may use professional judgment to determine their best estimate for the interest rate, maximizing the use of observable information; for example, using the lessee’s estimated incremental borrowing rate or published market rates for similar instruments. If it is not practicable for the lessor to estimate the discount rate through those methods, the lessor’s own incremental borrowing rate may be used.



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Effective Date & Transition



- ▶ Effective for periods beginning after December 15, 2019
 - Earlier application encouraged
- ▶ Transition
 - Apply retroactively
 - Restate if practicable, cumulative effect if not
 - Leases recognized and measured *using the facts and circumstances that exist at the beginning of the period of implementation* (hindsight)
 - Lessors should not restate the assets underlying their existing sales-type or direct financing leases
 - Any residual assets for those leases would become the carrying values of the underlying assets



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Implementation Ideas



- ▶ Start reviewing existing leases as soon as possible
- ▶ Implement internal controls to identify leases and lease modifications
 - ▶ Update accounting systems for new information needs
 - ▶ Read GASB 87 & Leases Implementation Guide



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Implementation Ideas



- ▶ Consider impact on capitalization policy
- ▶ Consider effects of reporting lease liabilities on...
 - Debt limitations
 - Bond covenants
 - Grant agreements

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Other Accounting and Reporting Provisions

- ▶ Lease Incentives
- ▶ Subleases
- ▶ Sale-Leasebacks
- ▶ Lease-Leasebacks
- ▶ Intra—Entity Leases
- ▶ Leases Between Related Parties

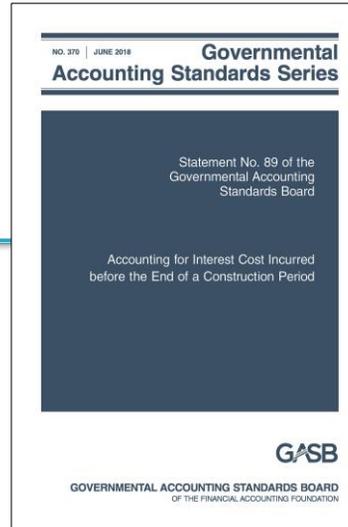


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Accounting for Interest Cost Incurred before the End of a Construction Period

Statement No. 89



Interest Cost

| What? | Why? | When? |
|---|--|---|
| <p>The Board issued Statement 89 to enhance the relevance of capital asset information and simplify financial reporting</p> | <p>Accounting guidance has been based on FASB Statements 34 and 62, which were incorporated into the GASB literature by GASB Statement 62 but were not reconsidered in light of GASB's Concepts Statements</p> | <p>Effective for periods beginning after December 15, 2019</p> <p>Earlier application is encouraged</p> |



Recognizing Interest Cost

Financial statements prepared using the economic resources measurement focus:

- Interest cost incurred before the end of a construction period should be recognized as an expense in the period incurred.

Financial statements prepared using the current financial resources measurement focus:

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

Prospective application at transition



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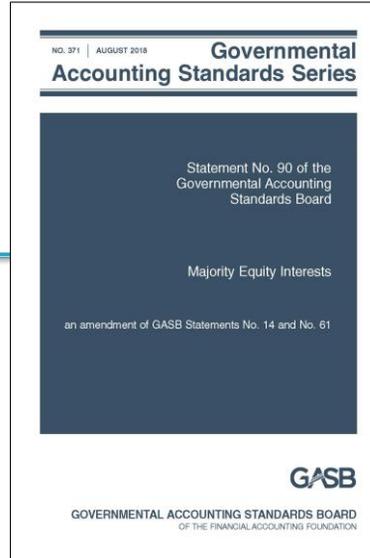
Poll Question #9



148

Majority Equity Interests

Statement No. 90



Majority Equity Interests

What?

The Board issued Statement 90 to clarify whether a majority equity interest should be reported as an investment or as a component unit and to provide consistent measurement of elements of acquired organizations and 100% equity interests in component units

Why?

Stakeholders requested that the GASB examine diversity in practice and potential conflicts in the existing guidance

When?

Effective for periods beginning after December 15, 2018

Earlier application is encouraged

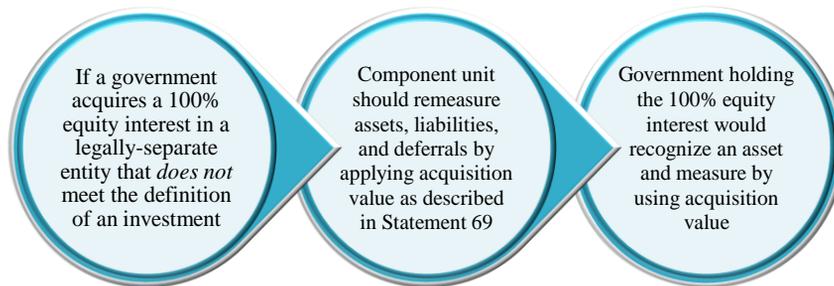


| Does the Majority Equity Interest Meet the Definition of an Investment? | |
|---|--|
| YES | NO |
| Report as an investment | Report as a component unit |
| Measure the investment by applying the equity method prescribed in Statement 62, paragraphs 205–209 <i>Exception:</i> the following should apply fair value in accordance with Statement 72, paragraph 64: <ul style="list-style-type: none"> • Special-purpose governments engaged only in fiduciary activities • Fiduciary funds • Endowments (including permanent and term endowments) and permanent funds | Recognize an asset for the majority equity interest and measure by applying the equity method prescribed in Statement 62, paragraphs 205–209 |
| Applied prospectively only | |



151

100% Equity Interest That *Does Not* Meet the Definition of an Investment



These provisions would be applied prospectively only



152

Conduit Debt Obligations

Statement No. 91

MAY 2018 **Governmental Accounting Standards Series**



GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION



Conduit Debt

What?

The Board improved the existing standards related to conduit debt obligations by providing a single reporting method for government issuers

Why?

Interpretation 2 had been in effect for 20 years before its effectiveness was evaluated; based on GASB research, improvements were needed to eliminate diversity in practice

When?

Effective for periods beginning after December 15, 2020

Earlier application is encouraged



Definition of Conduit Debt

1. There are at least three parties involved: the government-issuer, the third-party obligor (borrower), and the debt holder or trustee.
2. The issuer and the third-party obligor are *not* within the same financial reporting entity.
3. The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
4. The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
5. The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation.



155

Limited, Additional & Voluntary Commitments Extended by Issuers

Generally, issuers' commitments are **limited** to the resources provided by the third-party obligor.

Occasionally, an issuer may extend an **additional commitment** to support debt service in the event of the third-party obligor's default.

For example:

- Extending a moral obligation pledge
- Extending an appropriation pledge
- Extending a financial guarantee
- Pledging its own property, revenue, or other assets as security

Under a **voluntary commitment**, issuer voluntarily decides to make a debt service payment or request an appropriation for a payment in the event that the third-party is, or will be, unable to pay.



156

Recognition by the Issuer

Do *not* recognize a conduit debt obligation as a liability

May have a related liability arising out of an additional or voluntary commitment

Additional commitment: report a liability when qualitative factors indicate it is *more likely than not* that the issuer will support debt service payments for a conduit debt obligation

Voluntary commitment: if a certain event or circumstance has occurred, evaluate likelihood, then report a liability if it is *more likely than not* that the issuer will support debt service payments

Voluntary commitments for which a liability is recognized and all additional commitments: At least annually reevaluate whether recognition criteria are met while conduit debt is outstanding



157

Poll Question #10



158

Arrangements and Capital Assets

Some conduit debt obligations include arrangements* that involve capital assets to be used by the third-party obligor but owned by the issuer.

- Capital asset is built or acquired with proceeds of the conduit debt obligation.
- Issuer retains title to the capital asset from the beginning of the arrangement.
- Payments from the third-party obligor are to cover debt service payments.
- Payment schedule of the arrangement coincides with the debt service repayment schedule.

*Often characterized as “leases”



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Arrangements and Capital Assets (continued)

Accounting by the issuer:

Do *not* report those arrangements as leases

Do *not* recognize a liability for the related conduit debt obligations

Do *not* recognize a receivable for the payments related to those arrangements

If the arrangement meets the definition of a service concession arrangement, follow Statement 60



160

Arrangements and Capital Assets (continued)

| Does title pass to third-party obligor at end of arrangement? | Does the issuer recognize a capital asset? | Does the issuer recognize a deferred inflow of resources? |
|--|--|--|
| Yes | No | No |
| No, and third party has exclusive use of <i>entire</i> capital asset | Yes, when the arrangement ends | No |
| No, and third party has exclusive use of only <i>portions</i> of the capital asset | Yes, at the inception of the arrangement | Yes, at the inception of the arrangement; deferred inflow recognized as revenue over the term of the arrangement |



161

Disclosures by Type of Commitment

A general description of the issuer's conduit debt obligations

- Description of limited commitments
- Description of additional commitments (legal authority and limits; length; arrangements for recovering payments from third-party obligors, if any)
- Aggregate outstanding principal amount

If the issuer recognizes a related liability

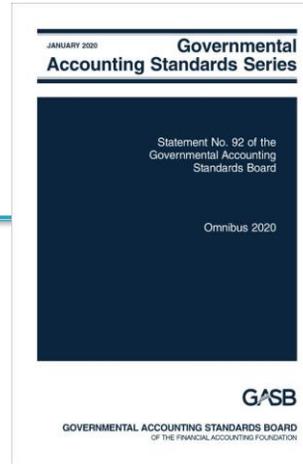
- Description of timing of recognition and measurement of the liability
- Beginning balances, increases, decreases, ending balances
- Cumulative payments that have been made
- Amounts expected to be recovered, if any, for those payments



