



# Board of County Commissioners Agenda Request

## 4A

Agenda Item #

**Requested Meeting Date:** September 28, 2021

**Title of Item:** 2020 Audit Review and GASB 87 Proposal

<input checked="" type="checkbox"/> REGULAR AGENDA <input type="checkbox"/> CONSENT AGENDA <input type="checkbox"/> INFORMATION ONLY	<b>Action Requested:</b> <input type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft) <i>*provide copy of hearing notice that was published</i>	<input checked="" type="checkbox"/> Direction Requested <input type="checkbox"/> Discussion Item <input type="checkbox"/> Hold Public Hearing*
<b>Submitted by:</b> Kathleen Ryan		<b>Department:</b> Auditor
<b>Presenter (Name and Title):</b> CLA - Kristen Houle, Doug Host / Kathleen Ryan / Kirk Peysar		<b>Estimated Time Needed:</b> 30 Minutes
<b>Summary of Issue:</b>  <p>CLA will present the 2020 Audit to the Board.</p> <p>Also, CLA present a proposal to help implement the new GASB 87 accounting standard. (Information attached)</p>		
<b>Alternatives, Options, Effects on Others/Comments:</b>		
<b>Recommended Action/Motion:</b> County Board approve CLA's proposal for implementation of GASB 87.		
<b>Financial Impact:</b> <i>Is there a cost associated with this request?</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>What is the total cost, with tax and shipping? \$</i> appx. \$23,205 1st year, \$6,195 year 2 <i>Is this budgeted?</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>Please Explain:</i>		

Legally binding agreements must have County Attorney approval prior to submission.



August 12, 2021

**Fee quote for implementation of  
GASB Statement No. 87, Leases:  
Aitkin County, Minnesota**

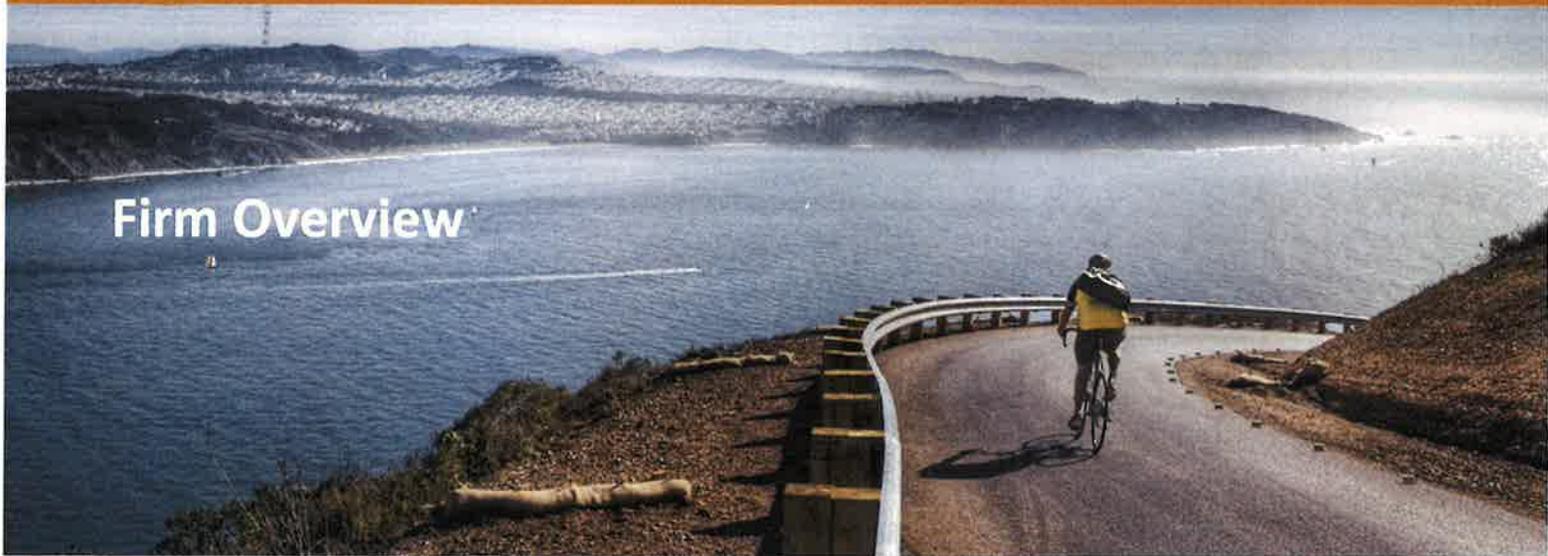
*Prepared by:*  
**Douglas Host, CPA, Principal**  
Doug.host@CLAconnect.com



**CLAconnect.com**

**WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING**





## Firm Overview

### Create opportunities

CLA exists to create opportunities for our clients, our people, and our communities through industry-focused wealth advisory, outsourcing, audit, tax, and consulting services.

