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GASB Update

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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

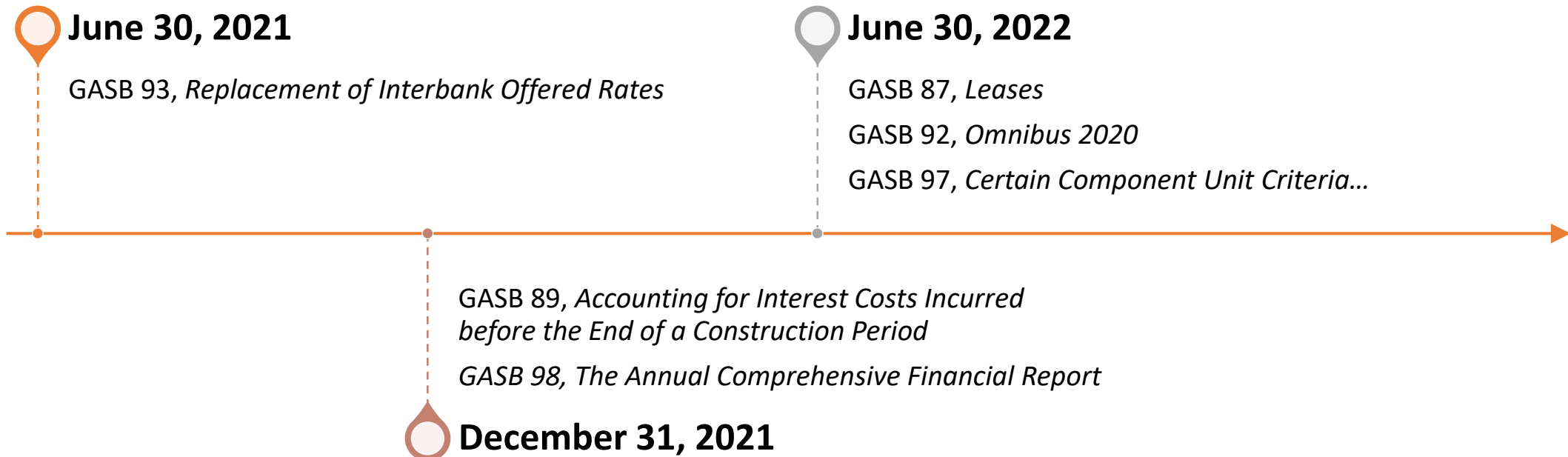
Delayed 18 Months:

- Statement 87
- Implementation Guide 2019-3

GASB 95

Postponement of the Effective Dates of Certain Authoritative Guidance

Pending Pronouncements



GASB 93

*Addresses the
replacement of IBORs*

- LIBOR was 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.)

- ❑ Two step transition
- ❑ 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)

- The comprehensive annual financial report would be renamed annual comprehensive financial report (ACFR)

GASB 98

*The Annual
Comprehensive
Financial Report*

GASB 87

*Addresses accounting
and financial reporting
for leases*

- A lease is 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**

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*

- ❑ Adoption of GASB Statement No. 84, *Fiduciary Activities*
- ❑ *Implementation Guide No. 2019-2, Fiduciary Activities*
- ❑ Some governments would have had to record Section 457 plans that had never been recorded.

GASB 97 (cont.)

- ❑ Clarified board appointment
- ❑ Clarified financial burden

GASB 97 (cont.)

- ❑ 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, as amended

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

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

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

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
- ❑ If a PPP meets the definition of a lease, it should follow GASB 87

GASB 94 (cont.)

- New or Improved underlying PPP assets
 - Transferor
 - SCA- recognize an asset at acquisition value when placed in service and at the commencement of the PPP term, a receivable for installment payments if any and a deferred inflow of resources
 - Not SCA- recognize receivable at operator's estimated carrying value at date of future transfer and a receivable for installment payments if any and a deferred inflow of resources
 - Operator
 - SCA- recognize a liability for installment payments, if any, to be made in relation to the PPP and a right-to-use asset
 - Not SCA- recognize a liability of the underlying PPP asset to be transferred, if applicable, a liability for installment payments and a deferred outflow of resources for the underlying PPP asset to be transferred

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 unless they meet specific capitalization criteria

GASB 96 (cont.)

- ❑ A lease is 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
- ❑ 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
- ❑ A SBITA is 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

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

- ❑ 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)

IMPLEMENTATION GUIDE 2020-1

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

IMPLEMENTATION GUIDE 2021-1

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

- 23 new questions
 - Accounting and Financial Reporting for Derivative Instruments (1)
 - Fiduciary Activities (2)
 - Leases (19)
 - Statement No. 33 (1)

- 4 updated questions
 - Capitalization policy (1)
 - Reporting of fines revenue (1)
 - Fund reporting (1)
 - Statement No. 48 (1)

EXPOSURE DRAFTS

- ❑ Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements
 - Comment deadline: October 15, 2021
- ❑ Omnibus 20XX
 - Comment deadline: September 17, 2021
- ❑ Accounting Changes and Error Corrections—an amendment of Statement No. 62
 - Comment deadline: August 31, 2021
- ❑ Compensated Absences
 - Comment deadline: June 4, 2021
 - Final statement expected to be issued: December 2021

EXPOSURE DRAFTS UPDATE

Recognition of Elements of Financial Statements

- July 2020 Exposure Draft (comments were due February 26, 2021):
 - Economic Resources Measurement Focus and Accrual Basis of Accounting
 - Short-Term Financial Resources Measurement Focus and Accrual Basis of Accounting

- Tentative Board decisions through November 2021:
 - A measurement focus and basis of accounting that has a short-term perspective should be retained.
 - The name of the measurement focus for governmental fund financial statements should be short-term financial resources measurement focus.
 - The name of the basis of accounting for governmental fund financial statements should be modified accrual basis of accounting.
 - https://www.gasb.org/jsp/GASB/GASBContent_C/ProjectPage&cid=1176156645852#

- Board will continue to redeliberate issues through December 2021

EXPOSURE DRAFT UPDATE

Financial Reporting Model Improvements

- ❑ July 2020 Exposure Draft (comments were due February 26, 2021):
 - 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

- ❑ Tentative Board decisions through November 2021:
 - Governmental funds should continue to be presented as part of the basic financial statements.
 - Governmental fund financial statements should not be presented applying a government's budgetary
 - The economic resources measurement focus and accrual basis of accounting should not be applied to the governmental fund financial statements.
 - https://www.gasb.org/jsp/GASB/GASBContent_C/ProjectPage&cid=1176163289827

- ❑ Board will continue to redeliberate issues through Oct 2022