

2020 Annual Update: State and Local Government Accounting

May 11, 2020



Your instructor

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Agenda

Topic	Minutes
Update on pending GASB Statements	90

Objectives

- After completing this webcast, you will be able to:
 - Recognize key provisions of recently issued accounting standards and recent developments impacting the financial reporting of state and local governments.

Update on pending GASB Statements

Exposure Draft – Postponement of the Effective Dates of Certain Authoritative Guidance

- Issued May 2020
- **Effective immediately**
- Provide temporary relief from certain new accounting and financial reporting requirements to governments in light of the COVID-19 pandemic.
- Postpone, by one year, the effective dates of certain provisions in Statements and Implementation Guides – through Statement No. 93, Replacement of Interbank Offered Rates, and Implementation Guide 2019-3, Leases that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

Exposure Draft – Postponement of the Effective Dates of Certain Authoritative Guidance

Statement	Original Effective Date	Extended Effective Date
Statement No. 83; Certain Asset Retirement Obligations	Reporting periods ending after June 15, 2018	Reporting periods ending after June 15, 2019
Statement No. 84; Fiduciary Activities	Reporting periods ending after December 15, 2018	Reporting periods ending after December 15, 2019
Statement No. 87; Leases	Reporting periods ending after December 15, 2019	Reporting periods ending after December 15, 2020
Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	Reporting periods ending after June 15, 2018	Reporting periods ending after June 15, 2019
Statement No. 89; Accounting for Interest Cost Incurred before the End of a Construction Period	Reporting periods ending after December 15, 2019	Reporting periods ending after December 15, 2020

Exposure Draft – Postponement of the Effective Dates of Certain Authoritative Guidance

Statement	Original Effective Date	Extended Effective Date
GASB No. 90; Majority Equity Interests	Reporting periods ending after December 15, 2018	Reporting periods ending after December 15, 2019
Statement No. 91; Conduit Debt Obligations	Reporting periods ending after December 15, 2020	Reporting periods ending after December 15, 2021
Statement No. 92; Omnibus 2020	Reporting <i>fiscal</i> (or reporting) years beginning after June 15, 2020 for those requirements that were not effective immediately	Reporting <i>fiscal</i> (or reporting) years beginning after June 15, 2021 for those requirements that were not effective immediately
Statement No. 93; Replacement of Interbank Offered Rates	Except for 11b; reporting periods ending after June 15, 2020; 11b for reporting periods ending after December 31, 2021	Except for 11b; reporting periods ending after June 15, 2021; 11b for reporting periods ending after December 31, 2022

Exposure Draft – Postponement of the Effective Dates of Certain Authoritative Guidance

Statement	Original Effective Date	Extended Effective Date
Implementation Guide; 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions	Periods beginning after June 15, 2017; actuarial valuations as of December 15, 2017 or later; first reporting period with a measurement date on or after June 15, 2018	Periods beginning after June 15, 2018 ; actuarial valuations as of December 15, 2018 or later; first reporting period with a measurement date on or after June 15, 2019
Implementation Guide; 2018-1, Implementation Guide Update - 2018	Reporting periods beginning after June 15, 2018	Reporting periods beginning after June 15, 2019
Implementation Guide; 2019-1, Implementation Guide Update - 2019	Reporting periods beginning after June 15, 2019	Reporting periods beginning after June 15, 2020

Exposure Draft – Postponement of the Effective Dates of Certain Authoritative Guidance

Statement	Original Effective Date	Extended Effective Date
Implementation Guide; 2019-2, Fiduciary Activities	Financial reporting periods beginning after December 15, 2018	Financial reporting periods beginning after December 15, 2019
Implementation Guide; 2019-3, Leases	Reporting periods beginning after December 15, 2019	Reporting periods beginning after December 15, 2020

GASB 83 – Certain asset retirement obligations

- Issued – November 2016
- Effective – **periods beginning after June 15, 2019**
- Applied retrospectively for all prior periods presented
- Asset retirement obligation (ARO) – a legally enforceable liability associated with the permanent retirement of a tangible capital asset
 - Sale, abandonment, recycling, or disposal
 - Does not encompass temporary idling
- AROs result from normal operations of tangible capital assets
- Applies to a lessor with the retirement of its leased property

GASB 83 – Certain asset retirement obligations (continued)

- GASB 83 does not apply to the following:
 - Obligations that arise solely from a plan to sell or otherwise dispose of a tangible capital asset
 - Obligations associated with the preparation of a tangible capital asset for an alternative use
 - Obligations for pollution remediation such as asbestos removal, that result from the other-than-normal operation of a tangible capital asset
 - Obligations associated with maintenance, rather than retirement
 - Cost of a replacement part that is a component of a tangible capital asset
 - GASB 83 – Certain asset retirement obligations (continued)

GASB 83 – Certain asset retirement obligations (continued)

A government should recognize an ARO when the liability is incurred and reasonably estimable

- Liability is incurred by the occurrence of both an external obligating event **and** an internal obligating event resulting from normal operations
 - External obligating event:
 - Approval of federal, state or local laws or regulations
 - Creation of a legally binding contract
 - Issuance of a court judgment
 - Internal obligating event:
 - Occurrence of contamination that is a result of the normal operation of a tangible capital asset and not in the scope of GASB 49
 - Non-contamination related AROs