162

Omnibus 2020

Statement No. 92



Omnibus 2020

| What? | Why? | When? |
|--|--|--|
| <p>The Board has amended existing standards covering multiple topics</p> | <p>Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project</p> | <p>Effective dates vary by topic</p> <p>Earlier application is encouraged and permitted by topic</p> |



Provisions of Statement 92

Leases

- Effective date of Statement 87 and Implementation Guide 2019-3 is changed to “fiscal years beginning after December 15, 2019, and all reporting periods thereafter”

Government combinations and disposals of operations

- Provides an exception to the use of acquisition value in the measurement of an acquired asset retirement obligation

Derivative instruments

- Amends NCGA and GASB pronouncements to standardize the terminology used to refer to derivative instruments



165

Provisions of Statement 92 (continued)

Application of Statement 84 to Postemployment Benefit Arrangements

- Limit the requirements of paragraphs 22 and 25 to defined benefit pension and OPEB plans
- Supersedes guidance in Statements 73 and 74 regarding recognition of a liability to employers and NECEs for the excess of assets over liabilities for benefits payments and administrative expenses in custodial funds in circumstances in which assets are accumulated for the pensions and OPEB of other employers and NECEs

Applicability of Statements 73 and 74

- Amend Statements 73 and 74 to replace references to *control* of assets in those same circumstances, to avoid limiting the application of the associated requirements of those Statements

Fair value measurements

- Amends paragraph 81 of Statement 72 to adjust the example of nonrecurring fair value measurements



166

Provisions of Statement 92 (continued)

Intra-entity transfers of assets

- Amends paragraph 15 of Statement 48 to clarify that amounts associated with the transfer of capital or financial assets from an employer or NECE to a defined benefit pension or OPEB plan within the same financial reporting entity should be reported as contributions to the plan, in accordance with Statements 68 and 75
- Clarifies that the provisions of paragraph 15 apply to all transfers of assets within a financial reporting entity

Reinsurance recoveries

- Amends paragraph 37 of Statement 10 to clarify that amounts that are recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be.



167

Effective Dates for Statement 92

| Requirements related to: | Effective Date |
|---|--|
| 1. Leases 2. Reinsurance recoveries 3. Derivative instruments | Upon issuance |
| 4. Intra-entity transfers of assets 5. Applicability of Statements 73 and 74 | Fiscal years beginning after June 15, 2020 |
| 6. Application of Statement 84 to postemployment benefit arrangements 7. Fair value measurements | Reporting periods beginning after June 15, 2020 |
| 8. Government combinations and disposals of operations | For government acquisitions occurring in reporting periods beginning after June 15, 2020 |



168

Poll Question #11



169

Replacement of Interbank Offered Rates

Statement No. 93



170

Replacement of Interbank Offered Rates

What?

The Board has issued guidance to facilitate the transition from using IBORs in hedging derivative instruments and leases

Why?

LIBOR in its current form is expected to effectively sunset at the end of 2021

When?

Provision related to LIBOR effective for reporting periods *ending* after December 31, 2021

All other provisions are effective for reporting periods beginning after June 15, 2020



171

Exception to Termination of Hedge Accounting

Continue to apply hedge accounting to an effective hedging derivative instrument with a variable payment based on an IBOR, if all criteria are met:

Hedging derivative instrument is amended or replaced to change the reference rate of its variable payment or add/change reference rate-related fallback provisions

The new reference rate essentially equates the old rate by :

Adjusting the new rate by a coefficient or constant, limited to what is necessary to essentially equate the rates, and/or

An up-front payment, limited to what is necessary to essentially equate the rates

The original hedging derivative instrument is ended and the replacement hedging derivative instrument is entered into on the same date

Critical terms are identical, except for term changes that are necessary for reference rate replacement (see next slide)



172

Other Term Changes

Term changes that may be necessary for the replacement of the reference rate are limited to:

- The frequency with which the rate of the variable payment resets
- The dates on which the rate resets
- The methodology for resetting the rate
- The dates on which periodic payments are made



173

Two-Step Transition to a SOFR

A hedging derivative instrument may be amended or replaced in two steps: a transition from an IBOR to another rate (such as the effective federal funds rate) prior to transitioning to a secured overnight financing rate (SOFR)

Hedge accounting continues when all of the following criteria are met:

- The first step replaces an IBOR with another rate
- That interim rate is replaced by a SOFR in the second step
- All four of the criteria for a one-step transition are met



174

Other Provisions

Effective Federal Funds Rate and SOFR are appropriate benchmark interest rates for taxable debt when applying the consistent critical terms method

LIBOR is no longer an appropriate benchmark interest rate for taxable debt when applying the consistent critical terms method

Replacing an IBOR as the reference rate of a hedged item does not terminate hedge accounting

Uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable

The lease modifications guidance in Statement 87 should not be applied to when a lease contract is amended solely to replace an IBOR



175

Effective Dates and Transition

The provision removing LIBOR as an appropriate benchmark rate is effective for reporting periods *ending* after December 31, 2021

All other provisions are effective for reporting periods beginning after June 15, 2020

Earlier application is encouraged

Should be applied retroactively, if practicable (hedge accounting should be reestablished for terminations prior to the effective date of this Statement)



176

Poll Questions #12



177

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Statement No. 94



178

PPPs, APAs, and SCAs

What?

The Board issued guidance for public-private and public-public partnerships (P3s) that are not subject to Statements 60 or 87, and improvements to Statement 60

Why?

GASB research found that some P3 transactions are outside the scope of Statement 60 and identified opportunities to improve Statement 60's guidance for service concession arrangements (SCAs)

When?

Effective for reporting periods beginning after June 15, 2022



179

Definitions: PPPs and APAs

Public-private partnerships and public-public partnerships (PPPs) are arrangements “in which a government (the transferor) contracts with an operator [governmental or nongovernmental] to provide public services by conveying control of the right to operate a nonfinancial assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.”

Availability payment arrangements (APA):

- Government contracts with another entity to operate or maintain the government's nonfinancial asset
- Entity receives payments from the government based on the asset's availability for use
- Asset's availability may be based on the physical condition of the asset or the achievement of certain performance measures
- May include design, finance, construction, or service components



180

Other Provisions

A PPP that meets the definition of a lease in Statement 87 – but not the definition of a service concession arrangement (SCA) – would be reported under Statement 87.

An APA that is related to the design, finance, or construction of an infrastructure or other nonfinancial asset in which ownership of the asset transfers by the end of the contract would be reported as a financed purchase of the asset.

An APA that is related to operations would be accounted for as flows of resources (for example, expense) in the period to which the payments relate.



181

Comparing SBITA and P3 Project with leases

| Leases Element | SBITA | P3 Project |
|---|----------------------------------|---------------------------------|
| Lease Term | Subscription Term – same factors | Same factors |
| Terminations, modifications, combinations | Same | Same |
| Short term exception | Same | No provision in ED |
| Right to use asset | Same | Same |
| Liability measurement | Same | Same |
| Interest rate use – implicit or stated | Same | Same |
| Reassessment of rates | Same | Same |
| Impairment of right to use asset | Same | Same |
| Disclosure | Almost all the same | Almost all the same |
| Leases that are financings | As applicable | Slightly different – SCA vs. P3 |



182

Where are p3's in practice?



- Road networks
- Airports
- Public transit
- Healthcare
- Student services at public institutions
- Stadiums
- Jails
- Water / sewer
- Museums
- Any capital asset could be involved



183

Transferor Reporting

For all PPPs, recognize:

- Receivable for installment payments to be received, if any
- Deferred inflow of resources for the assets recognized, including payments received from the operator at or before start of the PPP term

If underlying PPP asset is a new asset or an existing asset that has been improved...

- ...and the PPP is an SCA: also recognize the capital asset at acquisition value when placed into operation
- ...and the PPP is not an SCA: also recognize a receivable for the capital asset, measured at operator's estimated carrying value as of the future date of the transfer in ownership



184

Operator Reporting

For all PPPs,
recognize:

- Liability for installment payments to be received, if any

If underlying PPP asset is (a) existing asset or improvement or (b) new asset and the P3 is an SCA...

- ...also recognize an intangible right-to-use asset

If underlying PPP asset is a new asset and the PPP is not an SCA...

- Also recognize the underlying PPP asset until ownership is transferred
- And a liability for the underlying PPP asset, measured at the estimated carrying value as of the future date of the transfer



185

Poll Question #13



186

APRIL 2019 **Governmental Accounting Standards Series**

NOV. 2018 | MAY 2018 **Governmental Accounting Standards Series**

Implementation Guidance Updates

Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*

Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*

2018-1 and 2019-1

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Implementation Guidance Updates

What?

The GASB annually updates its Q&A implementation guidance

Why?

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

When?

2018-1 is effective for periods beginning after June 15, 2018

2019-1 is effective for periods beginning after June 15, 2019



188

Implementation Guide 2018-1

Adds new questions on standards regarding

- OPEB
- Pensions
- Regulated operations
- Statistical section
- Tax abatement disclosures

Updates existing Q&A guidance related to

- Capital assets
- Cash flows reporting
- Investment disclosures
- Net position
- Pensions
- Statistical section
- Tax abatement disclosures



189

Implementation Guide 2019-1

Adds new questions on standards regarding

- Cash flows reporting
- Derivative instruments
- Fund balance
- Insurance recoveries
- Irrevocable split-interest agreements
- Intra-entity transfers of assets
- Nonexchange transactions
- Pensions and OPEB
- Tax abatement disclosures

Updates existing Q&A guidance related to

- Derivative instruments
- Financial reporting entity
- Pension and OPEB plan reporting



190

2018-1 Question 4.7

- ▶ Q - A government enters into an agreement with the owner of a landmark property in which it agrees to freeze the property's assessed value for property tax purposes for a period of 10 years. In return, the property owner agrees not to change the property's existing purpose or use throughout the period. Does the property owner's agreement not to modify the property's purpose or use constitute a specific action for purposes of applying the Statement 77 definition of a tax abatement for financial reporting purposes?



