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GASB Update

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December 17, 2020

Issued May 2020

Delayed One Year:

- Statements 83, 84, 88, 89, 90, 91, 92, 93
- Implementation Guides 2017-3, 2018-1, 2019-1, 2019-2

Delayed 18 Months:

- Statement 87
- Implementation Guide 2019-3

GASB 95

*Postponement of the Effective Dates
of Certain Authoritative Guidance*

Pending Pronouncements

June 30, 2020

GASB 83, Certain Asset Retirement Obligations
*GASB 88, Certain Disclosures Related to Debt,
Including Direct Borrowings and Direct Placements*

GASB 84, Fiduciary Activities

GASB 90, Majority Equity Interests

*GASB 97, para. 4 and 5, Certain Component Unit
Criteria...*

December 31, 2020

Note: This may have
been adopted as of
12/31/19

GASB 83

*Addresses accounting
and financial reporting
for certain asset
retirement obligations
(AROs)*

- What's an ARO?
 - A legally enforceable liability associated with the retirement of a tangible capital asset

- What does that mean?
 - Decommissioning nuclear reactors
 - Dismantling and removing sewage treatment plants

Note: This may have
been adopted as of
12/31/19

GASB 88

*Addresses note
disclosures related to
debt*

- Disclose summarized information about the following:
 - Amount of unused lines of credit
 - Assets pledged as collateral for debt
 - Terms specified in debt agreements related to significant –
 - Events of default with finance-related consequences
 - Termination events with finance-related consequences
 - Subjective acceleration clauses

GASB 88 (cont.)

- ❑ Separate information in debt disclosures regarding (a) direct borrowings and direct placements of debt from (b) other debt
 - Direct borrowing = entering into a loan agreement with a lender
 - Direct placement = issuing a debt security directly to an investor

Note: This may have
been adopted as of
12/31/19

GASB 84

*Addresses the
accounting and
reporting of fiduciary
funds*

- ❑ Do you report fiduciary funds now?
 - Pension/OPEB Trust Funds?
 - Private-purpose Trust Funds?
 - Agency Funds?
 - Other?

Fiduciary Activity Defined:

- ❑ Assets are controlled by the government
- ❑ Assets are not derived from:
 - Government's own-source revenues
 - Government-mandated nonexchange or voluntary nonexchange transactions
- ❑ Assets have one or more of the following characteristics:
 - Administered through a trust in which the government is not a beneficiary
 - Are for the benefit of individuals and the government does not have administrative involvement or direct financial involvement with the assets
 - Are for the benefit of organizations or other governments that are not part of the financial reporting entity

Types of Fiduciary Funds

- ❑ Pension (or OPEB) Trust Funds
- ❑ Investment Trust Funds
- ❑ Private-Purpose Trust Funds
- ❑ Custodial Funds **(new name!)**

Some Examples of Fiduciary Activities*

County is custodian
for jail inmates'
accounts

City is custodian for
a NFP cemetery
association

School District
maintains funds for
student activities

*Assuming all applicable circumstances are in place

Some Examples of Non-Fiduciary Activities*

- ❑ A government uses a holding account to accumulate withheld employee payroll deductions
- ❑ Retainage held from a construction contract

*Generally speaking

Key Reporting Points

- ❑ Aggregate funds by type
- ❑ Business-type activities exception
- ❑ Accounting for liabilities is changed
- ❑ A statement of changes is required for all fund types
- ❑ Footnotes have no required format

Passcode #1

GASB 90

Addresses the reporting of a majority equity interest in a legally separate organization

- Holdings of a majority equity interest in a legally separate organization should be reported as an investment if the equity interest meets the definition of an investment
 - Measured using fair value, if –
 - Held by a special-purpose government engaged only in fiduciary activities
 - Held by a fiduciary fund, endowment, or permanent fund
 - Measured using the equity method , if any other type of government

GASB 90 (cont.)

- ❑ All other holdings of a majority equity interest in a legally separate organization should be reported as a component unit and the government or fund that holds the equity interest should report an asset using the equity method (unless blended)
- ❑ If a government has a 100% equity interest in a component unit, it should account for its assets, DOR/DIR, and liabilities at acquisition value

- If the primary government performs the duties that a governing board typically would perform, the **absence of a governing board** should be treated the same as the appointment of a voting majority of a governing board
 - For determining if it is a component unit
 - Not applicable to defined contribution pension/OPEB plans or an other employee benefit plan (i.e., 457 plan)