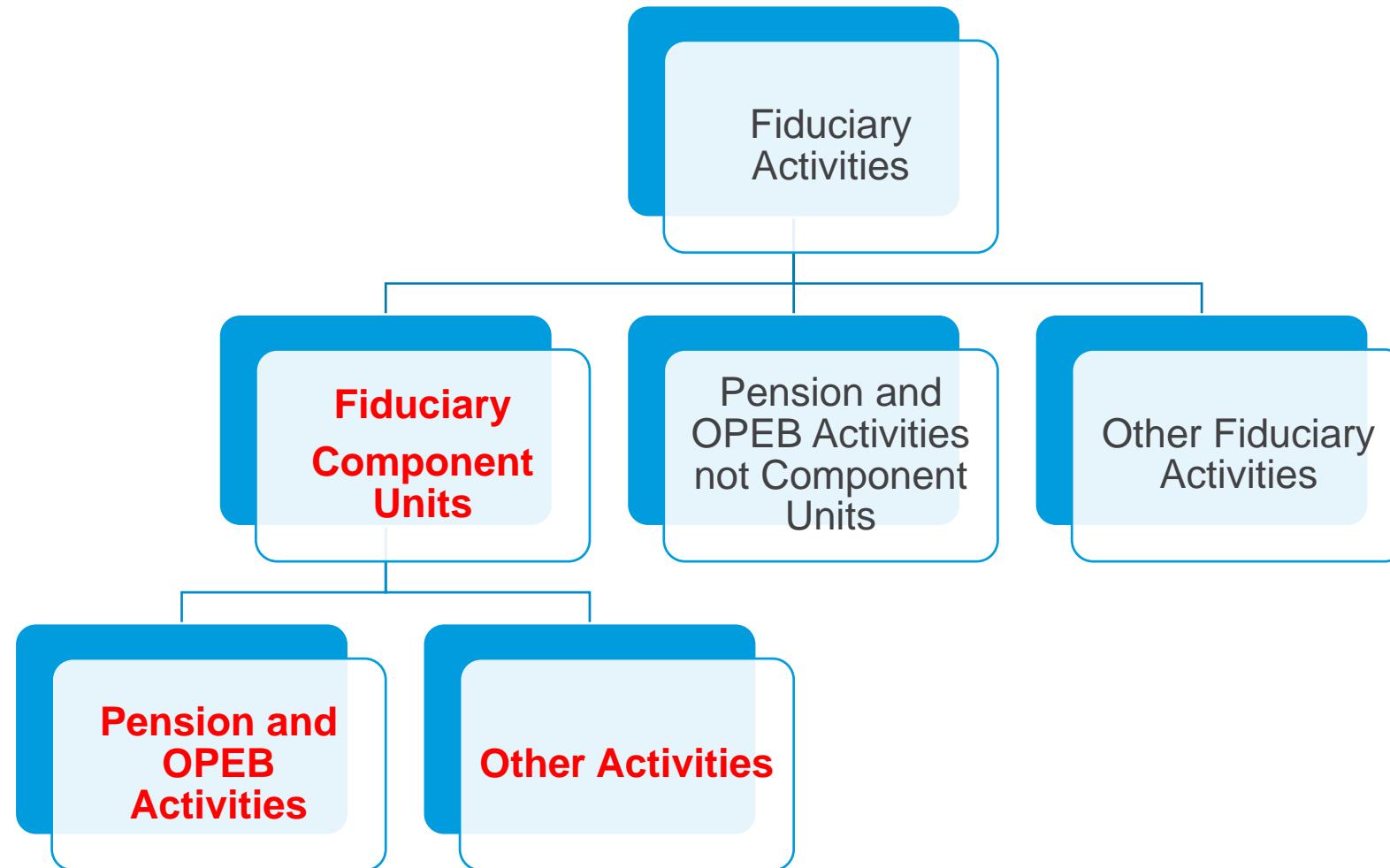
GASB 83 – Certain asset retirement obligations (continued)

- Initial measurement of an ARO:
 - Deferred outflow of resources (debit)
 - A tangible capital asset that is permanently abandoned before it is placed into operation is reported as an outflow of resources rather than a deferred outflow when the ARO is recognized
 - Liability (credit)
- Initial measurement of an ARO (cont'd):
 - The best estimate of the **current value** of outlays expected to be incurred
 - Current value is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the current reporting period
- Recognize in a systematic and rational manner over a period of time