191

2018-1 Question 4.7

- ▶ A - Yes. The government has entered into this agreement to achieve a desired outcome for itself and its citizens. By maintaining the property's existing purpose and use, the property owner is taking a specific action that creates a beneficial outcome for the government or the citizens of the government



192

2018-1 Question 5.3

- ▶ Q – A cost-sharing multiple-employer pension plan covers only volunteer firefighters. Employer contributions are assessed as a dollar amount per active plan member. How does this affect requirements for presentation of information I schedules of required supplementary information (RSI) about measures of the net pension liability and contributions in relation to covered payroll?



193

2018-1 Question 5.3

- ▶ A – Employer contributions to the pension plan are not based on a measure of pay; as a result, there is no covered payroll. Therefore the requirement of pars. 32B and 32C of Statement no. 67...for ratios that present the net pension liability and contributions...as a percentage of covered payroll would not be applicable for this plan....



194

2019-1 Question 4.2

- ▶ Q—If an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher is used in the determination of the discount rate for purposes of measuring a total pension liability or total OPEB liability in accordance with Statement No. 67, Financial Reporting for Pension Plans, or Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as applicable, can an average of index rates at different dates be used?



195

2019-1 Question 4.2

- ▶ A—No. The index rate is an input into the measurement of the total pension liability or total OPEB liability and, as such, is required to be a rate at the pension or OPEB plan's fiscal year-end. Therefore, an average of rates at different dates is not permitted.



196

2019-1 Question 4.4

- ▶ Q—For purposes of applying paragraph 159 or paragraph 199 of Statement 75, if benefit payments for OPEB are implicit in amounts paid by an employer for active employee benefits (sometimes referred to as an “implicit rate subsidy”), should the amount of the deferred outflow of resources related to OPEB reported for amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date of the (collective) total OPEB liability and before the end of the reporting period include the amount of the implicit payments made during that period?



197

2019-1 Question 4.4

- ▶ A— Yes. Consistent with the requirements of Statement 75 regarding the projection of benefit payments for purposes of measuring the employer’s liability to employees for defined benefit OPEB, benefit payments (which are amounts paid for OPEB as the benefits come due), should include the implicit rate subsidy.



198

2019-1 Question 4.10

- ▶ Q—A county government owns a parcel of land that it classifies as a capital asset with a carrying value of \$150,000. The county has agreed to transfer the land to the county redevelopment agency (RDA), a discretely presented c.u. of the county. The RDA has obtaining an appraisal valuing the land at \$1.7 million. Management of the RDA believes its intent is to sell the parcel at the appraised value. ...can the RDA reclassify the land as an investment measured at fair value?



199

2019-1 Question 4.10

- ▶ A—No. Par. 15 of Statement 48 requires that an asset transferred within a financial reporting entity continue to be reported at the transferor's carrying value. Par. 68 of Statement 72....an asset that I s initially reported as a capital asset and later is held for sale should not be reclassified as an investment.... Requires that the initial classification of an asset be retained for financial reporting purposes, even if the governments usage changes over time....requirement to retain classification for financial reporting...applies even if asset changes legal ownership within the financial reporting entity.



200

Other GASB Projects

- ▶ Financial Reporting Model
- ▶ Revenue & Expense Recognition
- ▶ Compensated Absences
- ▶ PPA - Acct Changes, Error Corrections
- ▶ SBITA



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Last Question!!!



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Questions??



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Janice Ratica, CPA Principal

Services: Tax | **Industries:** High Education, Not-for-Profit

Professional Overview

Janice has more than 20 years of experience serving a wide range of tax-exempt entities organizations across the United States, including educational institutions, charities and religious organizations, hospitals, trade associations, and private foundations. Equipped with deep technical expertise and proven leadership skills, she has provided counsel on an array of intricate tax matters, including unrelated business income, alternative investments, joint ventures, and political activities/lobbying. Janice also has experience with respect to compensation arrangements, including the taxability of fringe benefits, worker classification, and other payroll matters, and has successfully represented numerous clients undergoing examinations by the Internal Revenue Service.

Janice is both an attorney and Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. In addition, she has authored articles regarding the latest industry developments and has served as a visiting professor at Wake Forest University. Janice frequently presents at various nonprofit conferences, including the AICPA National Nonprofit Conference as well as the Annual Meeting of the Southern Association of College and University Business Officers.

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Views from a Tax Perspective

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2

Trending Topics

- Developments at the IRS
- CARES Act
- Tax Reform Update
- IRS TE/GE 2020 Accomplishments Letter
- Payroll Tax Update
- Hot Topics



3



Developments at the IRS

4

IRS Structure: Static for 20 Years!

- Collection and enforcement has changed (e.g., e-filing)
- But, overall structure overall has been static
- Aging IT Systems
- Budget cuts

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5



IRS Struggles in 2020

- Still dealing with tax reform
- Customer service
- A large and growing amount of uncollected taxes
- Information security
- And now the CARES Act

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6

Taxpayer First Act

Signed on July 1, 2019 by the President

Contains various reforms to the IRS

- Creation of Independent Office of Appeals
- Improvement of taxpayer services
- Reforming rules related to enforcement
- Modernization of agency structure and technology
- Provision of better cybersecurity and identify protection



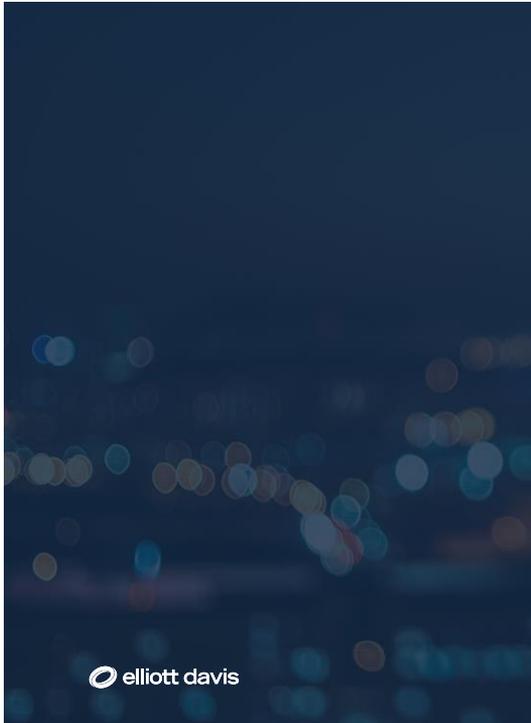
7

Mandatory E-Filing of Form 990

- Mandatory e-filing for all 990-series returns
 - Previously, there were thresholds on the electronic filing mandate
- Effective for tax years beginning after July 1, 2019
- Includes:
 - 990
 - 990-EZ
 - 990-PF
 - 990-T, which has not been previously accepted by the IRS for e-file



8



CARES Act

9

Extended Tax Deadline

- IRS Notice 2020-23: extends tax filings and payments to July 15
- Form 1040
- Form 990 series – final extended deadline or initial deadline
- Applies to all taxpayers with a tax return filing deadline or payment due between April 1 and before July 15.

10

Stabilization Funds

- \$13.953 Billion allocated to Higher Education
- Department of Education disbursed funds directly to Institutions through Title IV System.
- 50% of funds must be used exclusively to provide direct emergency aid to students for food, housing, course materials, technology, health care and child care.
- Institutions may use their portion of the funds on a broadly defined basis, including lost revenue, technology costs associated with transition to distance education, defraying expenses.
- Institutions must retain current employees to the “maximum extent practicable”.



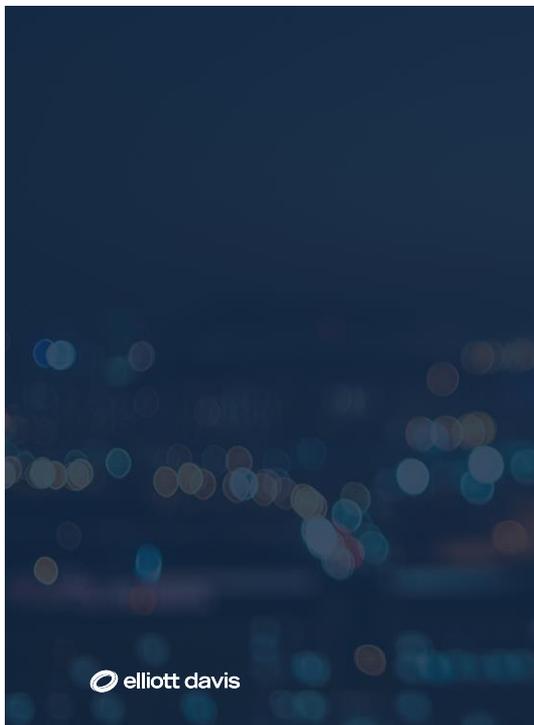
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Student Financial Aid Grants

- Higher Education Emergency Relief Fund Grants
- Emergency Federal Supplemental Educational Opportunity Grants
- Grants are qualified disaster relief payments under Section 139 of the IRC and are not includible in gross taxable income.
- To the extent the financial aid was used to pay for tuition or course materials, the amounts can't be counted as qualified education expenses for claiming the American Opportunity or Lifetime Learning Credit and the Tuition and Fees Deduction.
- Form 1098-T Reporting – Guidance will be forthcoming.

