



CliftonLarsonAllen LLP
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September 20, 2021

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the school board. We encourage you to review the sections of this report, the audited financial statements, and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation, and assistance extended to us during the course of our work.

CliftonLarsonAllen LLP

Mary Reedy, CPA
Principal

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859**

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2021

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**GLENCOE-SILVER LAKE SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
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**EXECUTIVE AUDIT SUMMARY (EAS) FOR
INDEPENDENT SCHOOL DISTRICT NO. 2859
YEAR ENDED JUNE 30, 2021**

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of Independent School District No. 2859 (the District's) financial records for the year ended June 30, 2021.

Audit Opinion

The financial statements are fairly stated. We issued what is known as a "clean" audit report.

Internal Controls Over Financial Reporting

Two material weaknesses in internal controls were identified. One was a very common finding rolled forward from the prior year related to the auditor drafting the District's financial statements. The second related to a restatement of beginning fund balance and net position in the General Fund and Governmental Activities.

Yellow Book Compliance Finding

There were no separate yellow book compliance findings reported.

Single Audit

No findings were noted in related to the District fiscal year 2021 single audit. The major programs tested was the Coronavirus Relief Funds and the Education Stabilization Funds.

Minnesota Legal Compliance

There was 1 Minnesota legal compliance finding for the fiscal year 2021 related to the required verification of responsible contractor compliance.

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FORMAL REQUIRED COMMUNICATIONS

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 2859 (the District) as of and for the year ended June 30, 2021, and have issued our report thereon dated September 20, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Accounting Policies

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

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2021.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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

The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from Federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Estimated severance benefits payable
- Total other postemployment benefits liability
- Net pension liability

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Accounting Estimates (Continued)

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2020-21. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a statewide database – MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2021 is not finalized until well into the next fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of due from federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2020-21. Many federal entitlements require that supporting financial reporting information be provided both in the Uniform Financial Accounting and Reporting Standards (UFARS) accounting system and also the SERVS reporting system. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of useful lives for depreciable assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of severance benefits payable is based on certain assumptions made by the District as required by GASB 16. The District recorded a liability for accumulated sick leave convertible to severance pay for which it is probable the employees will be compensated. The method used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits and the potential use of sick leave prior to termination.

Management's estimate of total other postemployment benefits payable and related deferred inflows and deferred outflows of resources is based on assumptions provided and used in the actuarial valuation including: inflation, salary increases, health-care cost trend rates, and mortality rates. The projected benefit payments also include assumptions about retiree and spouse participation rates, and estimates related to the implicit rate subsidy, which is the estimated increased cost of premiums due to inclusion of retirees in the same plan as the District's active employees.

Management's estimate of the net pension liability and related deferred inflows and deferred outflows of resources is based on an actuarially determined calculation of the District's proportionate share of the net pension liability of cost-sharing multiple-employer pension plans sponsored by the Teachers Retirement Association and the Public Employees Retirement Association of Minnesota, in which the District participates.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Accounting Estimates (Continued)

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected Misstatements

None of the misstatements detected as a result of audit procedures and corrected by management are material, either individually or in the aggregate, to the financial statements taken as a whole, except for the restatement to beginning net position of governmental activities and fund balance of the general fund in relation to a contracts payable that was not properly reversed when paid in fiscal year 2020.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 20, 2021.

Management Consultations with Other Independent Accountants

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

Significant Issues Discussed with Management Prior to Engagement

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

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated September 20, 2021.

With respect to the uniform financial reporting and accounting standards compliance table (the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated September 20, 2021.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

Board of Education
Independent School District No. 2859

* * *

This communication is intended solely for the information and use of the Board of Education and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Austin, Minnesota
September 20, 2021

APPENDIX A

FINANCIAL TRENDS OF YOUR DISTRICT

The following graphs reflect financial trends of Independent School District No. 2859. Information related to fund balances on pages 8 through 13 were obtained from current and prior year audit reports. Information from Independent School District No. 2859 has been included when appropriate for comparison purposes.

The graphs on pages 14 through 20 show expenditures per student served compared to the four most recent years, state averages and the averages for comparable size school districts (students served of 1,000 – 1,999). Prior year expenditure data and state wide averages were obtained from the Minnesota Department of Education. Current year expenditures were obtained from the current year's audit report.

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INDEPENDENT SCHOOL DISTRICT NO. 2859
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2021

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	Nonspendable & Unassigned	Assigned	Noncapital Related Restrictions	Capital Related Restrictions Operating Capital	Long-Term Facility Maintenance	Total	Grand Fund Total
Revenues and							
Other Financing Sources	\$ 17,462,702	\$ -	\$ 1,389,528	\$ 361,612	\$ 654,645	\$ 1,016,257	\$ 19,868,487
Expenditures and							
Operating Transfers	17,175,766	-	1,338,856	512,227	650,837	1,163,064	19,677,686
Excess (Deficit) Revenues Over Expenditures	286,936	-	50,672	(150,615)	3,808	(146,807)	190,801
Fund Balance June 30, 2020	3,722,725	400,000	282,204	703,673	(49,391)	654,282	5,059,211
Restatement of Fund Balance	-	-	-	-	390,553	390,553	390,553
Fund Balance June 30, 2020, Restated	3,722,725	400,000	282,204	703,673	341,162	1,044,835	5,449,764
Fund Balance June 30, 2021	\$ 4,009,661	\$ 400,000	\$ 332,876	\$ 553,058	\$ 344,970	\$ 898,028	\$ 5,640,565



Create Opportunities

2

Budget to Actual Comparison

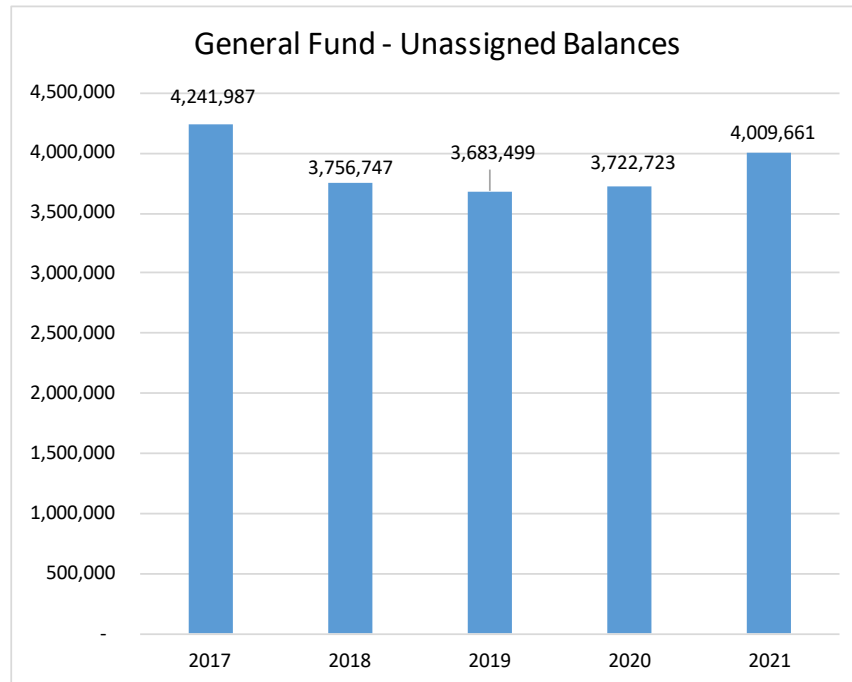
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	General Fund		Food Service	
	Revenues	Expenditures	Revenues	Expenditures
Budget	\$ 19,826,555	\$ 20,134,692	\$ 908,173	\$ 913,070
Actual	19,867,582	19,868,821	899,250	936,988
Difference	\$ 41,027	\$ (265,871)	\$ (8,923)	\$ 23,918
	Community Service			
	Revenues	Expenditures		
Budget	\$ 796,806	\$ 815,534		
Actual	829,635	763,351		
Difference	\$ 32,829	\$ (52,183)		