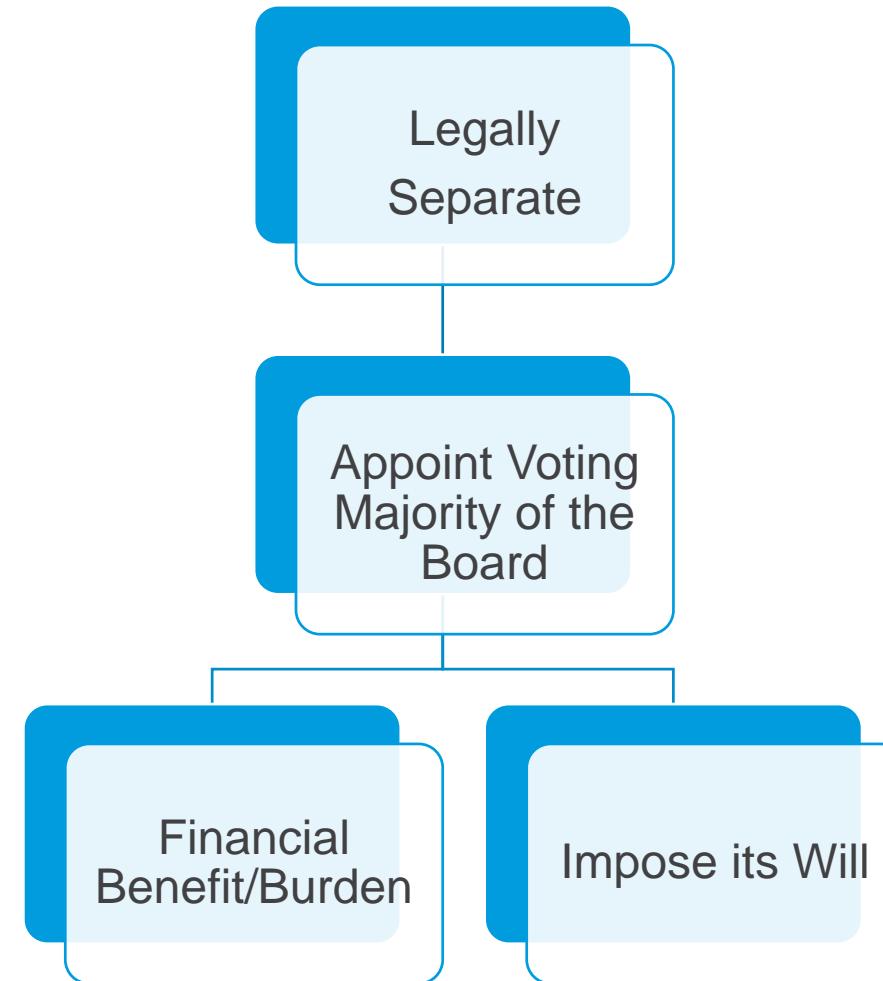
GASB 84 – Fiduciary activities

- Issued – January 2017
- Effective – **periods beginning after December 15, 2019**
- Implementation Guide Fiduciary Activities; **financial reporting periods beginning after December 15, 2019**
- **Exposure Draft; *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32***
 - Comment deadline April 10, 2020
 - Final expected June 2020; **subject to change as a result of comment letters and GASB's redeliberations**
 - **GASB 84 – Fiduciary activities**

GASB 84 – Fiduciary activities (continued)



GASB 84 – Fiduciary activities (continued)



GASB 84 – Fiduciary activities (continued)

- Fiduciary component units
 - GASB Statement 14 criteria, as amended
 - Pension and OPEB plans that are administered through trusts under GASB 67 and 74 are legally separate entities
 - Applies to both a defined benefit plan and a defined contribution plan
 - Equivalent arrangement; legal issue
 - Pension and OPEB plans may not have a traditional board ([Q&A guidance](#))
 - Government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the pension plan or OPEB plan ([potentially amended to apply to defined benefit plans only via Exposure Draft](#))

Component Unit not Pension/OPEB Fiduciary Activities

Assets are 1) administered through a trust agreement or equivalent arrangement in which the government itself is not a beneficiary, 2) dedicated to providing benefits to recipients in accordance with benefit terms, and 3) legally protected from the creditors of the government

Assets are for the benefit of individuals and the government does *not* have administrative involvement with the assets or direct financial involvement with the assets. In addition the assets are not derived from the government's provision of goods or services to those individuals

Assets are for the benefit of organizations or other governments that are *not* part of the financial reporting entity. In addition the assets are not derived from the government's provision of goods or services to those organizations or other governments

GASB 84 – Fiduciary activities (continued)

- Administrative involvement with the assets:
 - Monitors compliance with the requirements of the activity
 - Determines eligible expenditures that are established by the government or by a resource provider
 - Has the ability to exercise discretion over how assets are allocated.
 - A government has direct financial involvement with the assets if, for example, it provides matching resources for the activities

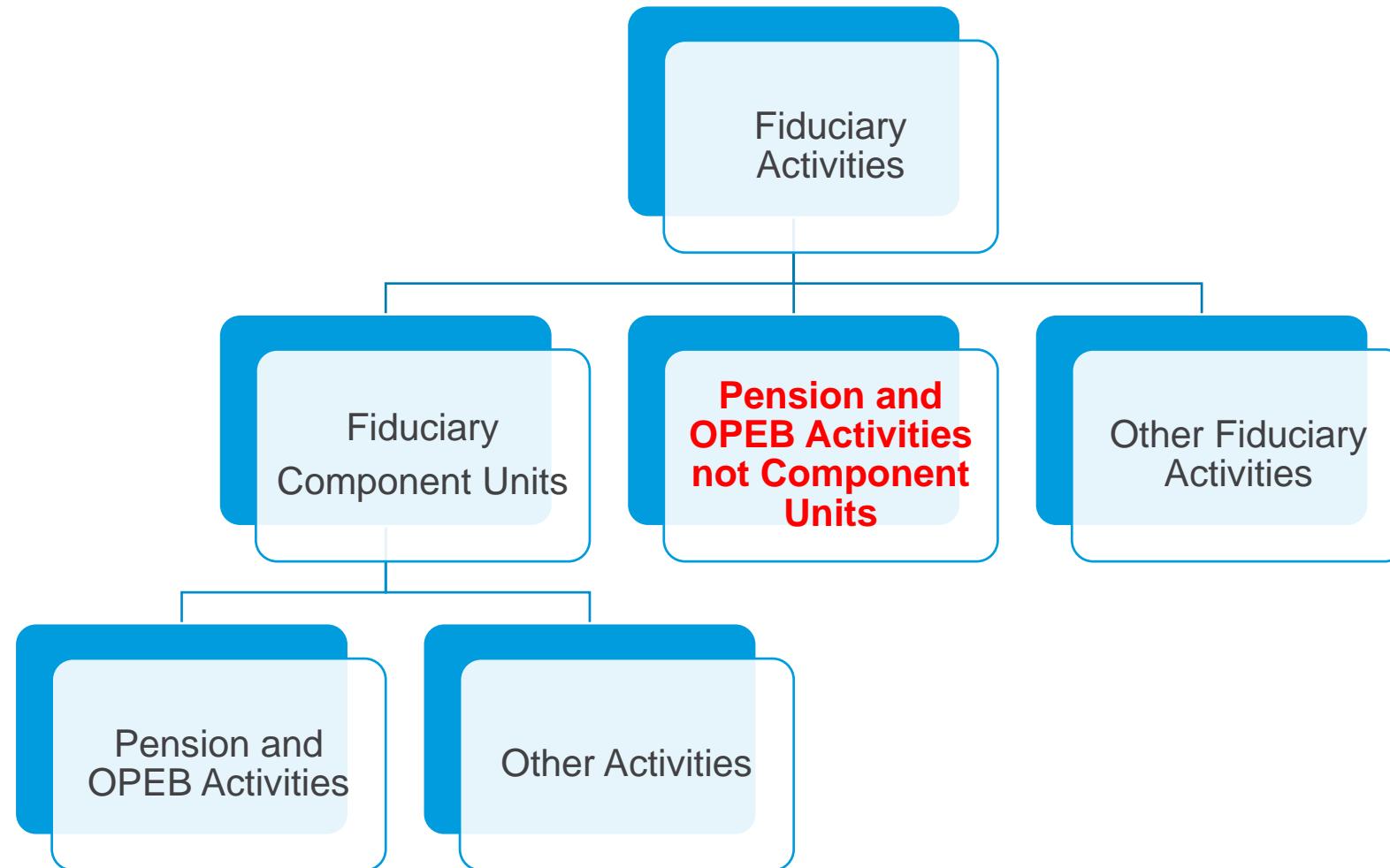
GASB 84 – Fiduciary activities (continued)