More than

**6,100**

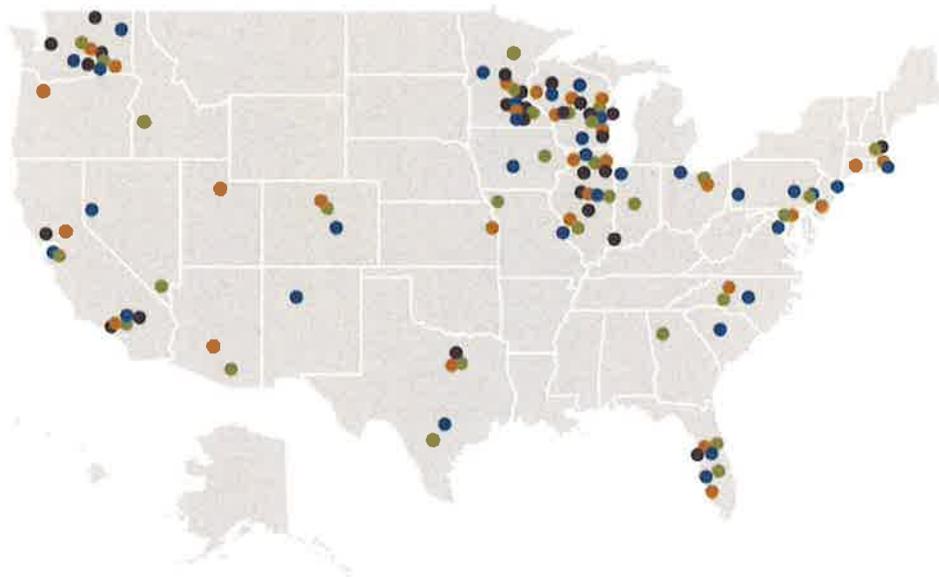
people



More than

**120**

U.S. locations



A

**global**

affiliation



### *We promise to know you and help you*

With CLA by your side, you can find everything you need in one firm. Professionally or personally, big or small, we can help you discover opportunities and achieve more than you believed possible.



## What makes us different?

You can depend on CLA for several uncommon advantages:

### Deep industry specialization

Our people are industry practitioners first and foremost. You will work with professionals who know you, your organization, and your industry. We combine their knowledge with yours to make you stronger.



### What you need in one firm

We offer planning and guidance from startup through succession, with particular care for the people behind the enterprise. Your team connects with a broad network of resources behind the scenes to support you.

### Premier resource

We place you — personally — at the core of our strategic focus because your success means a better world for all of us.



### THE career-building firm

Our team members are personally invested in your success. You will work with entrepreneurial people, who are constantly developing capabilities to help you meet any challenge you face.

For more information about CLA, visit [CLAAconnect.com/aboutus](https://CLAAconnect.com/aboutus).



# Services Approach

Prepare for the new lease standard (GASB Statement No. 87) and make this transition with confidence. CLA can help you understand how the new standard will impact your financial statements.

## CLA Turnkey Lease Solution

- CLA works with you on the leases you have identified to guide you through the decision process regarding how the leases will be accounted for
- Based on management's decisions, CLA will create leased asset schedules and propose journal entries to record the various elements into your general ledger
- CLA will prepare draft footnotes for your financial statements

### Selecting a team

We select a team experienced in implementing new standards who work with your current service team — this provides an effective bridge.

### Minimizing your workload

We help you understand the standards and what exactly is needed for implementation.

We mitigate implementation issues

### Arriving prepared

We work to understand your lease agreements and processes. We've done our homework and are ready to roll up our sleeves and get to work.

### Investing in our relationship

We spend time gaining an understanding of your organization and forming relationships.



## Fees

Implementing a new accounting standard takes a big effort from all sides. Our pricing structure is designed to fit your needs. The tiered software price structure allows you to pay per lease – you pay for only what you need.

Year 1				
<b>Management's Responsibilities</b>	<ul style="list-style-type: none"> <li>• Provide supporting information and be available to answer questions about lease agreements</li> <li>• Ensure the list of leases to analyze is complete</li> <li>• Take responsibility for assessment, accounting, and disclosures</li> </ul>			
<b>CLA's Responsibilities</b>	<ul style="list-style-type: none"> <li>• Provide training on GASB 87 to inform management of critical decisions related to their accounting policies</li> <li>• Create leased asset schedules to support proposed journal entries</li> <li>• Draft financial statement disclosures.</li> </ul>			
<b>Number of Leases</b>	10 Leases	20 Leases	30 Leases	40 Leases
<b>Lease Analysis</b>	\$6,300	\$11,700	\$17,100	\$22,500
<b>Technology Fee (5%)</b>	\$315	\$585	\$855	\$1,125
<b>Software Costs</b>	\$2,000	\$4,000	\$5,250	\$7,000
<b>Total Fee in Year 1</b>	\$8,615	\$16,285	\$23,205	\$30,625

Year 2				
<b>Number of Leases</b>	10 Leases	20 Leases	30 Leases	40 Leases
<b>Yr 2 JEs &amp; Footnotes</b>	\$900	\$900	\$900	\$900
<b>Technology Fee (5%)</b>	\$45	\$45	\$45	\$45
<b>Software Costs</b>	\$2,000	\$4,000	\$5,250	\$7,000
<b>Total Fee in Year 2*</b>	\$2,945	\$4,945	\$6,195	\$7,945

The fee estimate is based on the following assumption:

- Management will take responsibility to ensure the list of leases is complete and give us access to the agreements
- Management will make available individuals who can describe agreements and answer questions related to application of GASB 87

\*Professional fees to analyze new or modified lease agreements will be billed at \$540/lease

Any additional charges not discussed in this proposal will be mutually agreed upon up front. We will always be candid and fair in our fee discussion so there are no surprises.



## Appendix: Preparation Checklist for GASB 87

In June 2017, the Governmental Accounting Standards Board (GASB) issued a new accounting standard that significantly changes the accounting leasing model that has been in place longer than GASB has been in existence. As you look at this new standard, let's have a conversation and make sure you're prepared for it! If you're not, CLA can help guide you through the process.

### ***Having trouble getting started? Here's a checklist of items needed for implementation:***

- Inventory of potential leases.
- For each lease in the inventory —
  - Determine whether any component of agreement includes a lease.
  - For agreements with both lease and nonlease components, determine the allocation of contractual consideration.
  - Identify key items, including initial direct costs.
  - Consider impairment.
- Details of accounting for each lease by year.
- Draft footnote disclosures.

### ***Effective date***

The new statement is effective for reporting periods beginning after June 15, 2021. GASB encourages earlier application.