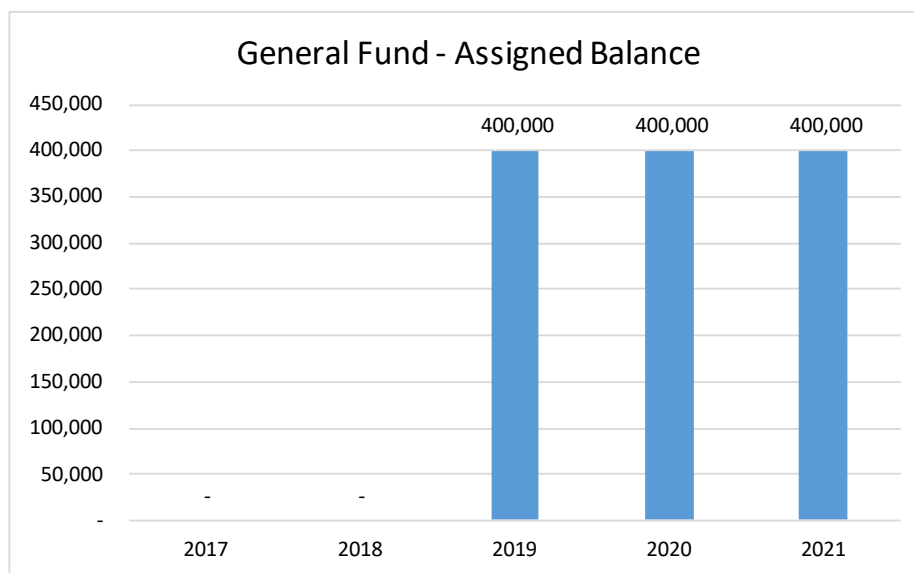


Create Opportunities

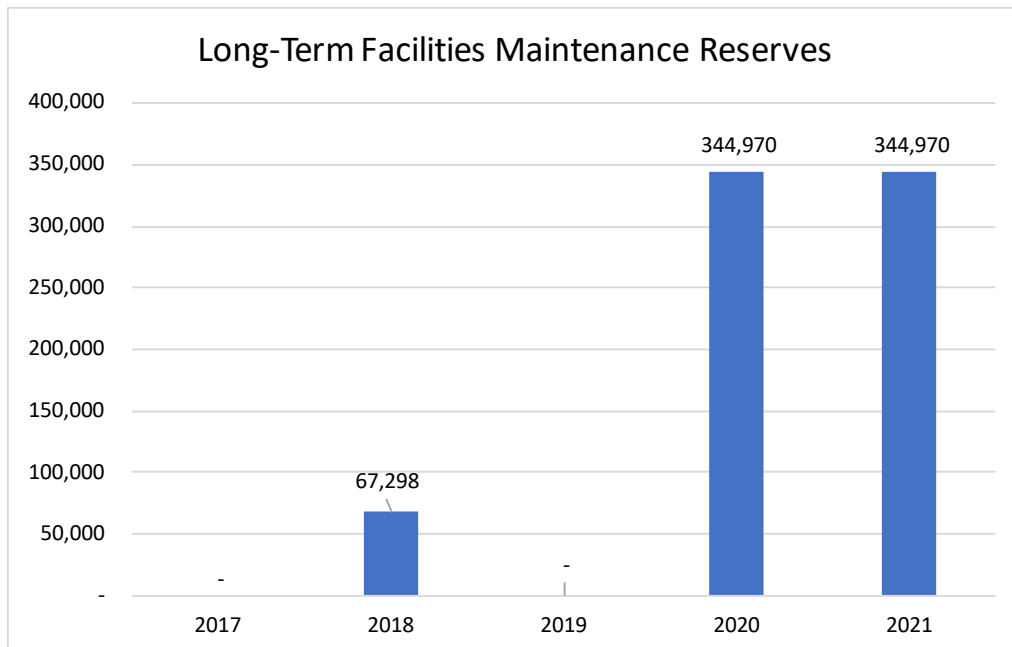
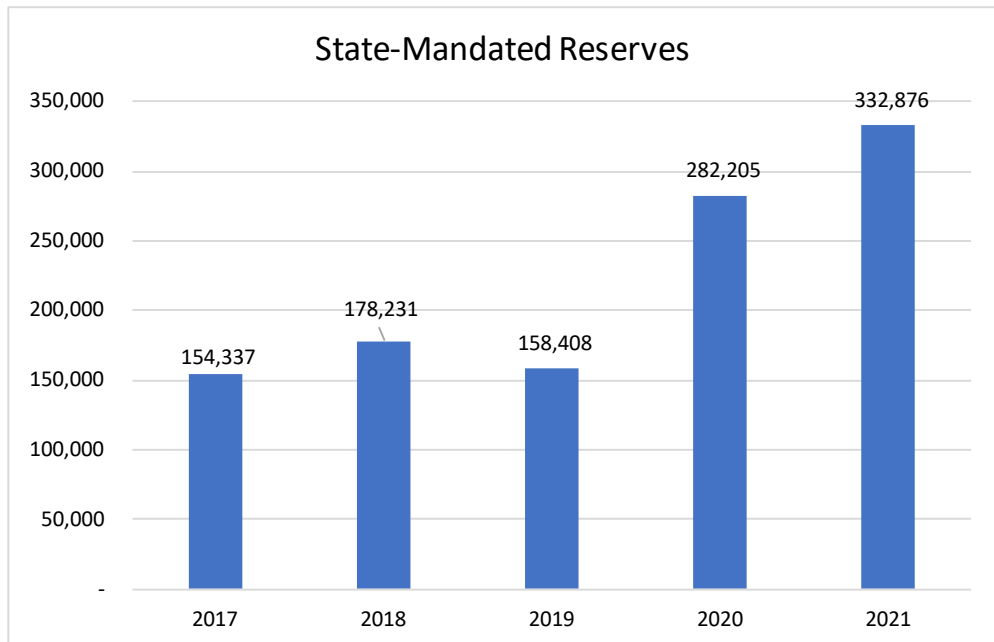
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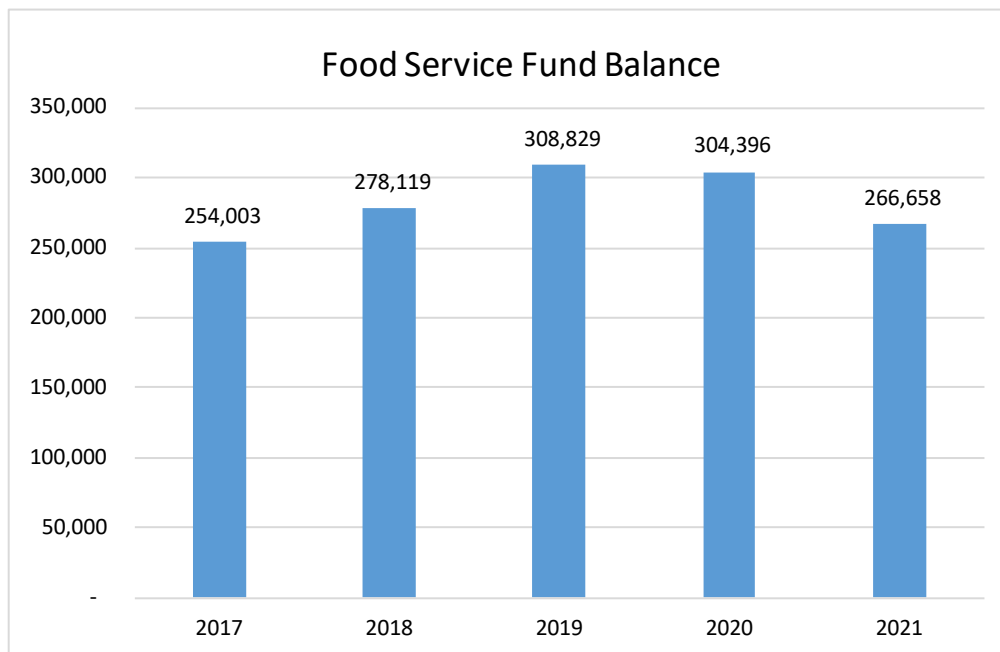
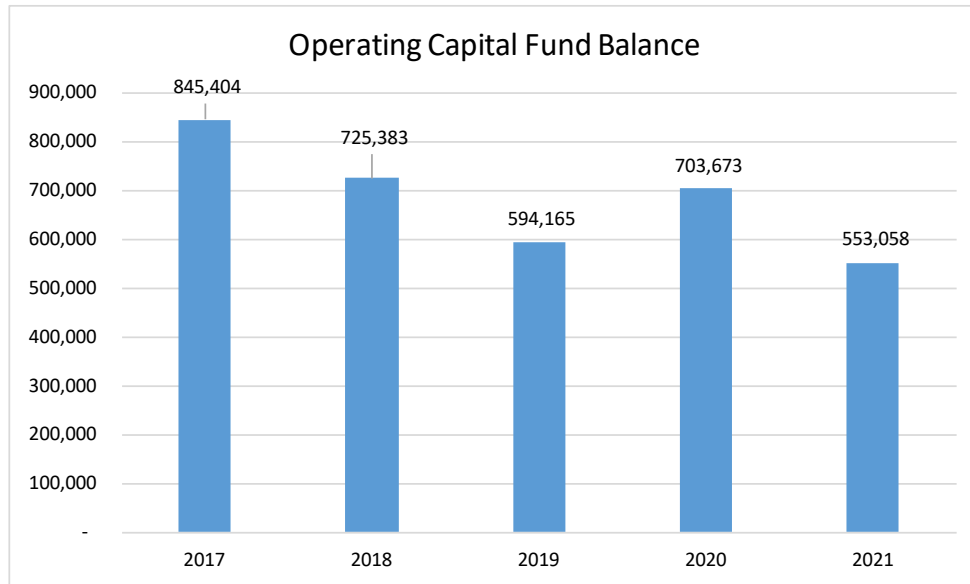