- Administrative involvement with the assets (continued):
 - Common examples found in practice will require an evaluation of administrative involvement
 - Seized assets funds
 - Student clubs and organizations
 - Cemetery maintenance funds
 - Inmate commissary accounts
 - Payroll withholding funds/accounts
 - Endowment/scholarship type funds

GASB 84 – Fiduciary activities (continued)

- Government's own-source revenues are revenues that are generated by a government itself.
 - Exchange and exchange-like revenues
 - Utility charges
 - Business licensing fees
 - Tuition and student activity fees
 - Investment earnings
 - Derived tax revenues and imposed nonexchange revenues
 - Sales and income taxes
 - Property taxes

GASB 84 – Fiduciary activities (continued)



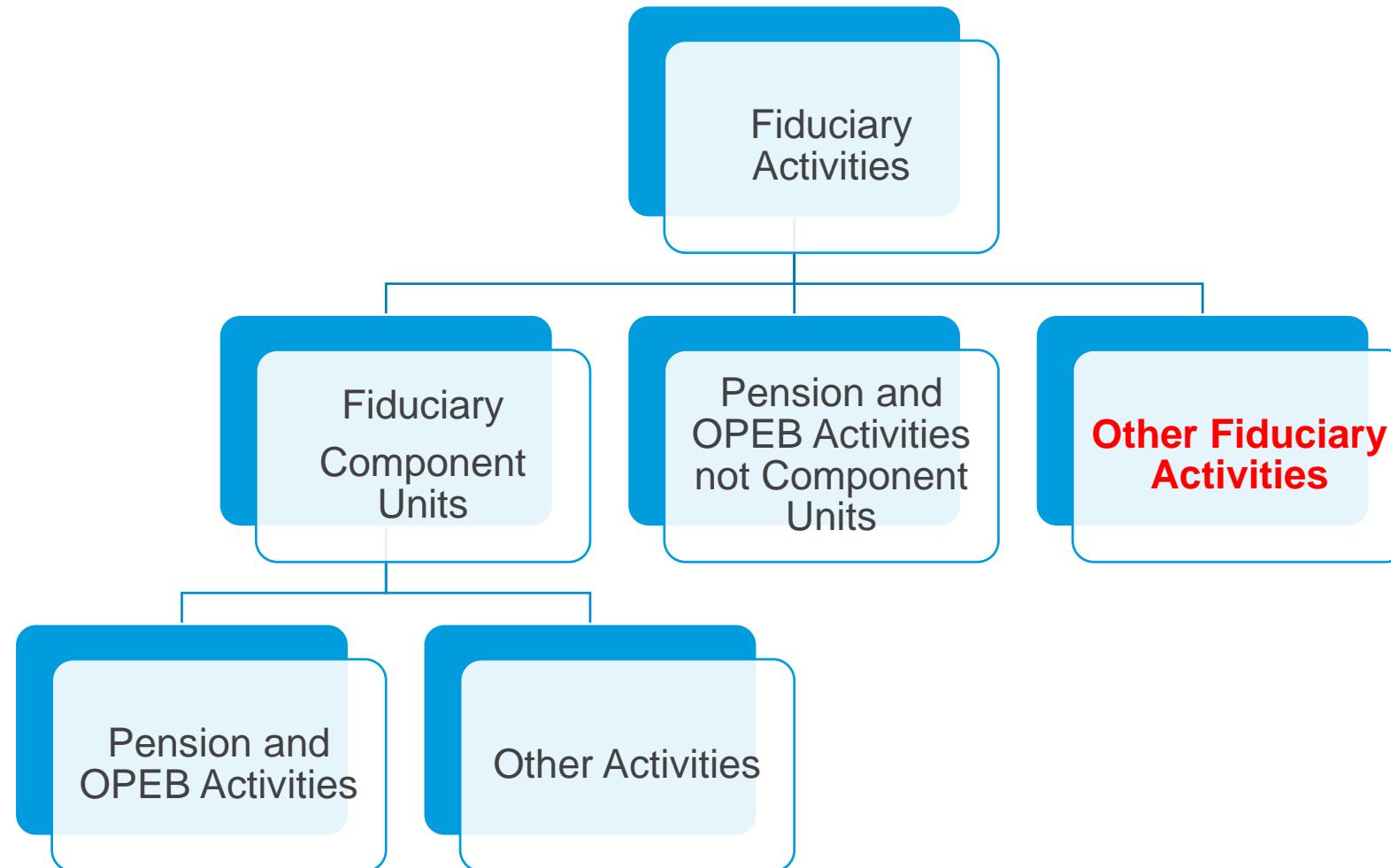
GASB 84 – Fiduciary activities (continued)