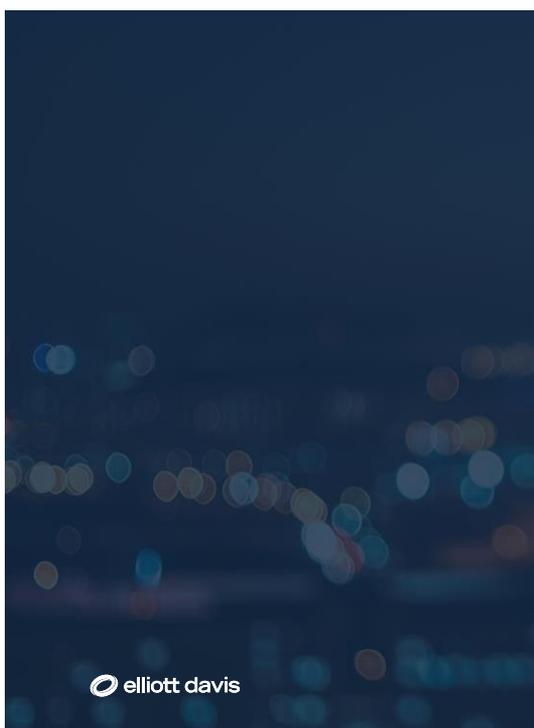


12



Polling Question

13



Tax Reform Update

14

PARKING TAX WAS REPEALED!



15

Impact on Charitable Contributions

- Increase in standard deduction has less taxpayers itemizing
- This may eliminate tax incentive for small donations
- Charitable contribution deductions fell 36% from 2018 to 2019 from \$160B to \$103B. (*IRS Tax Statistics*)



16

Unrelated Taxable Income – Silos

- Eliminates opportunity for loss activities to offset profitable activities
- Now, losses can only be used to offset income from that same unrelated trade or business



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UBTI – Proposed Regs re: Silos

- **Notice 2018-67**
 - Released August 2018 as interim guidance
- **Proposed Regs – issued April 2020**
 - Identification of unrelated business activities (NAICS Codes)
 - 2 digit vs. 6 digits
 - Investments, in general, are classified as one activity – subject to 2 tests:
 - De-minimis test
 - Control test



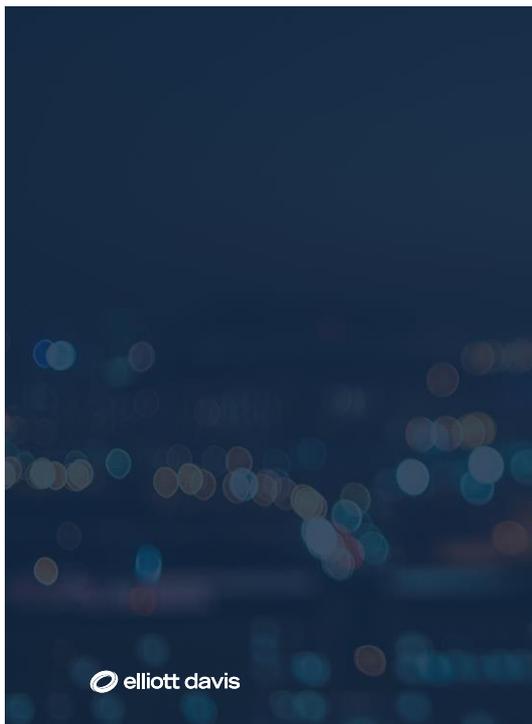
18

UBTI – Proposed Regs re: Silos

- Allocation of expenses
 - Reasonable method for indirect expenses
 - Gross to gross expense allocation is not permitted
 - Further guidance expected
- Ordering and application of NOL's
- IRS accepting comments through June 23, 2020
- Regs to be finalized by October?



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TE/GE Fiscal Year

2020 Accomplishments Letter

20

Accomplishments Letter Highlights

- Published March 23, 2020
- Tax-Exempt and Government Entities Division of IRS
- Highlights TE/GE accomplishments for FY 2019, including high-priority issues and emerging risks going forward



21

IRS Update

- TE/GE hired 200 people – 5% increase in staffing
- Enhancement of information technology/modernization
- Robotics processing automation for certain manual processes
- Expanding educational efforts, “soft” letters, and compliance checks



22

Examinations

- 3,675 exams completed – 990 series
- 60 organizations – exempt status revoked without protests
- 315 Tax-exempt bond exams closed



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Polling Question

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Determinations

- 101,880 exemption applications closed
- 92,000 entities granted tax-exempt status
- 86,000 – charities: 501(c)(3)



25

Compliance Strategies

- Employment tax issues
 - Backup withholding – 1099
 - W-2/1099 reporting
- Unrelated business income
- Self-dealing by private foundations
- For-profit entities that converted to 501(c)(3) status



26

Data-Driven Approaches

- Procedures and models to analyze data from returns to identify areas of noncompliance
- IRS claims demonstrated effectiveness
- Discrepancies on Form 990 can trigger an examination
- Current priorities:
 - Query sets – continuing to improve compliance query sets based on 990 information



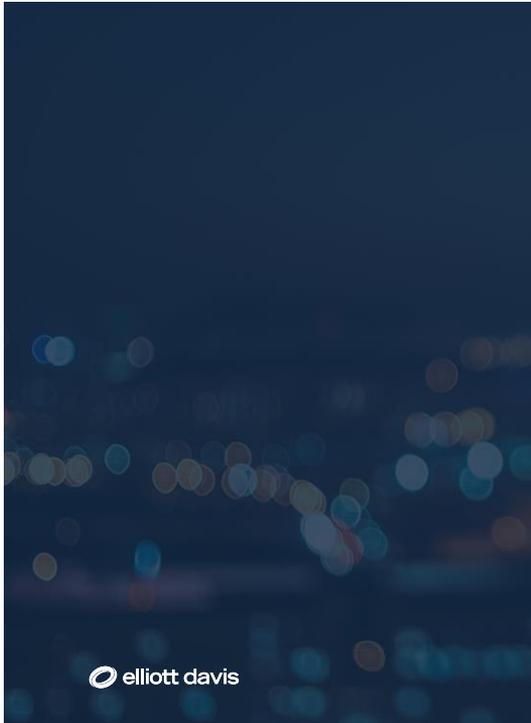
27

Referrals, Claims and Other Casework

- 1,700 cases closed
- Referrals:
 - Internal and external sources that allege noncompliance, including noncompliance with employment taxes and bond rules
- Claims
 - Address request for refunds of overpayments – not previously reported or allowed
- Other Casework:
 - Examine entities that received exemption after filing 1023-EZ



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Payroll Tax Update

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New for 2020

- Revised Form W-4 is effective January 1, 2020: *Employee Withholding Certificate*
- Revised Input Sections:
 - Filing Status
 - Multiple Jobs?
 - Child or Dependent Care Tax Credits
 - Non-job income (interest, dividends, capital gains, rental, spousal income)

The Elliott Davis logo, featuring a blue circle with a white stylized 'e' inside, followed by the text 'elliott davis' in a blue sans-serif font.

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Disclosures to Employees

- Explain new Form W-4 and when required
- No IRS requirement to complete new Form W-4, but employers can require as part of payroll policies and procedures
- Old Form W-4 elections are still valid: *Employee Withholding Allowance*
- Link to IRS “Tax Withholding Estimator” at www.irs.gov/W4app
 - Old withholding calculator only benefited single-wage earners receiving a W-2
 - New withholding calculator helps workers, retirees and self-employed individuals



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Withholding Compliance Lock-In Letters

- Lock-In Letter – special order from the IRS to withhold taxes at a required minimum rate
- 60 days after letter – withholding must begin at specified rate
- IRS is redesigning the Lock-In Letters to reflect the changes in the redesigned 2020 Form W-4
- Link to IRS Withholding Compliance Questions & Answers www.irs.gov/businesses/small-businesses-self-employed/withholding-compliance-questions-and-answers



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2020 Form 1099 - NEC

- Nonemployee Compensation
- Form 1099-NEC replaces Form 1099-MISC **Box 7**
- Income from a payor who classifies the recipient as an independent contractor rather than an employee
- Subject to self-employment tax
- Filing due dates 2-1-20 (both to recipients and IRS regardless of filing method)



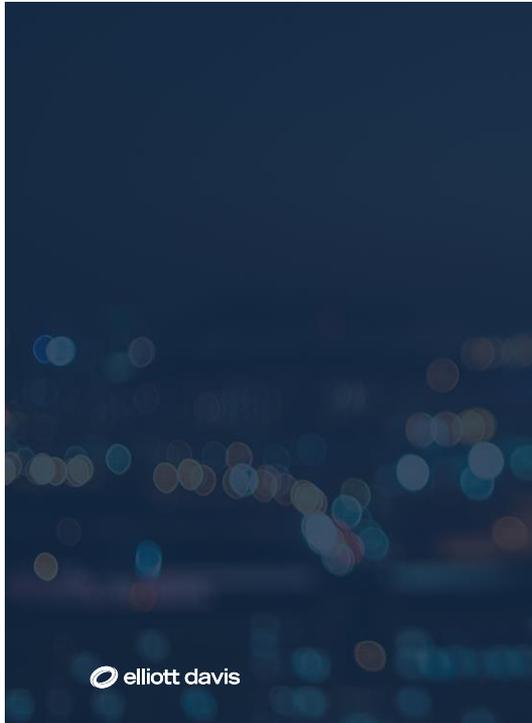
33

2020 Form 1099 - MISC

- Redesigned Form 1099-MISC
- **Revised Box 7** relates to direct sales of \$5,000 or more of consumer products to a buyer for resale (check box only – no dollar amount)
- Filing due dates 2-1-21(recipients), 3-1-21(paper to IRS) and 3-31-21 (electronic to IRS)



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Hot Topics

35

Be Aware!