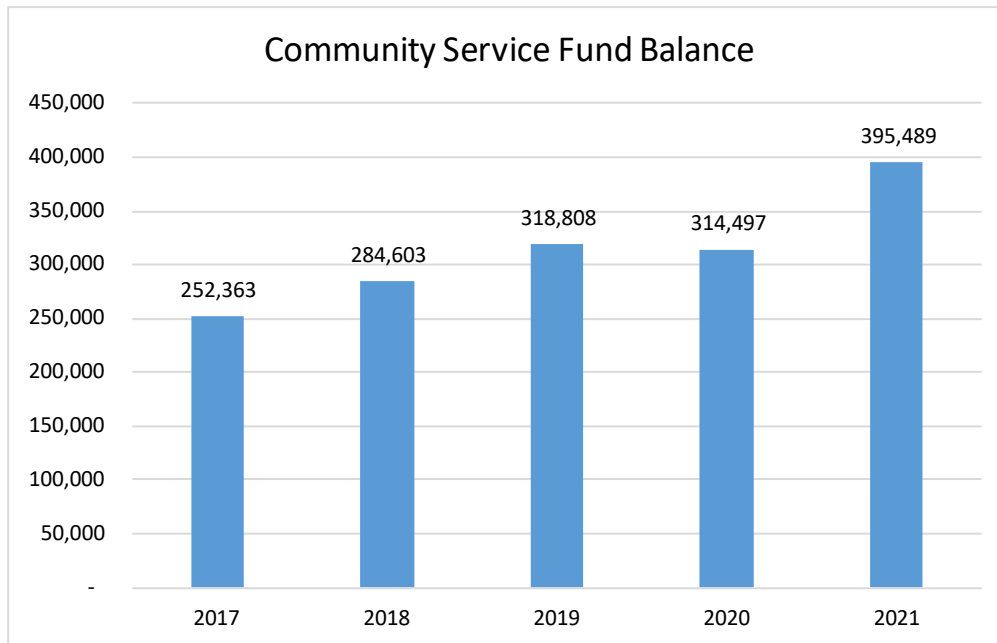
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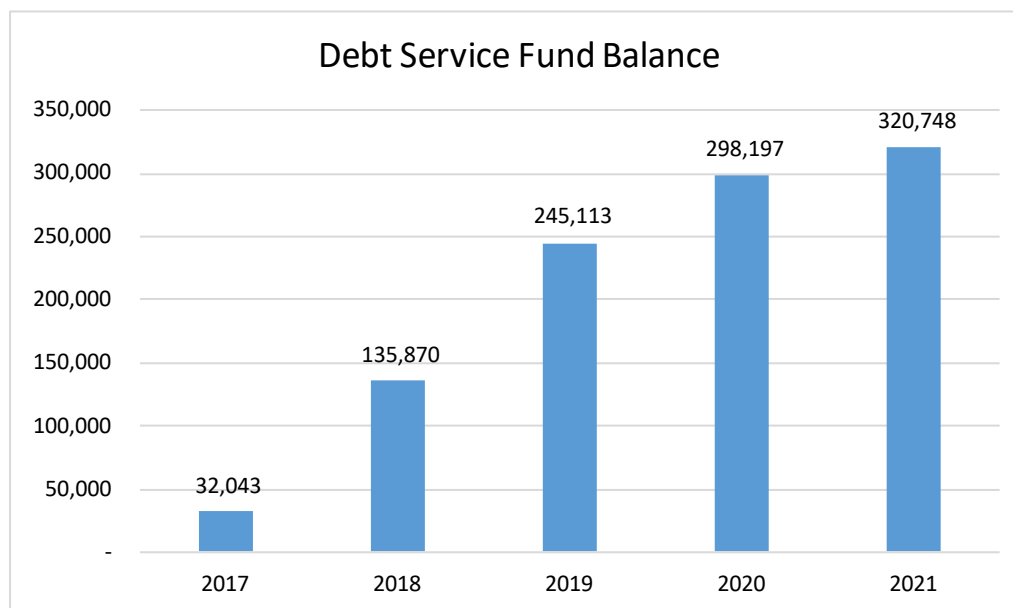
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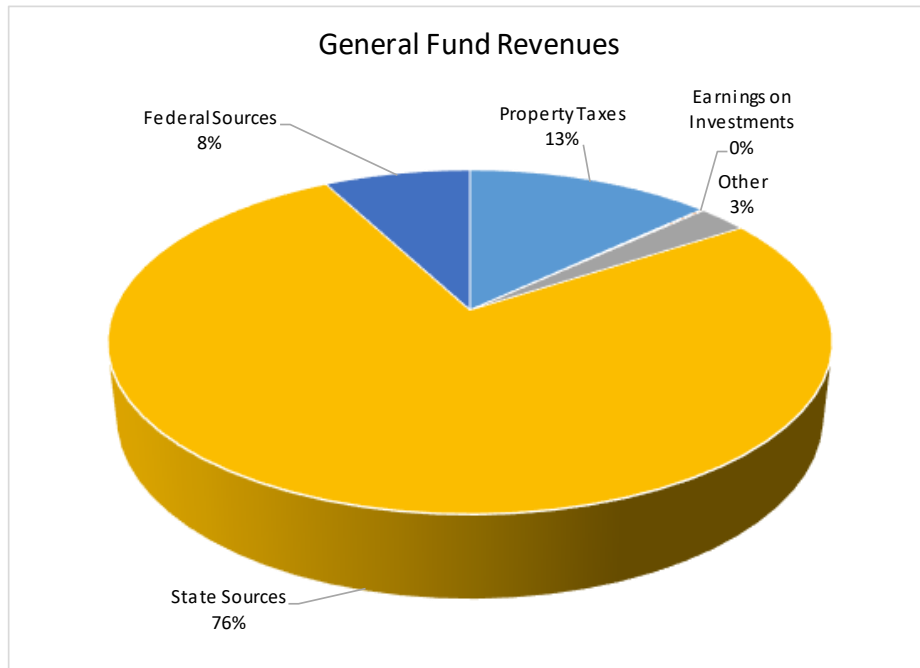