- Pension and OPEB arrangements that are not component units are fiduciary activities if the government **controls** the assets of the arrangement:
 - A pension plan that is administered through a trust
 - An OPEB plan that is administered through a trust
 - A circumstance in which assets from entities that are *not* part of the reporting entity are accumulated for pensions as described in paragraph 116 of Statement 73
 - A circumstance in which assets from entities that are *not* part of the reporting entity are accumulated for OPEB as described in paragraph 59 of Statement 74

GASB 84 – Fiduciary activities (continued)

- A government controls the assets of an activity if the government holds the assets or has the ability to direct the use, exchange, or employment of assets in a manner that provides benefits to the specified or intended recipients
 - Restrictions from legal or other external restraints that stipulate the assets can be used only for a specific purpose do not negate a government's control of the assets

GASB 84 – Fiduciary activities (continued)



GASB 84 – Fiduciary activities (continued)

Other Fiduciary Activities

Assets associated with the activity are controlled by the government

Assets associated with the activity are not derived either 1) solely from the government's own-source revenues or 2) from government-mandated nonexchange transactions or voluntary nonexchange transactions

Assets associated with the activity have one or more of the following characteristics

- Assets are administered through a trust, providing benefits to recipients and legally protected
- Assets are for the benefit of individuals; government does not have administrative involvement or direct financial involvement with the assets.
- Assets are for the benefit of organizations or other governments not part of the financial reporting entity.

GASB 84 – Fiduciary activities (continued)

- Governments should report fiduciary activities in the fiduciary fund financial statements. The following are the fiduciary funds that may be used:
 - Pension and OPEB trust funds
 - Investment trust funds
 - Private-purpose trust funds
 - Custodial funds

GASB 84 – Fiduciary activities (continued)

- Pension and OPEB trust funds:
 - Pension plans and OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74 respectively
 - Other employee benefit plans for which 1) resources are held in trust in which the government itself is not a beneficiary, dedicated to providing benefits to recipients in accordance with the benefit terms and legally protected from the creditors of the government and 2) contributions to the trust and earnings on those contributions are irrevocable

GASB 84 – Fiduciary activities (continued)

- Investment trust funds:
 - Report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust
 - An investment service provided by a governmental entity for other, legally separate entities that are not a part of the same reporting entity
 - Individual investment accounts for specific investments acquired for individual entities and the income from the changes in the value of those investments affect only the entity for which they were acquired

GASB 84 – Fiduciary activities (continued)

- Private-purpose trust funds:
 - Report fiduciary activities that are not required to be reported in pension and OPEB trust funds, or investment funds
- Custodial funds:
 - Report fiduciary activities that are not required to be reported in the other trust fund types; assets are not held in trust
 - Business-type activities may report assets with a corresponding liability that otherwise should be reported in a custodial fund if those assets, upon receipt, are normally expected to be held for three months or less

GASB 87 – Leases

- Issued – June 2017
- Effective - Fiscal years beginning after **December 15, 2020, and all reporting periods thereafter**; (effective date amended by GASB Statement No. 92; *Omnibus*)
 - Retroactive implementation
- Implementation Guide 2019-3 effective for ~~reporting periods~~ fiscal years beginning after **December 15, 2020, and all reporting periods thereafter** (effective date amended by GASB Statement No. 92; *Omnibus*)

- Scope
 - A lease is defined as 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
 - Examples of nonfinancial assets include buildings, land, vehicles, and equipment
 - Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement

GASB 87 – Leases (continued)

- Scope exclusions - this Statement does not apply to:
 - Leases of intangible assets
 - Leases of biological assets, timber as example
 - Leases of inventory
 - Contracts that meet the definition of a service concession arrangement in paragraph 4 of GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
 - Leases in which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor
 - Supply contracts, such as power purchase agreements

GASB 87 – Leases (continued)

- Lease term is the period during which a lessee has a noncancelable right to use the underlying asset (referred to as the noncancelable period), plus the following periods, if applicable:
 - Periods covered by lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, the lessee will exercise that option
 - Periods covered by lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, the lessee will NOT exercise that option
 - Periods covered by lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, the lessor will exercise that option
 - Periods covered by lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, the lessor will NOT exercise that option

GASB 87 – Leases (continued)