- The IRS reads *your* website – and other websites where your organization is highlighted
- The IRS is focused on Fringe Benefits
 - Complimentary Tickets (donors, employees, retirees, former board members)
 - Use of Athletic Facilities
 - Non-cash fringe benefits for employees separated from service
 - Board of Trustees Expense Policy / Taxation of Fringe Benefits / Payroll and not AP

The Elliott Davis logo, featuring a blue circle with a white dot inside, followed by the text "elliott davis" in blue lowercase letters.

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Other Areas

- Worker Classification Questionnaire / Policy
 - W-2 and 1099-Miscellaneous issued to employee in same year or alternate years
- Unrelated Business Income Questionnaire / Policy
 - Advertising versus Qualified Sponsorship
 - Bookstore – convenience exception / internet sales
 - Sports Camps
- Gift Acceptance Policy
- Status of Form 1098-F – applicable to orders and agreements that become binding after January 1, 2022



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Polling Question

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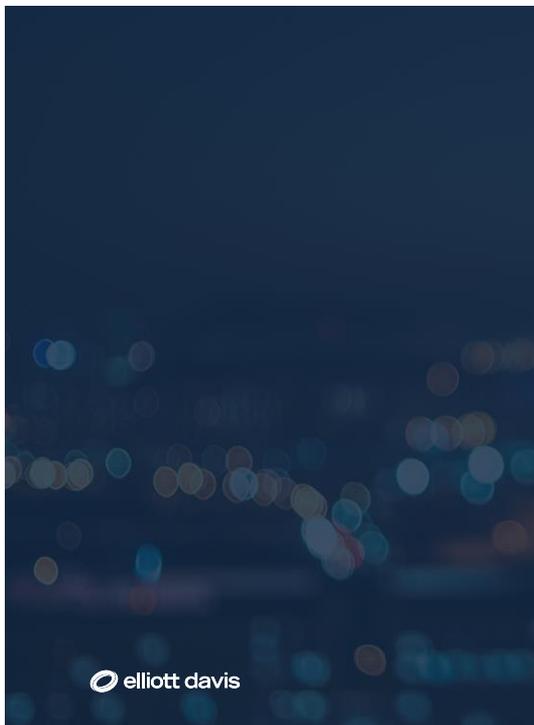
In Summary

39

Scrutiny continues

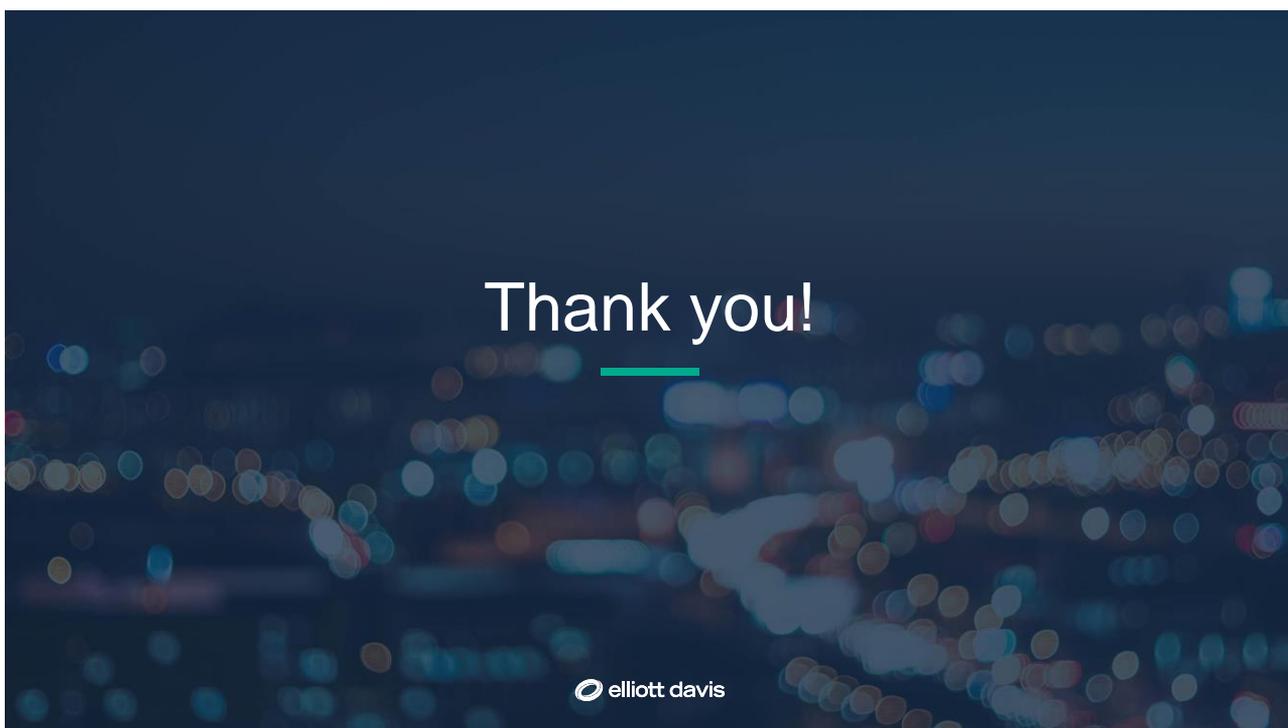
- More efficient and effective IRS
- But COVID-19 has been a drain on the IRS
- Payroll appears to be top priority again
- Focus on UBTI
- Suggestion - be **Proactive!**

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Questions?

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Views from a Tax Perspective – Elliott Davis
Denise Hill
Janice Ratica

Questions for Tax presentation:

- 1) **When a deceased family member received the economic impact payment, what guidance do you have in trying to get those funds returned?** The IRS has provided instructions on its website at <https://www.irs.gov/coronavirus/economic-impact-payment-information-center#returning>.

If you received a check by mail:

- Simply write “VOID” in the endorsement section on the back of the check
- Mail the voided Treasury check to the appropriate IRS location (per the website)
- Don’t staple, bend, or paper clip the check
- Include a note stating the reason for returning the check

If you received the check via direct deposit or have already cashed the check:

- Submit a personal check, money order, etc. to the appropriate IRS location (per the website)
- Write on the check made payable to “U.S. Treasury” and write 2020EIP, and the taxpayer identification number (social security number or individual taxpayer identification number) of the recipient of the check.
- Include a brief explanation for returning the EIP.

- 2) **Does the investment for UBTI have to meet both the de-minimis test and the control test, or only one?** The proposed regulations issued April 23, 2020 providing guidance on the unrelated business taxable income “silo” rule are complex. In general, unrelated business taxable income from Qualifying Partnership Interests (QPI) can be aggregated if it meets EITHER a de-minimis test or a control test, but not both.
- 3) **If a Government disburses CARES Act funds to a small for-profit business, should this disbursement be reported as a taxable grant on the 1099-G? I do not see a Sec. 139 exemption as this exemption applies to individuals only? Thoughts?** This would require additional research and is beyond the scope of the presentation.
- 4) **The 1098-F should be issued to only those involved in a trade or business (Sec 162)? Correct?** This would require additional research and is beyond the scope of the presentation.
- 5) **Are you required to now contract with a business to file the 990 electronically?** You have the option of purchasing software that is e-file compatible and registering directly with the IRS to e-file Form 990 “in-house”. As an alternative, you can locate an authorized IRS e-file provider using a tool on the IRS website at <https://www.irs.gov/e-file-providers/authorized-irs-e-file-providers-for-individuals>.

- 6) **If we find that we need to verbally contact the IRS, what is your recommendation for speaking with someone?** The IRS has added phone reps to help with the huge volume of calls that are not being answered. The process is still incredibly inefficient since the IRS is comprised of a workforce that sorts mail by hand and conducts business by fax. COVID19 hit during the thick of tax season and there are millions of untouched correspondence piled into 53-foot trailers at nearby postal processing centers. The backlog of work at the IRS right now is incredible. Workers were only required to report to their offices on June 1st. Work is still trying to be handled remotely. For questions that aren't about stimulus checks, you can try calling the Taxpayer Advocate Service, which is an independent organization within the IRS set up to help taxpayers work with the IRS. The phone numbers for Taxpayer Advocate Offices can be found on the IRS website at <https://www.irs.gov/advocate/local-taxpayer-advocate>. Listed below are other lesser-known IRS phone numbers that might get you help faster.
- 7) **Is the filing limit for the 1099-nec \$50,000?** Answered during Q&A. The filing threshold for 1099-NEC is \$600. The filing threshold for 1098-F is \$50,000.
- 8) **Exactly what type of loss of income can be used with the CARES funds?** Answered in a separate email to Larna Griffin, Deputy Director of Financial Services, State Education Assistance Authority on June 5, 2020.

