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LOOKING OUT FOR TRIBES' FINANCIAL SUCCESS

FALL 2010

Are You Ready for the Upcoming GASB Standards?

by Brian Deveau, Partner | Tribal Government Group

Your 2010 fiscal year-end is quickly approaching, which means you should have already been planning for two new accounting standards—Governmental Accounting Standards Board (GASB) Statements No. 51 and 53—that will affect many tribes nationwide. If you haven't been planning, now is the time to start. Here's a quick synopsis on the key issues you need to address to be ready for your 2010 audit.

GASB Statement No. 51, Intangible Assets

This statement requires that intangible assets be recorded as capital assets, at cost. To qualify, assets must be separable (capable of being sold, licensed, rented, or exchanged) and must arise from a contractual or legal right.

Examples of intangible assets include land easements or water rights. Internally generated software can also qualify, but only costs in the "application development" stage, which includes design of the specific path, configuration, coding, installation, testing, and related activities. Software costs that are conceptual, preliminary, or incurred after implementation should be expensed.

As capital assets, most intangible assets will need to be depreciated and evaluated for potential impairment as well.

GASB Statement No. 53, Derivatives

For the first time, tribal governments and other GASB reporters must report the fair value of certain derivatives in their financial statements. For tribes, the most common example is the value of interest rate swap agreements, commonly used to "fix" variable rate bank debt.

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Beginning with 2010 year-ends, tribes will need to evaluate whether their swap agreements are "effective." If so, the fair value of these agreements will need to be recorded in the government-wide statement of net assets. Most tribes will use independent third parties to assist in the effectiveness determination as well as in the valuation of the swap.

Since the new standards are a bit complex, you'll want to address them as soon as possible. Waiting until the auditors show up could delay your 2010 audits and result in the auditor reporting a significant deficiency or a material weakness.

If you have specific questions about either of these new standards, a Moss Adams Tribal Government Group professional will be happy to help you.

Reviewing Your Medical Plan's Administrative Performance

by Jim Sharpe, Manager | Tribal Government Group

Tribal governments and their related entities continue to experience increases in the cost of their employee and member health care benefit programs. According to the Bureau of Labor Statistics, for the 12 months ended April 30, 2010, the inflation rate for medical care was 68 percent higher than the total Consumer Price Index.

Many tribes use third-party administrators to implement their self-insured plan and process medical claims. Our experience has shown, however, that the failure rate for administrators to meet industry-standard financial and/or payment accuracy measures is approximately 60 percent.

If you aren't completely confident that your contract health program or third-party administrator is paying claims correctly and accurately, you may want to consider a performance review of the internal controls, policies, and procedures for these areas, also known as an administrative performance review. Some of the benefits of an administrative performance review include:

- Better identification of claims payment errors and recovery of identified overpayments
- Improved administrative performance by correcting systemic issues or control deficiencies
- Avoidance of costly penalties by ensuring compliance with all contracts and procedures
- Identification of exceptions to standard cost-control procedures and tribal policies
- Creation of good benchmarks for establishing or renegotiating performance guarantees between the tribe and the plan administrators
- Demonstration of the tribe's fulfilling its fiduciary responsibilities as the plan sponsor

As pressure grows to provide more services at less cost, an administrative performance review can often be a cost-effective way to improve health care services to tribal employees and members.

Contact Us

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