- Periods for which both the lessee and the lessor have an option to terminate the lease, or for which only the lessor has that option, are cancelable periods and are excluded from the lease term.
 - Provisions that allow for termination of a lease due to (a) purchase of the underlying asset, (b) payment of all sums due, or (c) default on payments, are not considered termination options
- A fiscal funding or cancellation clause (a clause that allows governmental lessees to cancel a lease agreement, typically on an annual basis, if the government does not appropriate funds for the lease payments) should be considered in determining the lease term only when it is **reasonably certain** that the clause will be exercised

GASB 87 – Leases (continued)

- Short-term leases
 - A lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. For a lease that is cancelable by either the lessee or the lessor, such as a rolling month-to-month lease or a year-to-year lease, the maximum possible term of the non-cancelable period, including any notice periods
 - Note: this is considered equivalent to the current operating lease model

GASB 87 – Leases (continued)

- Lessee Recognition and Measurement for Leases Other than Short-Term Leases and Contracts that Transfer Ownership
 - At the commencement of the lease term, a lessee should recognize a lease liability and an intangible right-to-use lease asset (a capital asset referred to as the lease asset)
- Lease liability – lessee should initially measure the lease liability at the present value of payments expected to be made during the lease term less any lease incentives.
 - Lease Incentives are (a) payments made to, or on behalf of, the lessee for which the lessee has a right of offset with its obligation to the lessor, or (b) other concessions granted to the lessee
 - Reduce lease liability as payments are made and recognize an outflow of resources for interest on the liability

GASB 87 – Leases (continued)

- Lease Asset – a lessee initially should measure the lease asset as the sum of the following:
 - The amount of the initial measurement of the lease liability
 - Lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term
 - Initial direct costs that are ancillary charges necessary to place the lease asset into service
 - Any initial direct costs that would be considered debt issuance costs, should be recognized as an expense in the period in which they are incurred

GASB 87 – Leases (continued)

- Lease Asset – should be amortized in a systematic and rational manner over the SHORTER of the lease term or the useful life of the underlying asset (except as noted below).
 - Exception – If a lease contains a purchase option that the lessee has determined is reasonably certain of being exercised, the lease asset should be amortized over the useful life of the underlying asset
 - If the underlying asset is nondepreciable, such as land, the lease asset should not be amortized
- Amortization of lease asset should be reported as an expense (example, amortization expense) which may be combined with depreciation expense related to other capital assets for financial reporting purposes

GASB 87 – Leases (continued)

- Lessor recognition and measurement for leases other than short-term leases and contracts that transfer ownership
 - At the commencement of the lease term, a lessor should recognize a lease receivable and a deferred inflow of resources, except for short-term leases and transfer of ownership, as well as two additional exceptions:
 - If the underlying asset in a lease meets the requirements in Statement 72 to be reported as an investment measured at fair value
 - Certain regulated leases

GASB 87 – Leases (continued)

- Certain regulated leases – certain leases that are subject to external laws, regulations, or legal rulings that establish all of the following requirements:
 - Lease rates cannot exceed a reasonable amount, with reasonableness being subject to determination by an external regulator
 - Lease rates should be similar for lessees that are similarly situated
 - The lessor cannot deny potential lessees the right to enter into leases if facilities are available, provided that the lessee's use of the facilities complies with generally applicable use restrictions

GASB 87 – Leases (continued)

- Lease asset measurement – lessor should measure the lease receivable at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Measurement of the lease receivable should include the following, if required by a lease:
 - Fixed payments
 - Variable payments that depend on an index or rate initially measured at the beginning of the lease term
 - Variable payments that are fixed in substance
 - Residual value guarantee payments that are fixed in substance
 - Any lease incentives payable to the lessee

GASB 87 – Leases (continued)

- Lease asset measurement, continued
 - Future lease payments to be received should be discounted using the interest rate the lessor charges the lessee
 - In subsequent financial reporting periods, the lessor should calculate the amortization of the discount on the lease asset and report that amount as an inflow of resources (example – interest revenue)
 - Triggers for potential remeasurement

GASB 87 – Leases (continued)

- Deferred inflow of resources – a lessor initially should measure the deferred inflow of resources as follows:
 - The amount of the initial measurement of the lease receivable
 - Lease payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term
- Underlying asset
 - A lessor should not derecognize the asset underlying the lease
 - A lessor should continue to apply other applicable guidance to the underlying asset, including depreciation and impairment
 - However, if the lease contract requires the lessee to return the asset in its original or enhanced condition, a lessor should NOT depreciate the asset during the lease term

GASB 87 – Leases (continued)

- Additional guidance provided for:
 - Lease incentive
 - Contracts with multiple components
 - Contract combinations
 - Lease modifications
 - Lease terminations
 - Subleases
 - Sale-leaseback transactions
 - Lease-leaseback transactions
 - Intra-entity leases
 - Leases between related parties

GASB 88 – Certain disclosures related to debt, including direct borrowings and direct placements

- Issued – March 2018
- Effective – **Periods beginning after June 15, 2019**
- Definition of debt for purposes of disclosures
 - A liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established
 - Debt does not include leases, except for contracts reported as a financed purchase of the underlying assets, or accounts payable

GASB 88 – Certain disclosures related to debt, including direct borrowings and direct placements (continued)

- Additional note disclosures in summarized form
 - Amount of unused lines of credit
 - Assets pledged as collateral for debt
 - Terms specified in debt agreements related to significant
 - (1) events of default with finance-related consequences,
 - (2) termination events with finance-related consequences, and
 - (3) subjective acceleration clauses
- Governments should separate information in debt disclosures regarding direct borrowings and direct placements of debt from other debt

GASB 89 – Accounting for interest incurred before the end of a construction period