| TOPIC | IRS PHONE NUMBER |
|--|---|
| Stimulus check wrong amount or never received | 800-919-9835 |
| Self-employed taxpayers with account or tax law questions | 800-829-4933 |
| Identity and refund theft victims | 800-908-4490 |
| Disaster victims | 866-562-5227 |
| Overseas taxpayers | 267-941-1000 |
| Balance due questions | 800-829-0922; 800-829-7650; 800-829-3903 |
| Estate and gift tax questions | 866-699-4083 |
| Excise tax questions | 866-699-4096 |
| Report phishing and other scams; see if an IRS agent's name and badge number are legit | 800-366-4484 |
| Check status of a tax refund | 800-829-1954 |
| Check status of a tax refund being held | 866-897-3315 |
| Check status of an amended tax return | 866-464-2050 |
| Order a tax transcript | 800-908-9946 |
| Make a payment using Electronic Federal Tax Payment System | 800-555-4477 800-244-4829 (Spanish) |
| Report incorrect income on a substitute return | 866-681-4271 |
| Verify, payoff or resolve a tax lien | 800-913-6050 |
| See if bankruptcy changed your tax debt | 800-973-0424 |
| Innocent spouse relief | 866-681-4271 |
| Lost ITIN documents | 800-908-9982 |
| Status of application for Adoption Taxpayer Identification Number | 737-800-5511 |
| Taxpayer Advocate Service | 877-777-4778 |
| International Taxpayer Advocate, English | 787-522-8601 |
| International Taxpayer Advocate, Spanish | 787-522-8600 |
| For the hearing impaired (TTY/TDD) | 800-829-4059 |
| Schedule an appointment with a local IRS office | 844-545-5640 |
| Whistleblower hotline | 800-829-0433 |
| Tax preparers and tax pros with account or tax law questions | 800-829-8374 |

| | |
|---|----------------------------|
| Tax preparers and tax pros with e-filing questions | 866-255-0654 |
| Tax practitioner priority service | 866-860-4259 |
| Overseas tax professionals | 512-416-7750; 267-941-1000 |
| Corporate taxpayers, partnerships and nonprofits | 866-255-0654 |
| Nonprofits with tax law or filing questions | 877-829-5500 |
| Government and tax-exempt entities | 877-829-5500 |
| International businesses that want an Employer Identification Number (EIN) | 267-941-1099 |
| Domestic employers, payers and transmitters who need e-filing tech support | 866-455-7438 |
| International employers, payers and transmitters who need e-filing tech support | 304-263-8700 |

**2020 Governmental
Accounting Update
June 4, 2020**

Attendees by Last Name (387)

Jennifer Addison -Fayetteville State
Robert Alford -OSC
Sheila Allen -DPS
Lisa Allnutt -DHHS
Shelly Alman -Gaston College
Nirav Amin -NC Education Lottery
Cherie Anderson -ECU
Matt Andrade -OSA
Lewis Andrews -State Treasurer
Jacob Argent -OSA
Deborah Atkinson -DHHS
Cyndi Autenrieth -UNC Charlotte
Kristina Autio -Retired
Steven Ayers -ECU
Debra D Bailey -ECU
Jarrett Bailey -UNC School of Arts
Jennifer Baird -DPI
Rita Baker -State Treasurer
Yolanda Banks Deaver -NCCU
John Barfield -OSC
Latrice Barner -DEQ
Sandy Barnes -OSC
Ruth Bartholomew -UNC-Chapel Hill
Kim Battle -OSC
DeAhn Baucom -UNC-Chapel Hill
Andrew Beamon -OSA
Anthony Bechtela -ECU
Talana Bell -ASU
Randy Bennett -UNC Greensboro
Kellianne Benson -Elliott Davis
Thomas Berryman -DHHS
Jeannie Betts -DHHS
Justin Bishop -UNC Greensboro
Jennifer Blair -UNC-Chapel Hill

Judy Blount -DPI
Michael Bonner -UNC Hospitals
Sandra Boozer -NC A&T State
Desiree Bowling -ECU
Jessica Boyce -Central Piedmont CC
Kendra Boyle -State Treasurer
Jennifer Brady -NCSU
Roger Brandon -ASU
Robert Brinson -DPS
Kevin Brodie -NC H&F
Sharon Brooks -NCSU
Alecia Brothers -Commerce
Anne Brown -UNC Charlotte
Barry Brown -OSC
Joshua Brown -Randolph CC
Leon Browning -UNC System Office
Miranda Brownlow -UNC-Chapel Hill
Ryan Brummeyer -DHHS
Helen Buck -NC A&T State
Heath Bullock -DHHS
Anita Bunch -DOR
Fabian Burch -OSA
Katherine Burckley -NC A&T State
Heather Burgos -DHHS
James Burke -State Treasurer
James Burkee -State Treasurer
George Burnette -UNC School of Arts
Dottie Burns -DHHS
Mary Ellen Burns -Commerce
Joannie Burtoft -OSC
Edith Cannady -OSC
Matthew Carberry -DHHS
Wynona Cash -OSC
Amy Causby -DHHS
Angelika Chafalovitch -DOA
Robin Champ -DPS
Steve Chase -Wildlife
Dan Chen -UNC-Chapel Hill
Clayton Christian -ASU

Cathy Clark -OSA
Jeff Clark -ASU
Debbie Clayton -State Treasurer
Darrus Coffield -State Treasurer
Elizabeth Colcord -OSC
Bruce Cole -Cleveland CC
Stephanie Coleman -ECU
Kris Collum -OSA
Jennifer Coltrane -NCSU
Katie Condit-Jang -UNC Greensboro
Adrienne Covington -Nash CC
Jami Crampton -Elliott Davis
Sharon Cullipher -ECU
Ann Cutler -State Treasurer
Temekia Cyrus -DHHS
Terry Dail -NC State Ports Authority
Joy Darden -OSC
Ross Davidson -NCEL
Angela Davis -UNC-Chapel Hill
Carson Davis -Elliott Davis
Cheryl Davis -Commerce
Garrett Davis -OSA
Kim Davis -Elliott Davis
Robin Davis -OSA
Robin Deaver -Fayetteville Technical
Deborah DeBourg-Brown -DHHS
Garrett Dimond -General Assembly
Sara Dombay -OSA
Michelle Donegain -UNC Pembroke
Melissa Dorman -DOT
Carol Dorshimer -UNC Hospitals
Debbie Dryer -UNC System Office
Cheryl Duncan-Gill -NC A&T
Dana Dupree -UNC School of Arts
Sharon Edmundson -State Treasurer
Felicia Edwards -DEQ
Bivian Ejimakor -NC A&T
Nuray Eksen -UNC System Office
Jolene Elkins -DHHS

Wendy Emerson -UNC School of the Arts
Leah Englebright -NC SSM
Lacy Ensley -Western Carolina University
David Erwin -State Treasurer
Laresia Everett -DOI
Bonaventure Ezewuzie -DPI
Vincent Falvo -ECU
Joanne Ferguson -UNC Wilmington
Giovanni Figaro -UNC Asheville
Daniel Figler -Southeastern CC
Michele Fiore -NC Central University
Stephanie Fisher -DOA
Cliff Flood -UNC System Office
Joyce Flowers -OSA
AJ Fluker -DHHS
Taylor Fogg -NC Housing and Finance
Anthony Fogleman -OSA
Jason Forlines -NC CC System
Denise Foutz -ASU
Carri Freeman -NC Housing and Finance
Tyler Fry -OSA
Samiel Fuller -State Treasurer
Jack Gagnon -OSBM
Victor Gardner -OSA
Linda Garr -University of NC Hospitals
Lauren Gates -Central Piedmont CC
Susan Gentry -College of The Albemarle
Tami George -Robeson CC
Tony Georges -UNC Charlotte
Kelly Ghent -SC Comptroller General's Office
Anne Godwin -OSC
Tirza Gomez -NC Central University
Robin Gore -UNC Asheville
Lydia Gossett -UNC Asheville
Ray Gravis -NCSU
Jill Green -Elliott Davis
Christina Greene -Cape Fear CC
Laura Greenwood -DOI
Larna Griffin -State Education AA