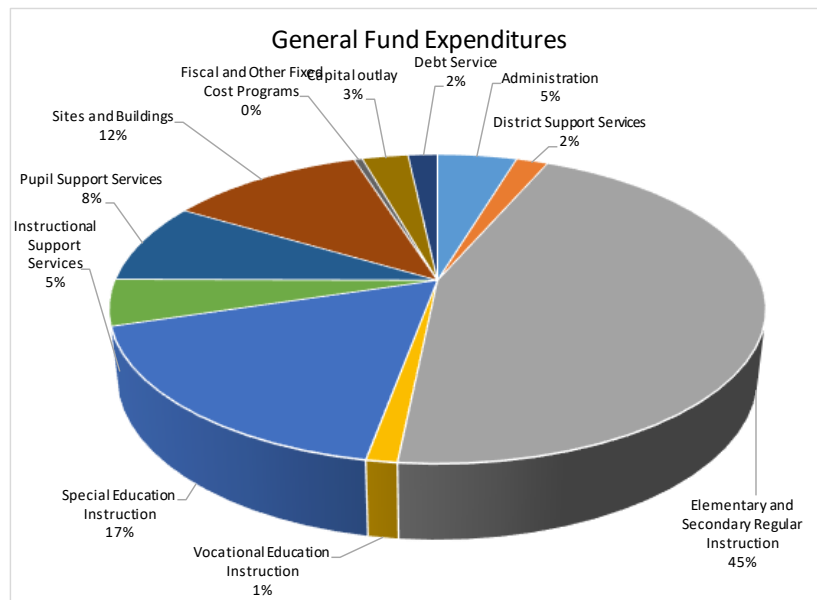
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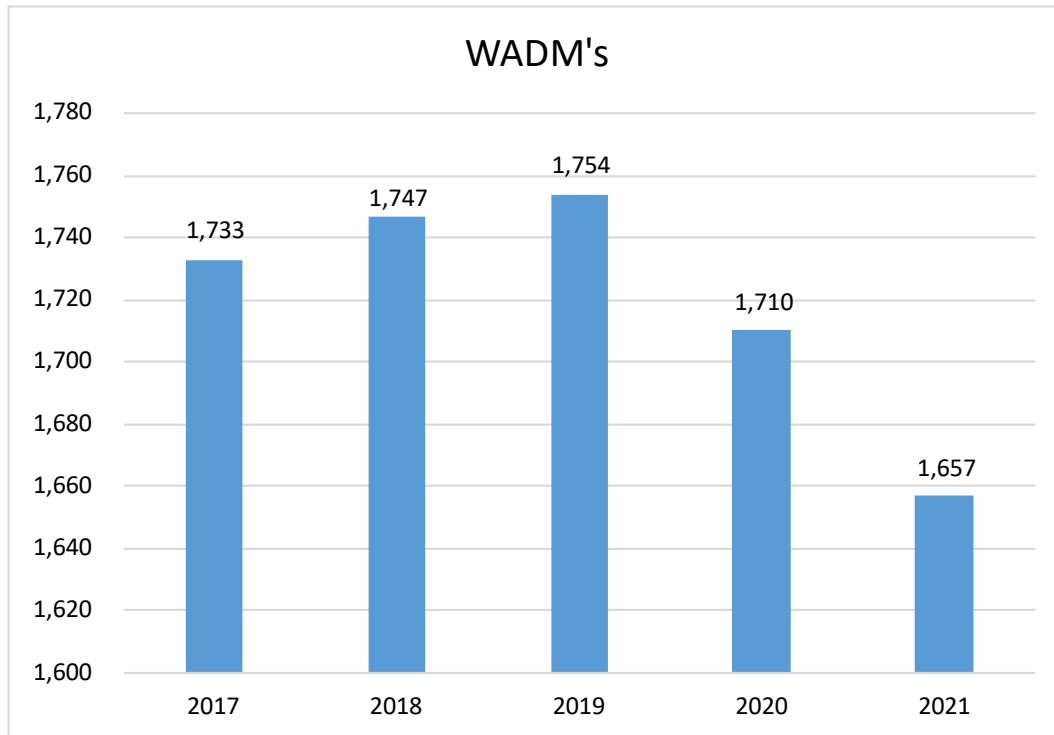
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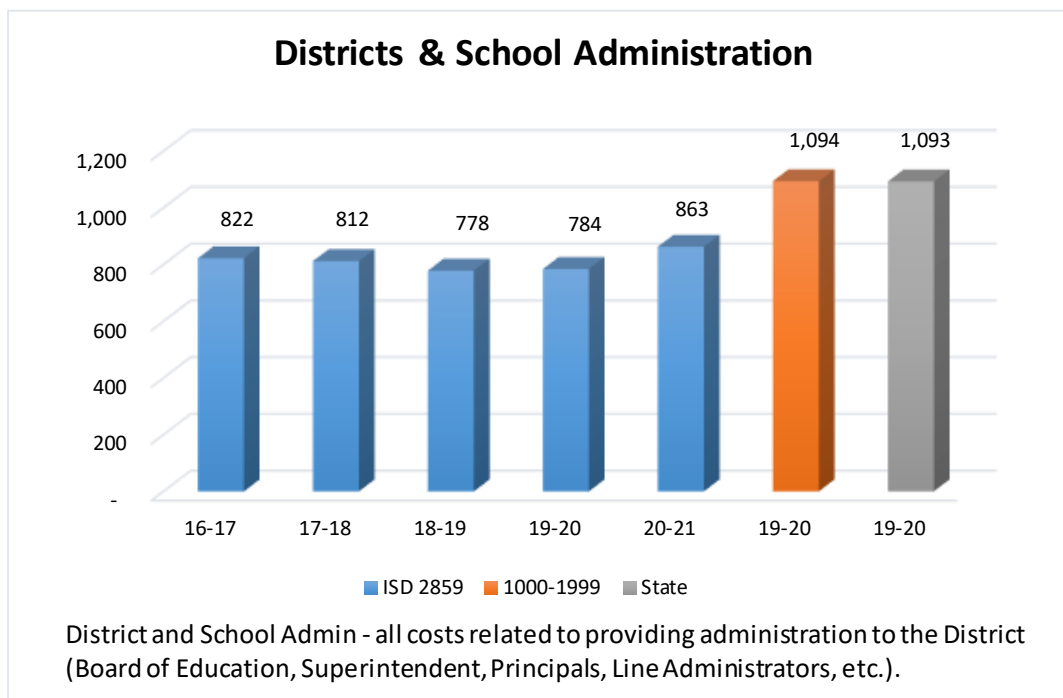


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Create Opportunities

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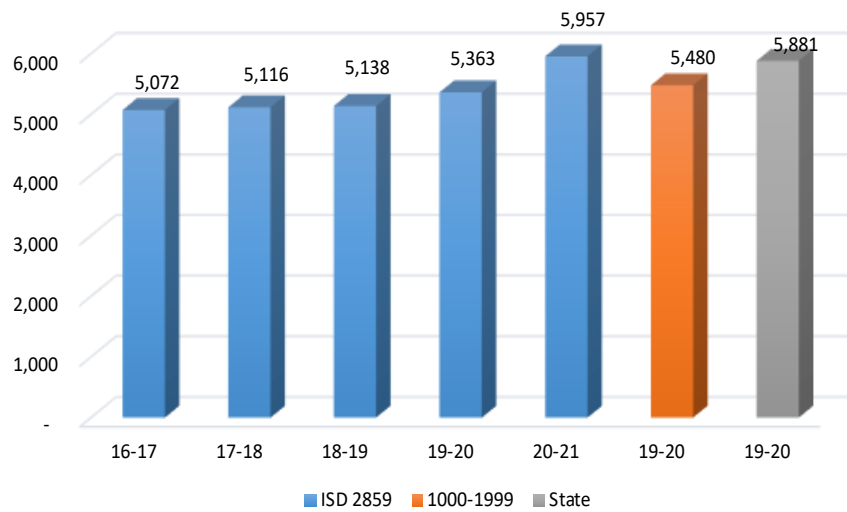
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Create Opportunities

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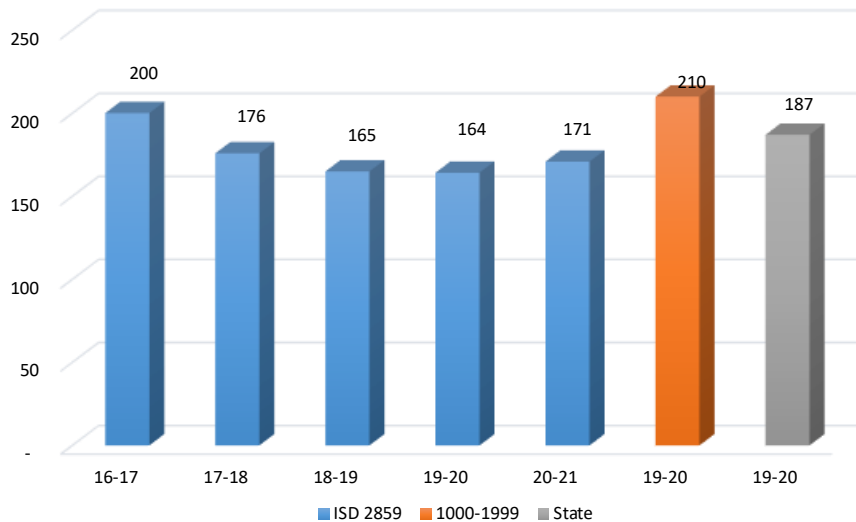
Regular Instruction



Regular Instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities (excluding special ed, vocational and community education instruction).