- Issued – June 2018
- Effective – **Periods beginning after December 15, 2020**
- Economic resources measurement focus; interest cost incurred before the end of a construction period should be recognized as an expense
- Current financial resources measurement focus; interest cost incurred before the end of a construction period should be recognized as an expenditure

GASB 90 – Majority equity interests

- Issued – August 2018
- Effective – **Periods beginning after December 15, 2019**
- Majority equity interest in legally separate organization
 - Investment
 - Accounted for using equity method
 - Special purpose government engaged in only fiduciary activities use GASB 72, paragraph 64
 - Component Unit
 - Equity interest in component reported using the equity method
 - Eliminate asset if blended
 - 100 percent of equity acquired in a component unit
 - Follow guidance in GASB 69 for acquisitions

GASB 91 – Conduit debt obligations

- Issued – May 2019
- Effective – **Periods beginning after December 15, 2021**; earlier application encouraged
- Provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with
 - Commitments extended by issuers
 - Arrangements associated with conduit debt obligations
 - Related note disclosures
- Establish conduit debt is not a liability of the issuer
- Establish standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers

GASB 91 – Conduit debt obligations (continued)

- A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:
 - There are at least three parties involved (1) an issuer; (2) a third-party obligor and (3) a debt holder or debt trustee
 - The issuer and the third-party obligor **are not** within the same financial reporting entity
 - The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer
 - The third party obligor or its agent ultimately receives the proceeds from the debt issuance

GASB 91 – Conduit debt obligations (continued)

- A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:
 - The third party obligor is primarily obligated for the payment of all amounts associated with the debt obligation
- An issuer should not recognize a conduit debt obligation as a liability

GASB 91 – Conduit debt obligations (continued)

- All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so
- The issuer can extend an additional commitment; the issuer agrees to support debt service payments only in the event the third-party obligor is, or will be, unable to do so
 - Extending a moral obligation pledge
 - Extending an appropriation pledge
 - Extending a financial guarantee
 - Pledging its own property, revenue, or other assets as security

GASB 91 – Conduit debt obligations (continued)

- An issuer that has made an additional commitment should evaluate at least annually whether the recognition criteria in paragraphs 12, 13, 16, and 17 are met
- An issuer should recognize a liability associated with an additional or voluntary commitment to support debt service payments and an expense in financial statements prepared using the economic resources measurement focus if qualitative factors indicate it is more likely than not that the issuer will support one or more debt service payments

GASB 91 – Conduit debt obligations (continued)

- Qualitative factors to assess whether it is more likely than not include, but aren't limited to, the following:
 - Third-party obligor initiating the process of entering into bankruptcy or financial reorganization
 - Third-party obligor breaching a debt contract in relation to the conduit debt obligation
 - Third-party obligor experiencing significant financial difficulty, such as failure to make payments to paying agents or trustees on a timely basis, significant investment losses, loss of a major revenue source
 - Termination of the project that was to be the source of funding for debt service payments
 - Litigation that would negatively affect the project

GASB 91 – Conduit debt obligations (continued)

- Qualitative factors to assess whether it is more likely than not include, but aren't limited to, the following (continued):
 - The issuers concern that its access to capital markets could be affected by a third-party obligor's default on an outstanding conduit debt obligation
 - The issuer's history of fulfilling its additional commitments to support debt service payments for other conduit debt obligations, including voluntarily supporting debt service payments
 - The issuer's ability or willingness to support debt service payments

GASB 91 – Conduit debt obligations (continued)

- Recognition and measurement using the economic resources measurement focus
 - Liability = the discounted present value of the best estimate of the **future outflows** expected to be incurred
 - Expense
- Recognition and measurement using the current financial resources measurement focus
 - Fund liability and an expenditure to the extent that the liability is normally expected to be liquidated with expendable available financial resources (when payment to support a conduit debt obligation is **due and payable**)

GASB 91 – Conduit debt obligations (continued)

- Arrangements (often characterized as leases) associated with conduit debt obligations where capital assets are constructed or acquired with the proceeds of a conduit obligation and used by third-party obligors in the course of their activities should not be reported as leases by the issuer nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:
 - If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset

GASB 91 – Conduit debt obligations (continued)

- In addition, the following provisions apply (continued):
 - If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
 - If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources.
 - Deferred inflow of resources should be reduced and an inflow recognized in a systematic and rational manner of the term of the arrangement.

GASB 91 – Conduit debt obligations (continued)

- An issuer should disclose the following in the notes to the financial statements:
 - A general description of the issuer's conduit debt obligation
 - A general description of the issuer's limited commitment(s)
 - A general description of the issuer's voluntary commitment(s)
 - A general description of the issuer's additional commitment(s), including
 - The legal authority and limits for extending the commitment(s)
 - The length of time of the commitment(s)
 - Arrangements, if any, for recovering payments from the third-party
 - The aggregate outstanding principal amount of all conduit debt obligations that share the same type of commitment(s) at the end of the reporting period

GASB 92 – Omnibus 2020

- Issued – January 2020
- Effective:
 - Paragraphs 4, 5, 11 and 13; upon issuance
 - Paragraphs 6 and 7; fiscal years beginning after **June 15, 2021**
 - Paragraphs 8, 9, and 12; reporting periods beginning after **June 15, 2021**
 - Paragraph 10; for government acquisitions occurring in reporting periods beginning after **June 15, 2021**
- Improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of GASB Standards.