| | | | |
|--|---------------------------------|------------------------------------|---|
| Michael Griffin -UNC Hospitals | Bud Jennings -AOC | Jo Ann Martin -DHHS | Jennifer Pacheco -OSC |
| Tim Grow -Elliott Davis | Patricia Jeter -Commerce | Tabitha Mbaka -DEQ | Cameron Padgett -OSA |
| Leslie Gura -UNC Hospitals | Elizabeth John -OSHR | Susan McCullen -State Treasurer | Paul Palermo -State Treasurer |
| Allen Habif -UNC-Chapel Hill | Corby Johnson -OSA | Antonio McDaniel -NCCU | Bridget Paschal -Commerce |
| Mary Hall -UNC Asheville | Kathy Johnson -SC Comptroller | Biff McGilvray -State Treasurer | Preksha Patel -UNC System Office |
| Michelle Hall -Fayetteville Tech CC | Lori Johnson -NCSU | Marianne McKnight -OSA | Cynthia Patterson -Craven CC |
| Jennifer Hamm -Catawba Valley CC | Mary Johnson -DHHS | Jackie McKoy -DOR | Sarah Paul -Elliott Davis |
| Brenda Hampshire -UNC-G | Angela Johnston -AOC | Ben McLawhorn -OSC | Amy Penson -Isothermal CC |
| Dana Harris -UNC Wilmington | Joanne Jones -UNC Greensboro | Kimberly Medlin -DOT | Carolyn Perkins -University of NC Hospitals |
| Ellen Harris -UNC Charlotte | Wayne Jones -UNC Greensboro | John Meese -UNC System Office | Malinda Peters -General Assembly |
| Jonathan Harris -Mitchell CC | Sarah Joyce -NCSU | Rhonda Melton -UNC System Office | Johnny Peterson -Craven CC |
| Thomas Hartman -UNC Charlotte | Jean Kaseke -UNC Hospitals | Joel Mercer -DHHS | Jackie Petrone -Elliott Davis |
| Elizabeth Haynes -NC Battleship | David King -DHHS | Courtney Michelle -OSC | Stephanie Pflum -UNC Greensboro |
| Jim Hazel -Elliott Davis | Judy King -NC CC System | Jasheen Midgette -UNC School -Arts | Greg Plemmons -Western Carolina University |
| Ronnie Head -SC Comptroller | Bliss Kite -Commerce | Laketha Miller -DHHS | Katie Potts -OSA |
| Jeffrey Henderson -Fayetteville State University | Andrew Kleitsch -Durham Tech CC | Matt Miller -NCSU | Ben Poulson -UNC-Chapel Hill |
| Amy Hisler -UNC Charlotte | Laura Klem -OSC | Alina Misiunas -OSA | Lynn Powell -DOT |
| Shannon Hobby -Commerce | Ariana Kudlats -NC H&F | Firoza Mistry -UNC Hospitals | Stefanie Powell -UNC Wilmington |
| Simuel Hodges -Retired | Darlene Langston -DPS | Thomas Mitchell -NCP for Children | Lisa Pratt -DHHS |
| Milburn Holbrook -NCSU | Kevin Lanzikos -OSA | Melissa Monaha -Elliott Davis | David Price -NCSU |
| Tereasa Hopkins -ECU | Michelle Lassiter -NCEL | Michael Montgomery -UNC - Arts | Phillip Price -Central Carolina CC |
| Heather Horton -Commerce | Kizzy Lea -WSSU | LaTasha Moore -James Sprunt CC | Brady Proffitt -Western Carolina University |
| William Hosterman -University of NC Hospitals | Rachel Leaprot -DHHS | Michael Moore -SC Comptroller | Dawn Quist -ECU |
| John House -Centennial Authority | Samantha Lederer -DEQ | Wanda Moore -DEQ | Chandrika Rao -UNC-Chapel Hill |
| Gloria Howell -DHHS | Judy LeDoux -UNC-Chapel Hill | Chris Morea -OSA | Lisa Rash -NC Partnership for Children |
| Larry Huffman -DHHS | Kwoklin Lee -UNC-Chapel Hill | April Morris -State Treasurer | Raghav Reddy -University of NC Hospitals |
| Sidney Hughes -UNC Pembroke | Susan Lee -OSA | Tim Morris -ECU | Kyle Reeves -OSA |
| Scott Hummel -NC A&T | Linda Lejnar -Wake Technical CC | Dannie Moss -ECU | Monica Reid -State Treasurer |
| Heather Hummer -UNC System | Mekenzie Lemly -Elliott Davis | Clayton Murphy -NCSU | Ziyang Ren -UNC-Chapel Hill |
| Cheryl Hunt -DHHS | John Lengyel -UNC Wilmington | Stephanie Musco -ECU | Joanne Rich -University of NC Hospitals |
| Christine Hurst -Craven CC | Quita Lofflin -UNC Greensboro | Mark Newsome -DIT | Kathryn Riffe -Guilford Technical CC |
| Mary Hutchings -Wake Government | Christopher Long -DOR | Tiffiney Newton -DHHS | Ellen Rockefeller -OSC |
| Jessica Hwang-Strickland -UNC CH | Frank Lord -WSSU | Lizzy Nix -Elliott Davis | Tim Romocki -State Treasurer |
| Heather Iannucci -UNC Wilmington | Cynthia Lu -UNC-Chapel Hill | Donny Nobles -State Treasurer | Lauren Rooney -Central Piedmont CC |
| Andrea Jackson -UNC Asheville | Matthew Ludwig -OSA | Hans Norland -DPS | Tracy Rose -NC Housing and Finance |
| Deborah Jackson -UNC-Chapel Hill | Melissa Madrid -DPI | Jones Norris -State Treasurer | Elizabeth Rozakis -State Education AA |
| David Jamison -ASU | Arun Malik -UNC-Chapel Hill | Gwen Norwood -UNC-Chapel Hill | Janet Rupert -UNC-Chapel Hill |
| Shivani Jani -OSC | Benjamin Marr -WCU | Amechi Nwosu -NCCU | Edna Sanchez -UNC Pembroke |
| Bryan Jenkins -NC CC System | Steven Marr -WCU | Lou Owoc -UNC System Office | Lynne Sanders -UNC System Office |

Joanie Saucier -OSC
Susan Schena -UNC Hospitals
Bill Scott -DHHS
Kimberly Seamans -UNC- C
Sherryl Seigfreid -UNC-Chapel Hill
Peta-Gaye Shaw -Commerce
Teresa Shingleton -OSC
Jon Sholar -ECU
Tenora Simonez -UNC System Office
Virginia Sisson -OSC
Donald Skeen -UNC Greensboro
Audra Slavin -UNC-Chapel Hill
Michael Sledge -UNC-Chapel Hill
Betty Smith -Fayetteville Technical CC
Charles Smith -Fayetteville Technical CC
Dana Smith -DIT
Jonathan Smith -WSSU
Laurie Smith -DOT
Randy Smith -OSC
Shawn Smith -NCSU
Sharmela Snell -DHHS
Heather Snelling -UNC Greensboro
Kenneth Spayd -FSU
Tabatha Springer -WCU
David Starkey -SC Comptroller
Jennifer Starsick -Davidson County CC
Faye Steele -ECU
David Steinbicker -WCU
Jeffrey Stevens -UNC Hospitals
Danny Stewart -DHHS
Justin Stiles -UNC-Chapel Hill
John Storment -UNC Hospitals
Bill Sturmer -UNC Charlotte
Hannah Sullivan -DHHS
Shirley Swanson -Catawba Valley CC
Jacob Taitague -OSA
Allis Talley-Burton -DPS
Marla Tart -Wake Technical CC
John Taylor -AOC

Janina Thomas -University of NC Hospitals
Sara Thorndike -ECU
Debbie Todd -Fayetteville Technical CC
Kathy Tolbert -OSC
Kathryn Torres -Fayetteville Technical CC
Shirley Trollinger -DEQ
Roshmi Valiyapurayil -UNC Hospitals
Kimberly Van Metre -DEQ
Prabha Vijayaraghavan -OAH
Karen Visnosky -NCSU
Helen Vozzo -OSC
Pam Wade -Wake Government
Hunter Wagstaff -UNC Hospitals
Candace Walker -NCSU
Peggy Walker -DEQ
Rebecca Wall -Davidson County CC
Megan Wallace -UNC System Office
Gary Ward -NC Central University
Dianne Ware-Furlow -UNC-Chapel Hill
Brett Warner -NC Housing and Finance
Krissie Warren -DHHS
David Webb -Johnston CC
Keith Westcott -UNC Wilmington
Chelsea Whidbee -NC CC System
Ray Whitby -OSA
Amber Wilkes -DHHS
Jeri Williams -UNC-Chapel Hill
Joseph Wilson -DOT
Misty Wilson -NCSU
Richard Wilson -University of NC Hospitals
Steve Woodruff -Rockingham CC
Melanie Wright -UNC-Chapel Hill
Renee Young-Williams -DOI
Michael Zanchelli -DHHS
Yelena Zaytseva -OSA
Jessica Zdeb -NCSU
Fenge Zhang -Commerce
Lelu Zhao -Elliott Davis
Yifan Zhou -ASU

Ling Zhu -DOA
Fang Zuo -UNC Charlotte

**2020 Governmental
Accounting Update
June 4, 2020**

Attendees by Agency (387)

Bud Jennings -AOC
Angela Johnston -AOC
John Taylor -AOC
Talana Bell -ASU
Roger Brandon -ASU
Clayton Christian -ASU
Jeff Clark -ASU
Denise Foutz -ASU
David Jamison -ASU
Yifan Zhou -ASU
Christina Greene -Cape Fear CC
Jennifer Hamm -Catawba Valley CC
Shirley Swanson -Catawba Valley CC
John House -Centennial Authority
Phillip Price -Central Carolina CC
Jessica Boyce -Central Piedmont CC
Lauren Gates -Central Piedmont CC
Lauren Rooney -Central Piedmont CC
Bruce Cole -Cleveland CC
Susan Gentry -College of The Albemarle
Alecia Brothers -Commerce
Mary Ellen Burns -Commerce
Cheryl Davis -Commerce
Shannon Hobby -Commerce
Heather Horton -Commerce
Patricia Jeter -Commerce
Bliss Kite -Commerce
Bridget Paschal -Commerce
Peta-Gaye Shaw -Commerce
Fenge Zhang -Commerce
Christine Hurst -Craven CC
Cynthia Patterson -Craven CC
Johnny Peterson -Craven CC
Jennifer Starsick -Davidson County CC

Rebecca Wall -Davidson County CC
Latrice Barner -DEQ
Felicia Edwards -DEQ
Samantha Lederer -DEQ
Tabitha Mbaka -DEQ
Wanda Moore -DEQ
Shirley Trollinger -DEQ
Kimberly Van Metre -DEQ
Peggy Walker -DEQ
Lisa Allnutt -DHHS
Deborah Atkinson -DHHS
Thomas Berryman -DHHS
Jeannie Betts -DHHS
Ryan Brummeyer -DHHS
Heath Bullock -DHHS
Heather Burgos -DHHS
Dottie Burns -DHHS
Matthew Carberry -DHHS
Amy Causby -DHHS
Temekia Cyrus -DHHS
Deborah DeBourg-Brown -DHHS
Jolene Elkins -DHHS
AJ Fluker -DHHS
Gloria Howell -DHHS
Larry Huffman -DHHS
Cheryl Hunt -DHHS
Mary Johnson -DHHS
David King -DHHS
Rachel Leaptrot -DHHS
Jo Ann Martin -DHHS
Joel Mercer -DHHS
Laketha Miller -DHHS
Tiffiney Newton -DHHS
Lisa Pratt -DHHS
Bill Scott -DHHS
Sharmela Snell -DHHS
Danny Stewart -DHHS
Hannah Sullivan -DHHS
Krissie Warren -DHHS