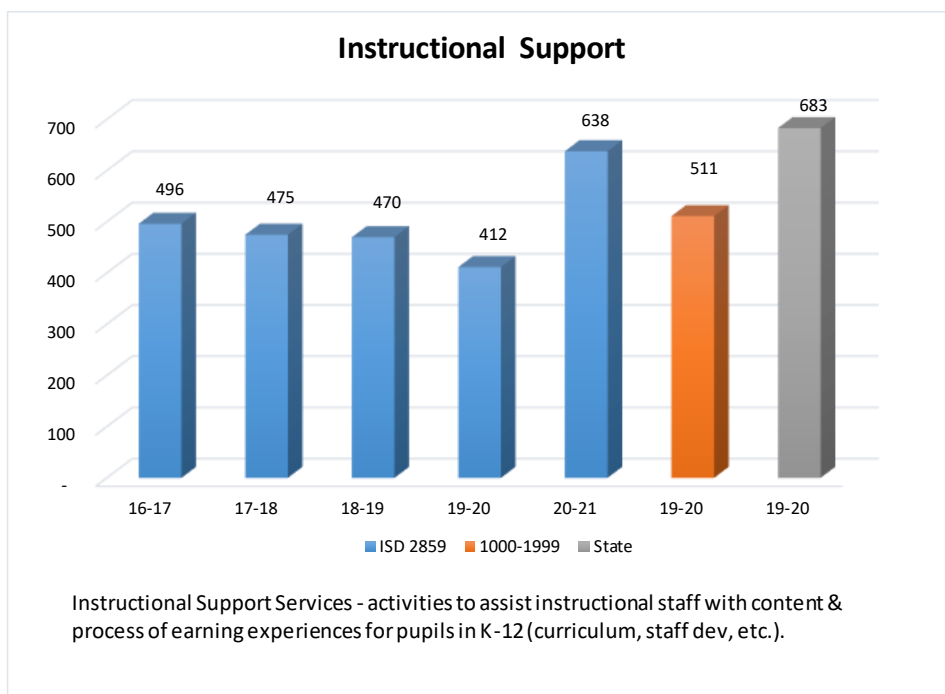
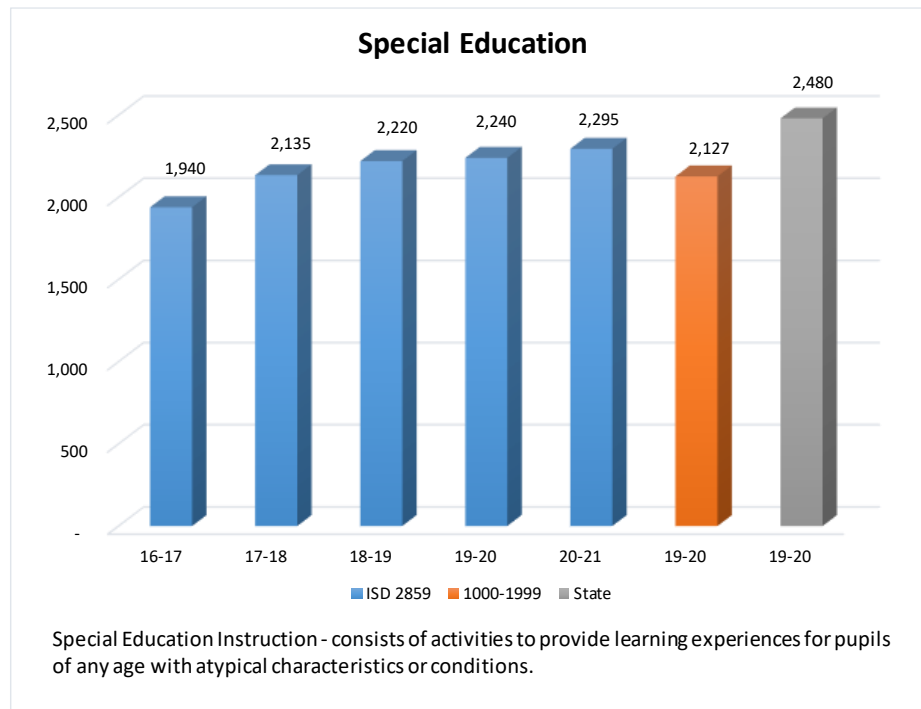


Vocational Instruction

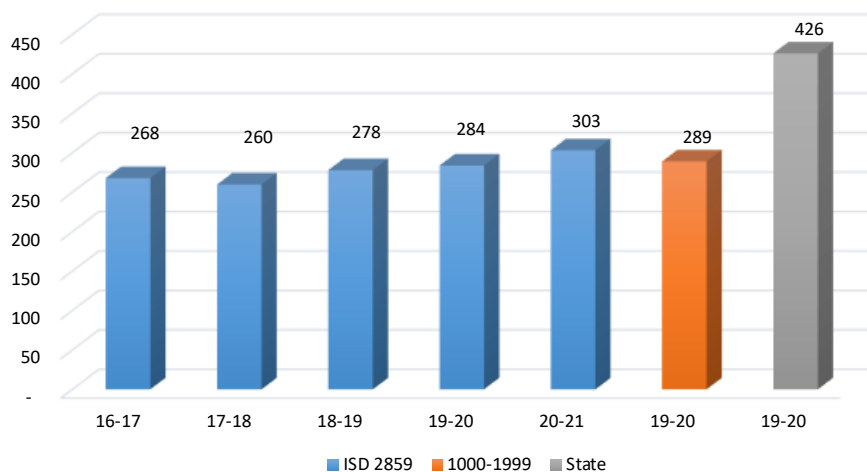


Vocational Instruction - consists of costs related to career exploration, job-entry skills, job upgrading, and occupational training.





Pupil Support Services



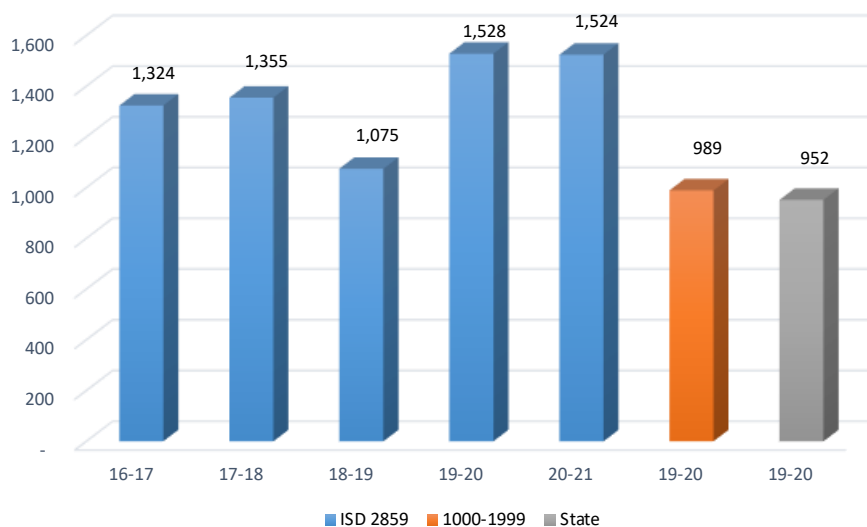
Pupil Support Services - services to pupils not classified as instructional (counseling & guidance, health services, psychological services, and social work) - excludes transportation.