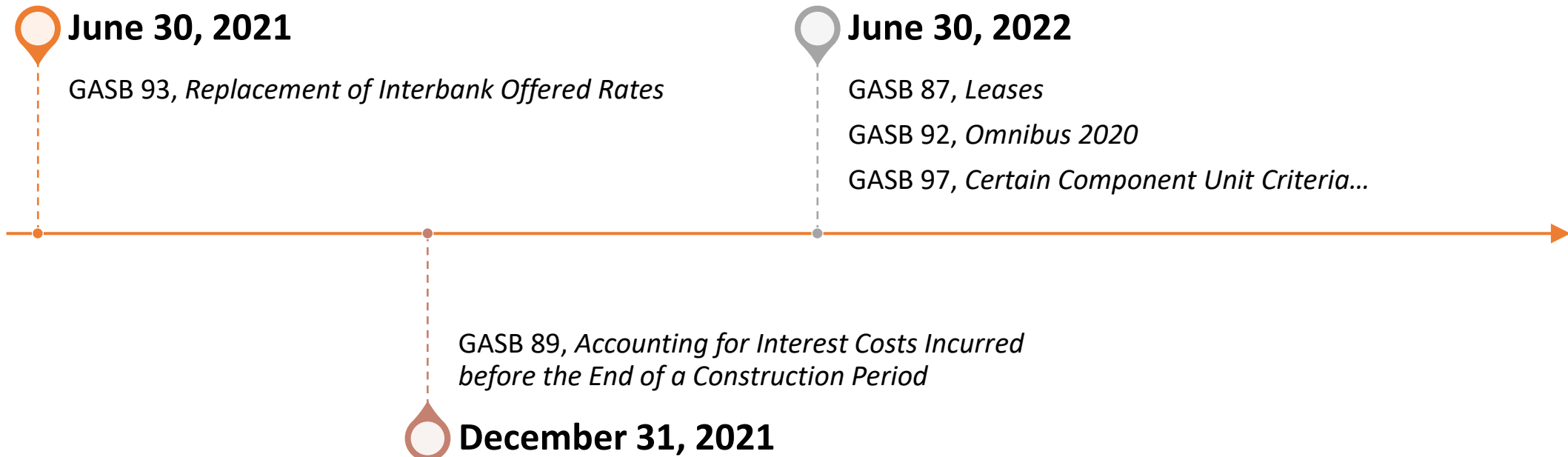
GASB 97, PARA 4

- The financial burden criterion in paragraph 7 of GASB 84 is applicable to only **defined benefit** pension/OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB 67/74

GASB 97, PARA 5

Passcode #2

Pending Pronouncements (cont.)



GASB 93

*Addresses the
replacement of IBORs*

- LIBOR is expected to cease its existence as of 12/31/21
 - GASB 53 requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument
 - GASB 87 requires a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable when replacement of the rate on which variable payments depend in a lease contract occurs

GASB 93 (cont.)

- ❑ Must meet certain criteria to qualify
- ❑ Other term changes that can be made 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

GASB 93 (cont.)

- ❑ Appropriate rates for hedges going forward include:
 - Interest rate on direct Treasury obligations of the U.S. government
 - The Effective Federal Funds Rate (EFFR)
 - Secured Overnight Financing Rate (SOFR)

GASB 89

Addresses interest cost incurred before the end of a construction period

- ❑ Interest cost incurred before the end of a construction period should be recognized as an expense/expenditure in the period in which the cost is incurred
- ❑ Such interest cost should not be capitalized
- ❑ The Statement should be applied prospectively (no restatement, even for CIP)

Passcode #3

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

GASB 87

*Addresses accounting
and financial reporting
for leases*

Lessee Reporting

INITIAL

- ❑ Record an **intangible lease asset** for the value of lease liability plus prepayments and initial direct costs incurred to place asset in use
- ❑ Record a **liability** equal to the present value of future lease payments

SUBSEQUENT

- ❑ **Amortize** the intangible lease asset for the useful life or lease term, whichever is shorter
- ❑ **Reduce** the liability by lease principal payments

Lessor Reporting

INITIAL

- ❑ Record a **lease receivable** which generally includes same items as lessee's liability
- ❑ Record a **deferred inflow** equal to the lease receivable plus any cash received up front that relates to future period

SUBSEQUENT

- ❑ **Depreciate** leased asset unless indefinite life or asset is required to be returned in its original or enhanced condition
- ❑ **Recognize revenue** over the lease term in a systematic and rational manner

GASB 92

Addresses a variety of topics

- Omnibus addresses several issues:
 - Effective date of Lease standard (superseded by GASB 95)
 - Various postemployment benefit issues
 - ARO measurement issue
 - Public entity risk pools issue
 - Nonrecurring fair value measurements issue
 - Terminology for derivative instruments

GASB 97

*Updates guidance for
Section 457 plans*

- ❑ If a pension plan, then report as a pension plan
 - Definition:
 - Implies an employer contribution or guarantee
 - Assets dedicated are accumulated and managed
 - Benefits are paid as they come due
- ❑ If not, then report as an other employee benefit plan
- ❑ Apply GASB 84 reporting – most likely will not be a component unit, since most likely will be a defined contribution plan

Pending Pronouncements (cont.)