GASB 92 – Omnibus 2020 (continued)

- Effective Date of Statement 87 and Implementation Guide 2019-3
 - Requirements of Statement 87 and Implementation Guide 2019-3 are effective for fiscal years beginning after December 15, 2019 (now December 15, 2020) and all reporting periods thereafter
- Terminology Used to Refer to Derivative Instruments
 - The terms derivative and derivatives in National Council on Governmental Accounting and GASB pronouncements should be replaced with *derivative instrument* and *derivative instruments*, respectively.

GASB 92 – Omnibus 2020 (continued)

- **Intra-Entity Transfers of Assets**
 - When transferring capital or financial assets between a governmental employer or nonemployer contributing entity and a defined benefit pension or defined benefit OPEB plan that are within the same financial reporting entity, any difference between the amount paid by the pension plan or OPEB plan (exclusive of refundable amounts) should be reported as follows:
 - As an employer contribution or nonemployer contributing entity contribution to the pension or OPEB plan in accordance with Statement Nos. 68 & 75 (employer/noncontributing entity) and Statement Nos. 67 & 74 (pension or OPEB plan)

- Reporting Assets Accumulated for Defined Benefit Postemployment Benefits Provided through Plans That Are Not Administered through Trusts That Meet Specified Criteria
 - Paragraph 116 of Statement 73 and paragraph 59 of Statement 74, as amended, should be applied to circumstances in which Statement 84 requires the reporting of assets that are accumulated for purposes of providing pensions or OPEB plans that are not administered through trusts
 - If held in a fiduciary capacity report in a custodial fund
 - If the custodial fund is included in the financial report of an employer whose employees are provided with benefits through the pension/OPEB plan or a nonemployer contributing entity that pays benefits as pensions come due, the balances reported in the custodial fund should exclude the amounts that pertain to the employer/nonemployer contributing entity. These amounts would be reported as the assets of the employer/noncontributing entity

GASB 92 – Omnibus 2020 (continued)

- Applicability of Certain Requirements of Statement 84 to Postemployment Benefit Arrangements
 - Paragraph of 116 of Statement 73, as amended and paragraph 59 of Statement 74, as amended requires the amount of assets accumulated in excess of liabilities for benefits due to plan members and accrued investment and administrative expenses be reported as a liability to participating employers or nonemployer contributing entities. This requirement is eliminated to align with paragraph 21 of Statement 84 which indicates a liability should be recognized when an event has occurred that compels the disbursement of fiduciary resources
 - A defined contribution pension/OPEB plan reported as a fiduciary activity should present the financial statements in accordance with paragraphs 20, 21, 23, and 24 of Statement 84.

GASB 92 – Omnibus 2020 (continued)

- **Exception to Acquisition Value in a Government Acquisition**
 - The acquiring government in a government acquisition should measure liabilities (and assets, if any) related to the acquired entity's asset retirement obligations that are within in the scope of Statement No. 83, Certain Asset Retirement Obligations, using the accounting and financial reporting requirements of Statement 83.

GASB 92 – Omnibus 2020 (continued)

- **Reinsurance Recoveries**
 - When accounting for risk financing and insurance related activities of public entity risk pools, amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be
- **Nonrecurring Fair Value Measurements**
 - When applying paragraph 81 of Statement No. 72, an example of nonrecurring fair value measurements of assets or liabilities that other statements require or permit in the statement of net position in particular circumstances is presented in paragraph 455 of Statement No. 62

GASB 93 – Replacement of Interbank Offered Rates

- Issued – March 2020
- Effective
 - Removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark reporting periods ending after **December 31, 2021**
 - All other requirements reporting periods beginning after **June 15, 2020**
- As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021
 - Addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR)
 - Implications related to Statement No. 53; *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 87; *Leases*

GASB 93 – Replacement of Interbank Offered Rates (continued)

- Provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifies the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifies that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable

GASB 93 – Replacement of Interbank Offered Rates (continued)

- Removes LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifies the definition of *reference rate*, as it is used in Statement 53, as amended
- Provides an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

- Issued – March 2020
- Effective – fiscal years beginning after **June 15, 2022**; earlier application encouraged
- Require governments to report assets and liabilities related to PPPs and to disclose information about PPP transactions
- PPPs that meet the definition of a lease apply the guidance in GASB Statement No. 87; *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a Service Concession Arrangement

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements (continued)

- Public-private and public-public partnership arrangements (PPP)
 - An arrangement in which a government (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, for a period of time in an exchange or exchange-like transaction
- An availability payment arrangement (APA):
 - 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 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements (continued)

- A PPP meets the definition of a service concession arrangement (SCA) when:
 - The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying PPP asset in exchange for significant consideration (i.e. an up-front payment, installment payments, a new facility, or improvements to an existing facility);
 - The operator collects and is compensated by fees from third parties;
 - The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and
 - The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements (continued)

- Transferor; Economic Resource Measurement focus
 - Recognize the underlying PPP asset as an asset in the financial statements
 - If PPP asset is not owned by the transferor or is not the underlying asset of a SCA, transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership
 - Recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP
 - Measured at the present value of the payments expected to be received during the PPP term
 - Recognize a deferred inflow of resources for the consideration received or to be received as part of the PPP
 - Revenue recognized over a systematic and rational manner over the PPP term

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements (continued)

- Transferor; Current financial resource measurement focus
 - A receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus
 - Revenue recognized in a systematic and rational manner over the PPP term
- Operator; Economic Resource Measurement Focus
 - Recognize a liability for installment payments, if any, to be made to the transferor
 - Present value of the payments expected to be made during the PPP term
 - Recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP
 - Expense recognized in a systematic and rational manner

THANK YOU FOR
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