Create Opportunities

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Sites, Buildings & Equipment

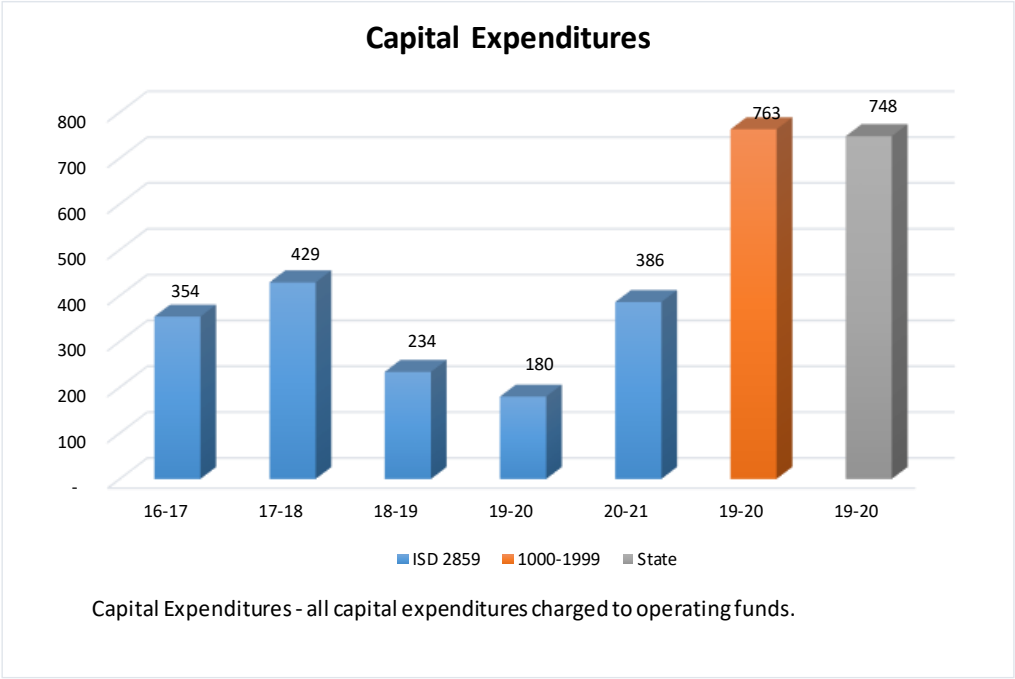


Operations and Maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District.

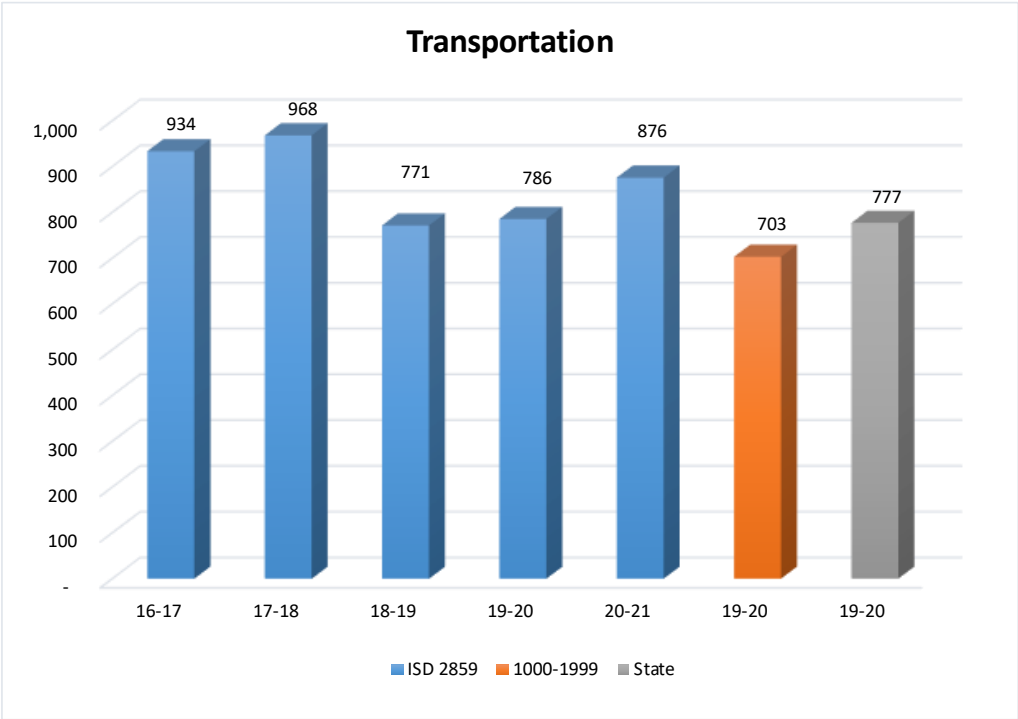


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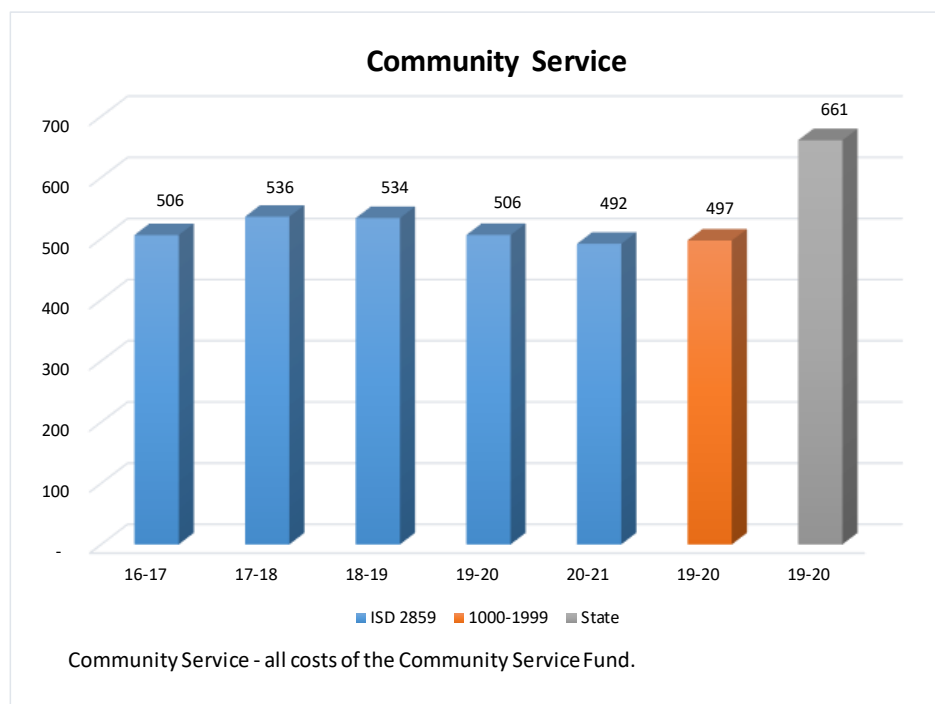
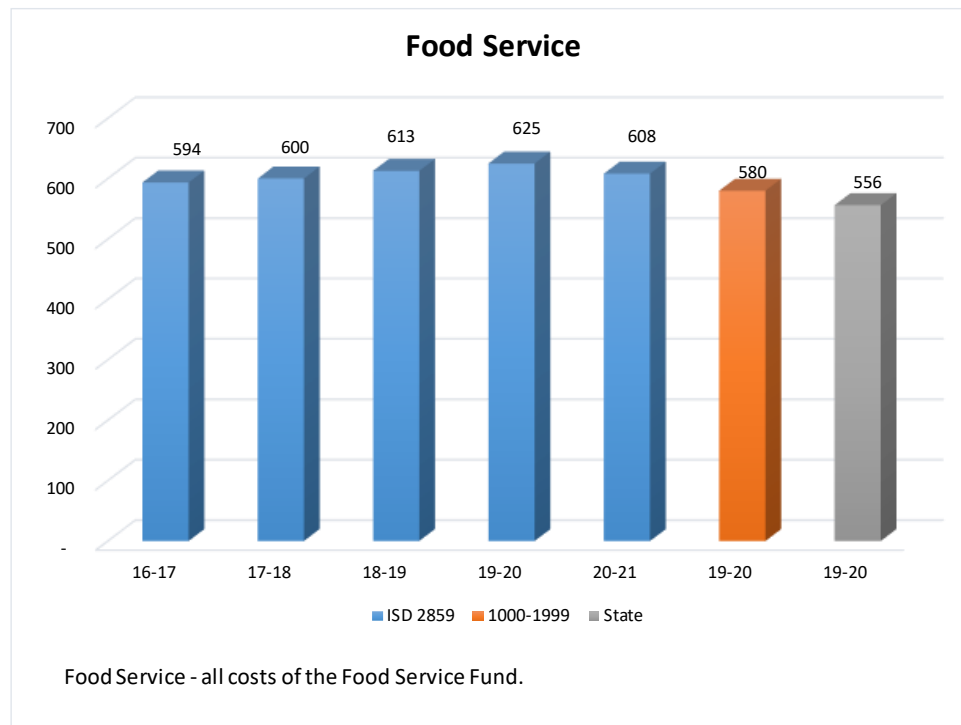
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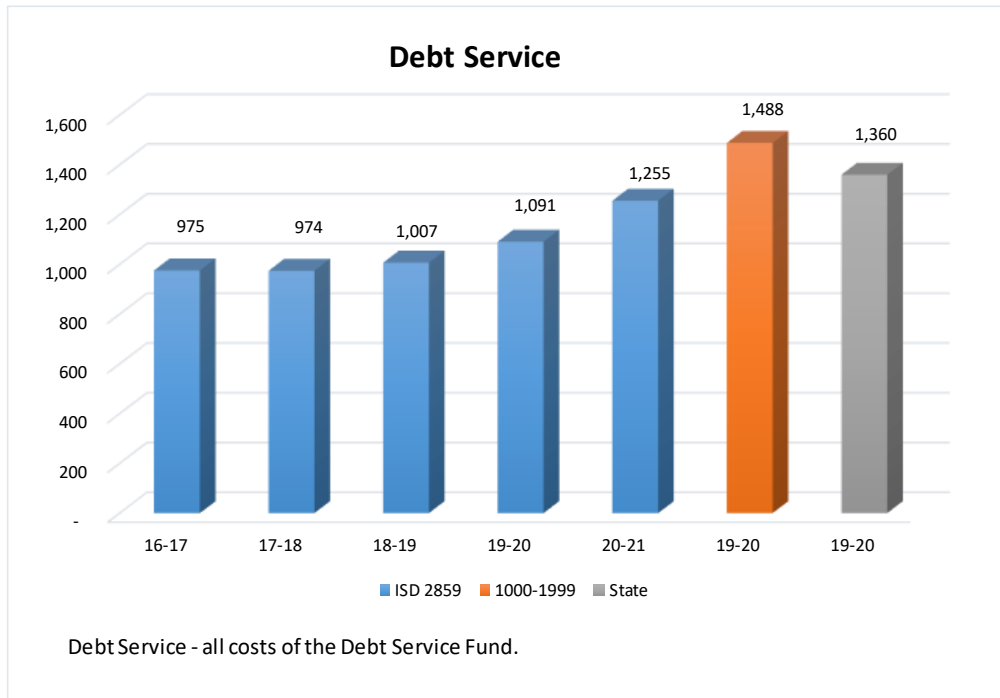