December 31, 2022
GASB 91, Conduit Debt Obligations

*GASB 94, Public-Private and Public-Public Partnerships
and Availability Payment Arrangements*

*GASB 96, Subscription-Based Information Technology
Arrangements*

June 30, 2023

GASB 91

*Addresses reporting of
conduit debt obligations*

- ❑ 3 parties involved
 - Issuer
 - Third-party obligor
 - Debt holder/trustee

- ❑ Issuer does not record a liability unless they provide an additional/voluntary commitment to support debt service

- ❑ Lease accounting does not apply to capital assets “leased” as part of a conduit debt obligation

Passcode #4

GASB 94

*Addresses public-private
and public-public
partnerships and
availability payment
arrangements*

- A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction
 - Some PPPs are SCAs (Service Concession Arrangements)

- An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction

GASB 96

Addresses subscription-based information technology arrangements

- A SBITA is defined as:
 - A contract that conveys control of the right to use another party's information technology (IT) software
 - alone or in combination with tangible capital assets, as specified in the contract
 - For a period of time in an exchange or exchange-like transaction

GASB 96 (cont.)

- ❑ A government generally should recognize a right-to-use subscription asset and a corresponding subscription liability
- ❑ Accounting for SBITAs is based on the accounting for Leases under GASB 87

GASB 96 (cont.)

- Subscription term = the period during which a governmental unit has a noncancellable right to use the underlying IT assets
 - Includes periods covered by an option to extend (*if reasonably expected to exercise that option*)
 - Includes periods covered by an option to terminate (*if reasonably certain **not** to exercise that option*)

GASB 96 (cont.)

□ Three Stages

1. Preliminary Project Stage

- Evaluating alternatives, determining needed technology, selecting a vendor
- Expensed as incurred

2. Initial Implementation Stage

- All ancillary charges necessary to place the subscription asset into service
- Generally, capitalized

3. Operation and Additional Implementation Stage

- Subsequent implementation activities, maintenance, and other activities
- Generally expensed

TECHNICAL BULLETIN 2020-1

*Addresses accounting
and financial reporting
related to CARES Act
and Coronavirus*

- ❑ Issued June 2020
- ❑ Effective Immediately
- ❑ 6 Questions

Technical Bulletin 2020-1

1. Are resources received from the Coronavirus Relief Fund subject to eligibility requirements or to purpose restrictions? When should those resources be recognized as revenue?
 - Determined to be voluntary nonexchange transactions, subject to eligibility requirements
 - Should be recorded as liabilities until the applicable eligibility requirements are met, and then should be recognized as revenue

Technical Bulletin 2020-1

2. Certain CARES Act programs provide resources to address a government's loss of revenue attributable to the effects of COVID-19....Should a provision that addresses a government's loss of revenue be considered an eligibility requirement...?
- Yes
 - Revenue should be recognized when the government meets the action-based eligibility requirement

Technical Bulletin 2020-1

3. If amendments to the CARES Act are enacted after a government's statement of financial position date but prior to the issuance of financial statements, should the government consider those amendments as the basis for recognition in financial statement for the period reported?
- No

Technical Bulletin 2020-1

4. If a governmental entity...received a forgivable loan pursuant to the Paycheck Protection Program....and the governmental entity determines that the loan will be forgiven in a subsequent reporting period...should the governmental entity continue to report the loan as a liability in the financial statements (economic resources MF/accrual BA)...?
- Yes
 - Report as a liability until legally released from the debt

Technical Bulletin 2020-1

5. Should CARES Act resources provided through the Provider Relief Fund...the Higher Education Emergency Relief Fund...the CARES Act Airport Grants...and the Formula Grants for Rural Areas and Urbanized Area Formula Grants programs to a business-type activity or enterprise fund be reported as nonoperating revenues?
- Yes
 - Exception – resources provided through the PRF’s Uninsured Program – these are deemed to be payment for services provided

Technical Bulletin 2020-1

6. Should outflows of resources incurred in response to the coronavirus disease due to, for example, actions taken to slow the spread of the virus, adjustments in the provision of services, or the implementation of “stay-at-home” orders, be reported as extraordinary items or special items?
- No

IMPLEMENTATION GUIDE 2020-1

*Provisions are effective
in various reporting
periods, depending on
each question*

- ❑ 21 new questions
 - The Financial Reporting Entity (2)
 - Investments/External Investment Pools (1)
 - Fiduciary Activities (2)
 - Leases (12)
 - Statement No. 83 (1)
 - Statement No. 91 (3)

- ❑ 5 updated questions
 - Pensions (2)
 - Investments/External Investment Pools (1)
 - OPEBS (2)

EXPOSURE DRAFTS

*Comment Deadline:
February 26, 2021*

- ❑ Recognition of Elements of Financial Statements
 - Economic Resources Measurement Focus and Accrual Basis of Accounting
 - Short-Term Financial Resources Measurement Focus and Accrual Basis of Accounting

- ❑ Financial Reporting Model Improvements
 - MD&A
 - Unusual or infrequent items
 - Presentation of governmental fund financial statements
 - Short-term financial resources MF/accrual BA application in governmental funds
 - Presentation of governmental fund statement of short-term financial resource flows
 - Presentation of proprietary fund statement of revenues, expenses, and changes in net position
 - Presentation of major component units in basic financial statements
 - Budgetary comparison information
 - Financial trends information

QUESTIONS?

Contact me!



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