Amber Wilkes -DHHS
Michael Zanchelli -DHHS
Mark Newsome -DIT
Dana Smith -DIT
Angelika Chafalovitch -DOA
Stephanie Fisher -DOA
Ling Zhu -DOA
Laresia Everett -DOI
Laura Greenwood -DOI
Renee Young-Williams -DOI
Anita Bunch -DOR
Christopher Long -DOR
Jackie McKoy -DOR
Melissa Dorman -DOT
Kimberly Medlin -DOT
Lynn Powell -DOT
Laurie Smith -DOT
Joseph Wilson -DOT
Jennifer Baird -DPI
Judy Blount -DPI
Bonaventure Ezewuzie -DPI
Melissa Madrid -DPI
Sheila Allen -DPS
Robert Brinson -DPS
Robin Champ -DPS
Darlene Langston -DPS
Hans Norland -DPS
Allis Talley-Burton -DPS
Andrew Kleitsch -Durham Tech CC
Cherie Anderson -ECU
Steven Ayers -ECU
Debra D Bailey -ECU
Anthony Bechtela -ECU
Desiree Bowling -ECU
Stephanie Coleman -ECU
Sharon Cullipher -ECU
Vincent Falvo -ECU
Tereasa Hopkins -ECU
Tim Morris -ECU

Dannie Moss -ECU
Stephanie Musco -ECU
Dawn Quist -ECU
Jon Sholar -ECU
Faye Steele -ECU
Sara Thorndike -ECU
Kellianne Benson -Elliott Davis
Jami Crampton -Elliott Davis
Carson Davis -Elliott Davis
Kim Davis -Elliott Davis
Jill Green -Elliott Davis
Tim Grow -Elliott Davis
Jim Hazel -Elliott Davis
Mekenzie Lemly -Elliott Davis
Melissa Monaha -Elliott Davis
Lizzy Nix -Elliott Davis
Sarah Paul -Elliott Davis
Jackie Petrone -Elliott Davis
Lelu Zhao -Elliott Davis
Jennifer Addison -FSU
Jeffrey Henderson -FSU
Kenneth Spayd -FSU
Robin Deaver -Fayetteville Tech CC
Michelle Hall -Fayetteville Tech CC
Betty Smith -Fayetteville Tech CC
Charles Smith -Fayetteville Tech CC
Debbie Todd -Fayetteville Tech CC
Kathryn Torres -Fayetteville Tech CC
Shelly Alman -Gaston College
Garrett Dimond -General Assembly
Malinda Peters -General Assembly
Kathryn Riffe -Guilford Tech CC
Amy Penson -Isothermal CC
LaTasha Moore -James Sprunt CC
David Webb -Johnston CC
Jonathan Harris -Mitchell CC
Adrienne Covington -Nash CC
Sandra Boozer -NC A&T
Helen Buck -NC A&T

| | | | |
|-----------------------------------|----------------------------|---------------------------------------|-----------------------------------|
| Katherine Burckley -NC A&T | Candace Walker -NCSU | Elizabeth Colcord -OSC | Samiel Fuller -State Treasurer |
| Cheryl Duncan-Gill -NC A&T | Misty Wilson -NCSU | Joy Darden -OSC | Susan McCullen -State Treasurer |
| Bivian Ejimakor -NC A&T | Jessica Zdeb -NCSU | Anne Godwin -OSC | Biff McGilvray -State Treasurer |
| Scott Hummel -NC A&T | Prabha Vijayaraghavan -OAH | Shivani Jani -OSC | April Morris -State Treasurer |
| Jason Forlines -NC CC System | Matt Andrade -OSA | Laura Klem -OSC | Donny Nobles -State Treasurer |
| Bryan Jenkins -NC CC System | Jacob Argent -OSA | Ben McLawhorn -OSC | Jones Norris -State Treasurer |
| Judy King -NC CC System | Andrew Beamon -OSA | Courtney Michelle -OSC | Paul Palermo -State Treasurer |
| Chelsea Whidbee -NC CC System | Fabian Burch -OSA | Jennifer Pacheco -OSC | Monica Reid -State Treasurer |
| Yolanda Banks Deaver -NCCU | Cathy Clark -OSA | Ellen Rockefeller -OSC | Tim Romocki -State Treasurer |
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| Tirza Gomez -NCCU | Garrett Davis -OSA | Teresa Shingleton -OSC | Robin Gore -UNC Asheville |
| Antonio McDaniel -NCCU | Robin Davis -OSA | Virginia Sisson -OSC | Lydia Gossett -UNC Asheville |
| Amechi Nwosu -NCCU | Sara Domy -OSA | Randy Smith -OSC | Mary Hall -UNC Asheville |
| Gary Ward -NCCU | Joyce Flowers -OSA | Kathy Tolbert -OSC | Andrea Jackson -UNC Asheville |
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| Ross Davidson -NCEL | Tyler Fry -OSA | Elizabeth John -OSHR | Anne Brown -UNC Charlotte |
| Michelle Lassiter -NCEL | Victor Gardner -OSA | Joshua Brown -Randolph CC | Tony Georges -UNC Charlotte |
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| Taylor Fogg -NC H&F | Kevin Lanzikos -OSA | Simuel Hodges -Retired | Thomas Hartman -UNC Charlotte |
| Carri Freeman -NC H&F | Susan Lee -OSA | Tami George -Robeson CC | Amy Hisler -UNC Charlotte |
| Ariana Kudlats -NC H&F | Matthew Ludwig -OSA | Steve Woodruff -Rockingham CC | Kimberly Seamans -UNC Charlotte |
| Tracy Rose -NC H&F | Marianne McKnight -OSA | Kelly Ghent -SC Comptroller | Bill Sturmer -UNC Charlotte |
| Brett Warner -NC H&F | Alina Misiunas -OSA | Ronnie Head -SC Comptroller | Fang Zuo -UNC Charlotte |
| Thomas Mitchell -NCP for Children | Chris Morea -OSA | Kathy Johnson -SC Comptroller | Randy Bennett -UNC Greensboro |
| Lisa Rash -NCP for Children | Cameron Padgett -OSA | Michael Moore -SC Comptroller | Justin Bishop -UNC Greensboro |
| Leah Englebright -NC SSM | Katie Potts -OSA | David Starkey -SC Comptroller | Katie Condit-Jang -UNC Greensboro |
| Terry Dail -Ports Authority | Kyle Reeves -OSA | Daniel Figler -Southeastern CC | Brenda Hampshire -UNC Greensboro |
| Jennifer Brady -NCSU | Jacob Taitague -OSA | Larna Griffin -State Education AA | Joanne Jones -UNC Greensboro |
| Sharon Brooks -NCSU | Ray Whitby -OSA | Elizabeth Rozakis -State Education AA | Wayne Jones -UNC Greensboro |
| Jennifer Coltrane -NCSU | Yelena Zaytseva -OSA | Lewis Andrews -State Treasurer | Quita Loflin -UNC Greensboro |
| Ray Gravis -NCSU | Jack Gagnon -OSBM | Rita Baker -State Treasurer | Stephanie Pflum -UNC Greensboro |
| Milburn Holbrook -NCSU | Robert Alford -OSC | Kendra Boyle -State Treasurer | Donald Skeen -UNC Greensboro |
| Lori Johnson -NCSU | John Barfield -OSC | James Burke -State Treasurer | Heather Snelling -UNC Greensboro |
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Jasheen Midgette -UNC School -Arts
Michael Montgomery -UNC School -Arts
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Debbie Dryer -UNC System
Nuray Eksen -UNC System
Cliff Flood -UNC System
Heather Hummer -UNC System
John Meese -UNC System
Rhonda Melton -UNC System
Lou Owoc -UNC System
Preksha Patel -UNC System
Lynne Sanders -UNC System
Tenora Simonez -UNC System
Megan Wallace -UNC System
Joanne Ferguson -UNC W
Dana Harris -UNC W
Heather Iannucci -UNC W
John Lengyel -UNC W
Stefanie Powell -UNC W
Keith Westcott -UNC W
Ruth Bartholomew -UNC CH
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Jennifer Blair -UNC CH
Miranda Brownlow -UNC CH
Dan Chen -UNC CH
Angela Davis -UNC CH
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Cynthia Lu -UNC CH
Arun Malik -UNC CH
Gwen Norwood -UNC CH
Ben Poulson -UNC CH
Chandrika Rao -UNC CH
Ziyang Ren -UNC CH
Janet Rupert -UNC CH

Sherryl Seigfreid -UNC CH
Audra Slavin -UNC CH
Michael Sledge -UNC CH
Justin Stiles -UNC CH
Dianne Ware-Furlow -UNC CH
Jeri Williams -UNC CH
Melanie Wright -UNC CH
Michael Bonner -UNC Hospitals
Carol Dorshimer -UNC Hospitals
Linda Garr -UNC Hospitals
Michael Griffin -UNC Hospitals
Leslie Gura -UNC Hospitals
William Hosterman -UNC Hospitals
Jean Kaseke -UNC Hospitals
Firoza Mistry -UNC Hospitals
Carolyn Perkins -UNC Hospitals
Raghav Reddy -UNC Hospitals
Joanne Rich -UNC Hospitals
Susan Schena -UNC Hospitals
Jeffrey Stevens -UNC Hospitals
John Storment -UNC Hospitals
Janina Thomas -UNC Hospitals
Roshmi Valiyapurayil -UNC Hospitals
Hunter Wagstaff -UNC Hospitals
Richard Wilson -UNC Hospitals
Elizabeth Haynes -USS Battleship
Mary Hutchings -Wake Government
Pam Wade -Wake Government
Linda Lejnar -Wake Technical CC
Marla Tart -Wake Technical CC
Lacy Ensley -WCU
Benjamin Marr -WCU
Steven Marr -WCU
Greg Plemmons -WCU
Brady Proffitt -WCU
Tabatha Springer -WCU
David Steinbicker -WCU
Steve Chase -Wildlife
Kizzy Lea -WSSU

Frank Lord -WSSU
Jonathan Smith -WSSU