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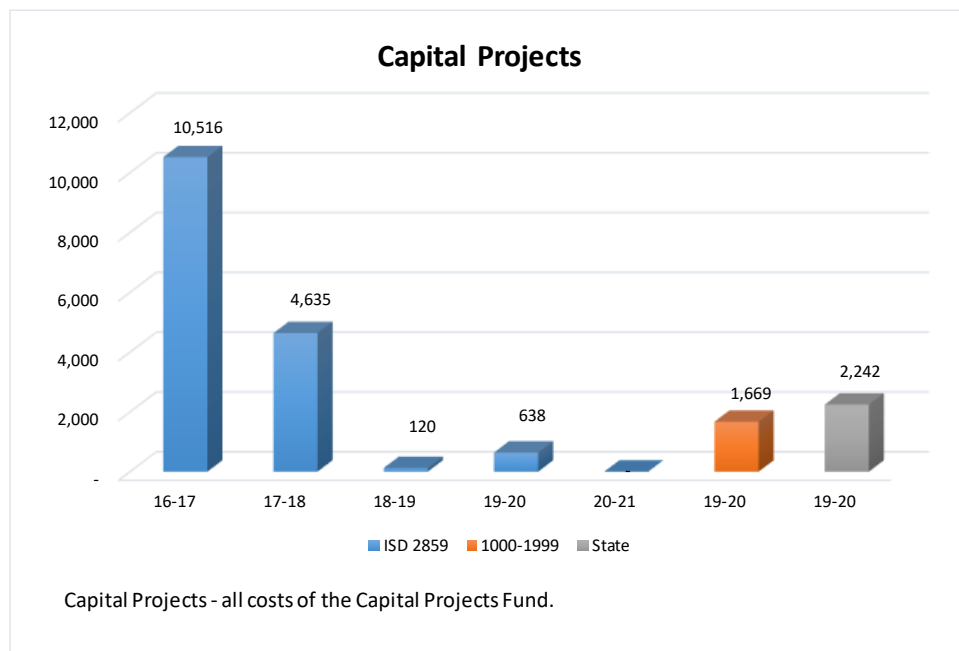


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APPENDIX B

LEGISLATIVE ACTIVITY

What follows are some education-related highlights of the 2021 legislative sessions as summarized from information made available by the Minnesota Department of Education, the Minnesota School Boards Association, and the Minnesota House of Representatives.

General Education

The General Education Revenue formula allowance was increased by 2.45% (by \$161 per pupil unit to \$6,728) for fiscal year 2022 and by another 2% (by \$296 per pupil unit to \$6,863) for fiscal year 2023 and later.

English Learner Cross-Subsidy Reduction Aid

Additional statewide, supplemental aid (not on the formula) is provided for four additional years only to English learners. The aid is increased by \$2 million per year for fiscal years 2022, 2023, 2024 and 2025. The aid must be allocated to school districts and charter schools proportionate to their English learner revenue.

Special Education Cross-Subsidy Aid

A one-time special education cross-subsidy aid is provided for each school district equal the ratio of the school district's initial special education cross-subsidy in fiscal year 2021 to the total initial special education cross-subsidy for all districts in that year.

Early Education

The 4,000 voluntary prekindergarten/school readiness plus seats program was extended for two years that would have otherwise expired. For fiscal years 2022 and 2023 only. Makes no policy changes to the administration of VPK or SR+.

Local Optional Revenue

Increases local optional aid (and correspondingly lowers the local optional levy) for fiscal year 2023 only by setting the second-tier equalizing factor at \$548,842 per pupil unit. Lowers the equalizing factor back to \$510,000 for fiscal year 2024 and later.

Respectful School Meal Policies

Requires a participant in the national school lunch program to adopt and post a school meals policy to:

- be in writing, reasonable, well-defined, and clearly communicate student meal charges when payment cannot be collected. Requires the policy to maintain the dignity of students by prohibiting lunch shaming;
- address whether a collections agency is used by the participant to collect unpaid school meals debt;
- ensure that once a meal is placed on a tray or otherwise served to a student that the meal is not withdrawn from the student; and
- ensure that a student who is eligible for a free or reduced-price lunch is always served a reimbursable meal even if they have outstanding debt.

School Meal Policies (Continued)

If a school contracts with a third party it must provide the vendor with its school meals policy and require the vendor to adhere to the policy for contracts entered or modified after July 1, 2021.

Prohibits a participant from denying a school lunch to a student who qualifies for free or reduced-price lunch whether the student has outstanding school meal debt attributable to a la carte purchases or for any other reason.

Requires the participant to provide meals to students in a respectful manner. The law provides examples of prohibited activities, which include dumping meals, withdrawing a meal that has been served, announcing or listing students' names publicly, or affixing stickers, stamps, or pins. Prohibits a participant from limiting a student's participation in any school activities, graduation ceremonies, field trips, athletics, activity clubs, or other extracurricular activities or access to materials, technology, or other items provided to students due to an unpaid student meal balance due to unpaid student meal balance.

Teacher Mentoring Programs

School districts are required to develop teacher mentoring programs. Requires districts to use staff development revenue (2% of basic revenue) for teacher mentorship under MN statute 122A.70, subdivision 1. Current law requires revenue to be used for this purpose only if extra funds remain after being used for other purposes.

