

## **Exhibit L2 – Nonexchange Financial Guarantees**

### ***GASB STATEMENT NO. 70 – ACCOUNTING AND REPORTING FOR NONEXCHANGE FINANCIAL GUARANTEES***

Governments sometimes extend financial guarantees to other governments, non-profit organizations, and individuals without receiving equal consideration in return. The government can also be the recipient of a financial guarantee, whereby it does not sacrifice value equal to what it has gained as a result of the guarantee. Guarantees within the primary government, such as the higher education bond intercept program, are not subject to the provisions of this standard. This statement prescribes the accounting treatment for external guarantees and the related financial statement disclosures.

#### **2.1 Governmental Guarantor Accounting for Nonexchange Financial Guarantees**

The government must assess the likelihood of having to act upon a nonexchange guarantee. The factors to consider are qualitative in nature and include the initiation bankruptcy or reorganization proceedings, breach of the debt contract related to the obligation, or other indications of financial difficulty by the recipient. If the likelihood is more-likely-than-not (greater than fifty percent), a liability and expense must be recognized in the government-wide financial statements for governmental funds or within the fund for proprietary funds. The liability should be calculated as the present value of the expected future outlays. If there is a range of possible outcomes and no one outcome is more certain than the others, the minimum should be recorded. The expense should be recorded in the same manner as other financial assistance to external organizations, i.e., grants or distributions depending on the nature of the guarantee. Additionally, to the extent payments under guarantees are due and payable, they should be recorded as a current liability of the governmental fund.

#### **2.2 Governmental Recipient Accounting for Nonexchange Financial Guarantees**

To the extent that the guarantor paid the obligation, the recipient government should reclassify the original obligation to an obligation to the guarantor. If the recipient is legally released from any liability, such as through bankruptcy proceedings, the recipient should reduce its obligation to the guarantor and recognize revenue. A receivable is only recognized in the amount of the guarantor's liability when one or more parties to the guarantee are blended component units. Blended component units within the State's reporting entity include United Physicians, Inc. in relation to the University of Colorado.

#### **2.3 Disclosure Requirements**

The guarantor should disclose a description of the nonexchange financial guarantee that includes the legal authority and limits for extending the guarantees and types of obligations guaranteed, the relationship of the government to the issuer(s) of the obligations that are guaranteed, the length of time of the guarantees, arrangements for recovering payments from the recipient(s), and the total amount of all guarantees extended that are outstanding at the reporting date. For liabilities recognized, the guarantor should also include a description of the timing of recognition and measurement of the liabilities and information about the changes in recognized guarantee liabilities including beginning-of-period balances, increases, including initial recognition and adjustments increasing estimates, guarantee payments made and adjustments decreasing estimates, and end-of-period balances. Finally, the cumulative amounts of indemnification payments that have been made on guarantees extended that are outstanding at the reporting date and amounts expected to be recovered should be disclosed.

The recipient of a nonexchange financial guarantee should disclose the name of the entity providing the guarantee, the amount of the guarantee, the length of time of the guarantee, the amount paid (if any) by the entity extending the guarantee, the cumulative amount paid by the

entity extending the guarantee, a description of requirements to repay the entity extending the guarantee, and the outstanding amounts (if any) required to be repaid to the entity providing the guarantee.

Please complete a separate Exhibit L2 for each nonexchange financial guarantee, or group of guarantees as applicable.

Please contact Tammy Nelson with any questions about completing this exhibit (tammy.nelson@state.co.us or 303-866-2659).

**EXHIBIT L2**  
**NONEXCHANGE FINANCIAL GUARANTEES**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

**Section A - Nature of Nonexchange Financial Guarantee**

The Department is the \_\_\_ guarantor \_\_\_\_\_ recipient of the nonexchange financial guarantee.

**Section B - Description of the Nonexchange Financial Guarantee**

Description of the guarantee arrangement:

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Describe the legal authority, limits, and types of obligations subject to guarantee:

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Describe the relationship between the Department and the guarantor/recipient:

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Describe the duration of the nonexchange financial guarantee:

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Amount of nonexchange financial guarantees outstanding as of June 30:

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Describe arrangements for repayment to the guarantor, if any:

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**Section C - Liability Recognition by the Guarantor**

Describe the guarantor's basis for liability recognition:

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**Section D - Guarantor Liability Information**

Beginning Balance	Increase in Guarantee	Increase Due to Change in Estimate	Decrease in Guarantee	Decrease Due to Change in Estimate	Ending Balance

**Section E - Guarantor Payment Information**

Beginning Balance	Current Year Payments	Ending Balance	Cumulative Payments

**Section F - Receipt Repayment Information**

Required Repayment	Beginning Balance	Current Year Repayments	Cumulative Repayments	Expected Amount of Additional Repayments

Prepared By: \_\_\_\_\_ Agency Name: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_ Agency Code: \_\_\_\_\_  
 Email Address: \_\_\_\_\_ Date Prepared: \_\_\_\_\_