Special Education Recovery Services and Supports

Requires a school district or charter school to invite the parents of a student with a disability to a meeting of each individualized education program team as soon as practicable, to determine whether special education services and supports are necessary to address the lack of progress on IEP goals or in the general education curriculum due to distributions from COVID-19. States that the services and supports may include extended school year services, additional IEP services, compensatory services, or other appropriate services. Requires services and supports be included in the IEP of the student. Requires the district or charter school to report to the commissioner the services and supports provided to students with disabilities under this section, including the cost. Allows a school district or charter school to use federal funds to comply with this section.

Mental Health Education for Teachers

Suicide and self-harm prevention training must be accessible to teachers in every school district, charter school, Intermediate school districts, service cooperative and tribal schools in Minnesota.

Seizure Training and Action Plan

Requires a school district or charter school where a student with a seizure disorder and prescribed seizure medication is enrolled to have a seizure action plan. The action plan must identify a school nurse or designated individual who can administer seizure medication and require training on seizures. Requires a school district or charter school to provide all licensed school nurses or other designated individuals, and other staff with self-study materials on seizure disorders.

Leave of Absence Due to COVID-19

Between December 27, 2020, and September 4, 2021, certain “leaves of absence” by an applicant are considered involuntary, so the leave does not make the applicant ineligible for unemployment insurance benefits. Leaves considered involuntary during the COVID-19 pandemic include: (1) determination by a health authority or health care professional that the applicant’s presence in the workplace is a risk to the health of others; (2) quarantine or isolation order; (3) self-isolation or self-quarantine; (4) direction by employer not to come to work; or (5) schools or childcare are cancelled or unavailable and no other childcare or time off from employer is available. Effective date: Applies retroactively to December 27, 2020. Continues Laws 2020, chapter 71, article 2, section 23.

Unemployment Eligibility for High School Students

Allows high school students to qualify for unemployment insurance if they otherwise meet eligibility requirements. Currently, high school students are excluded from receiving unemployment benefits under Minnesota law but may be eligible for temporary Pandemic Unemployment Assistance under federal law following a recent Minnesota Court of Appeals decision. Effective date: This section is effective July 3, 2022.

Limit on Screen Time for Children in Preschool and Kindergarten

Prohibits a child in a publicly funded preschool or kindergarten program from using an individual-use screen without engagement from a teacher or other students. Excludes a child with an individualized family service plan, an individualized education program, or a 504 plan from the application of this section. This section is effective July 1, 2022.

Fundraising Sales Tax Exemptions

During the 2021 legislative session, there was a change made to Minnesota Statute 297A.70, subdivision 13, restoring the fundraising exemption for school-associated student groups. Starting July 1, 2021, fundraising sales made by school-associated student groups are exempt from sales tax, even when the money must be recorded as part of school district revenues, when the following apply:

- The sales are for fundraising purposes of a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports activities, educational activities, or other extracurricular activities.
- The school district reserves the revenue raised for extracurricular activities, as provided in Minnesota Statute 123B.49, subdivision 4 (e), and spends the revenue raised by a particular extracurricular activity only for that extracurricular activity.

The sales tax exemption to the student fundraising organization applies only to the first \$20,000 of the gross annual receipts of the student group from fundraising.

APPENDIX C

TECHNICAL UPDATE

GASB Statement No. 87 – Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Specifically, this statement:

1. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
2. Defines the “lease term” and clarifies when lessees and lessors should reassess the lease term due to lease modifications or terminations.
3. Defines and establishes recognition criteria for short-term leases.
4. Amends accounting and financial reporting requirements for contracts with multiple components, contract combinations, subleases, and leaseback transactions.

The statement was to be effective for reporting periods beginning after December 15, 2019. However, due to the impact of Covid-19, the effective date was moved back one and a half years to reporting periods beginning after June 15, 2021. Earlier application is encouraged.

STEPS THAT CAN BE TAKEN NOW

1. **Gather leases and contracts.** Depending on the number of leases your organization has, this may be a bigger challenge than anticipated. Keep in mind that not all leases are written “lease” agreements. Some contracts also include embedded leases that were previously treated as expenses, so you may be surprised to find more operating leases than you realized. Checking accounts payable for recurring payments may help you locate agreements that you’ll need to analyze.
2. **Analyze all contracts to determine which are leases under the new standard.** GASB 87 defines a lease as a “contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset), as specified in the contract, for a period of time in an exchange or exchange-like transaction.” Here are some of the agreements that can be excluded:
 - Short-term leases that are one year or less in duration.
 - Intangibles, such as investment assets, software licenses, and patents.
 - Financed purchases, where ownership of the asset transfers at the end of the lease without an additional payment.
3. **Review leases for multiple components.** Some leases include service agreements that will need to be split off from the entire lease. Many agreements (like service agreements and supply contracts) may qualify as leases under GASB 87. Some examples of service contracts that may have embedded leases can include cafeteria equipment, soda fountains, water coolers, coffee machines, etc., where the government may get to use a particular piece of equipment for free in return for the exclusive use of the provider’s products.
4. **Determine appropriate materiality thresholds for capitalization.** Work with your auditor to determine what this should be. Be aware that items that are well below that threshold individually may be material in the aggregate.

5. **Select a technology solution such as leasing software to help manage your leases.** Unless your organization only has a few leases, the calculations for journal entries and footnote disclosures will most likely be beyond the capabilities of Excel. When choosing a software solution, keep in mind that tracking this information from leases will be an ongoing project, so look for one that's easy to use and provides your organization with all the information you'll need. Make sure to consider document storage as part of the capabilities. Entities with greater than 10-20 identified leases may wish to seriously consider a lease software solution and not rely on spreadsheets. Keep in mind that if a government has many similar leases, it may choose to amortize the leased assets as a group rather than individually. Composite depreciation is applied to groups of dissimilar assets, but should not be applied across classes of assets, such as buildings, equipment, furniture, and vehicles.
6. **Consider the district's bond covenants, loan covenants, and debt limitations to determine impact.** While a recent update from GASB (GASB 88) specifies that lease liabilities are excluded from the definition of debt for the purposes of financial statement disclosures, it's not clear whether banks, credit rating agencies, or other stakeholders will take a similar stance.

Adding liabilities for operating leases to the balance sheet may mean that covenants for bond contracts and loan agreements will be violated. If this is the case, you may need to renegotiate those agreements. Contacting these stakeholders and other interested parties early on is crucial.

Adding to the complexity, the rules and statutes governing debt limitations vary across states, counties and municipalities. You may need to consult with an attorney to determine whether lease liabilities count as debt for those limitations.
7. **Develop new district policies and procedures as necessary.** Unlike many other financial controls, you'll need to work as a team with people outside of accounting, including procurement, IT, and legal, to make sure all leases and contracts go through accounting. You may need to educate others about the balance sheet impacts of leases.
8. **Do your initial calculations and run the results past your auditor.** Because the calculations are different from the previous treatment of leases, some advisors are recommending performing a trial calculation on a subset of your leases. Then, ask us as your auditors to check your numbers before you do the entire population of leases.
9. **Begin the process early.** Early adopters report that they need two or three hours per lease to analyze and extract the data. Adding to the challenge, many government finance professionals wear many hats, and dealing with financial matters may be only a small part of their responsibilities. Be sure to keep the resulting information very organized and accessible and also keep in mind the new information that will be required for footnote disclosures.
10. **Begin Implementing the Standard Now.** Ensuring that someone is able to learn and understand the new standard and how to implement it is important for a successful implementation year. If you find you are having issues with stretched resources within your organization, don't understand the standard, how to properly implement it, or simply don't have the time to do it, feel free to consult with us. CLA is helping many of our clients through this implementation and is providing various levels of assistance depending on the needs of our clients. We would be happy to discuss the various ways in which we can help and be involved if you determine you will need help with the lease determinations, calculations, or implementation related to the new standard.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement No. 89 provides that for 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 in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. Initially effective for reporting periods beginning after December 31, 2019 but postponed to reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91 – Conduit Debt Obligations

The primary objective of GASB Statement No. 91 is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Initially effective for reporting periods beginning after December 15, 2020 but postponed to reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – Omnibus 2020

The primary objectives of this statement are to enhance comparability and consistency by addressing practice issues that have been identified during implementation and application of certain GASB statements.

This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

This statement clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units. It also modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. Requirements relating to the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately.