

2022 Annual governmental accounting update



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With you today

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Agenda

Topic	Minutes
Update on issued and pending GASB statements	90

Objectives

- After completing this webcast, you will be able to:
 - Recognize key provisions of issued and pending accounting standards
 - Identify pending pronouncements that may have a significant impact on your organization
 - Develop an implementation plan for the pending accounting standards

Update on issued and pending GASB statements

GASB Statement No. 84; *Fiduciary activities*

GASB Statement No. 97; *Certain component unit criteria, and accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans*

GASB Statement Nos. 84 & 97; Fiduciary activities

GASB guidance	Effective dates
GASB 84; <i>Fiduciary Activities</i>	Reporting periods beginning after December 15, 2019
Implementation Guide 2019-2	Reporting periods beginning after December 15, 2019*
Implementation Guide 2020-1	Reporting periods or Fiscal years beginning after June 15, 2021**
GASB 95; <i>Postponement of the Effective Dates of Certain Authoritative Guidance</i>	Immediately
GASB 97; <i>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</i>	Certain Component Unit Criteria – Immediately IRC Sections 457 Plans Fiscal Year or Reporting periods beginning after June 15, 2021
Implementation Guide 2021-1	Reporting periods beginning after June 15, 2022

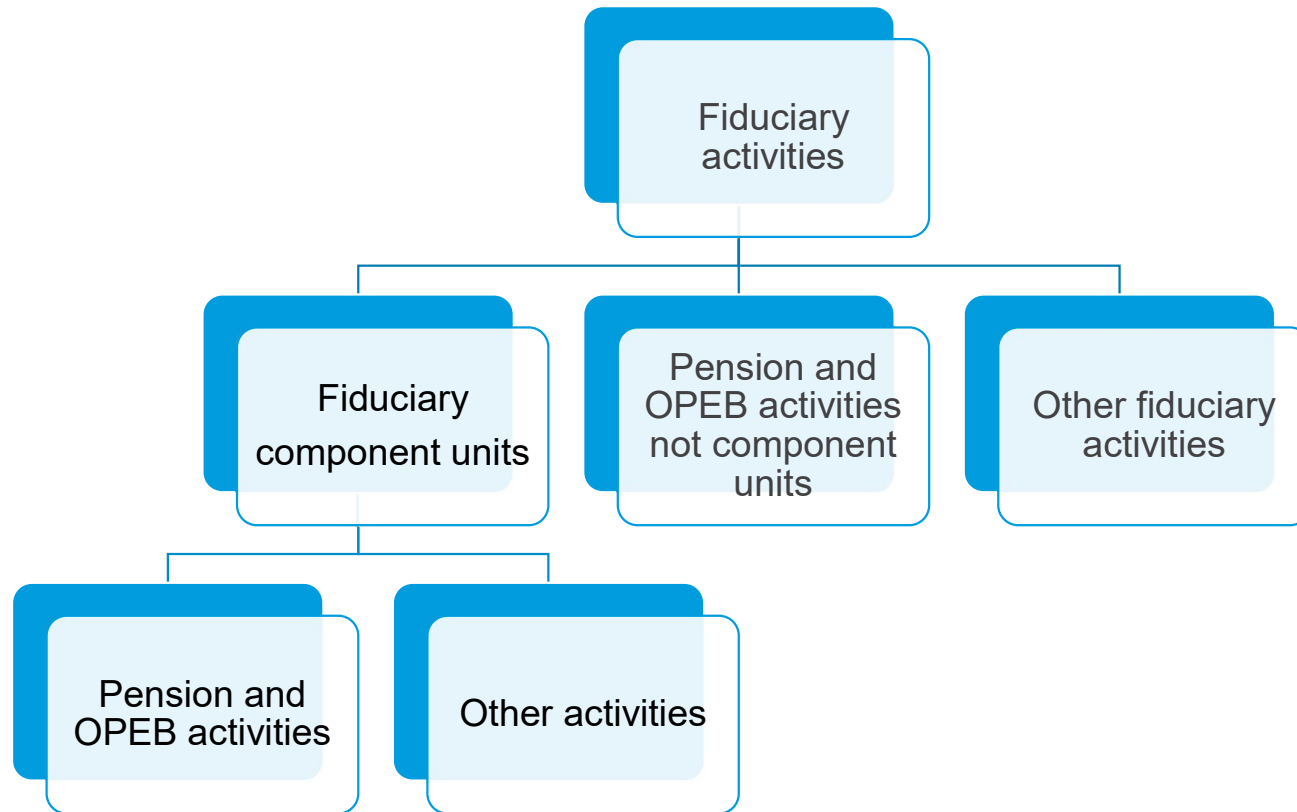
*Questions 4.3 – 4.6 were deferred indefinitely by Implementation Guide 2020-1

**New fiduciary questions: reporting periods; Amendments to previously issued fiduciary questions: fiscal years

GASB 97 – Certain component unit criteria, and accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans

- Issued – June 2020
- Effective fiscal years beginning after **June 15, 2021 (June 30, 2022, December 31, 2022)**, and all reporting periods thereafter.
 - The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.
 - The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021.
 - All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
- Earlier application is encouraged and is permitted by specific requirement

GASB Statement Nos. 84 & 97; Fiduciary activities



GASB Statement Nos. 84 & 97; Fiduciary activities

- GASB Standards addressing component unit determination
 - GASB Statement No. 14, *The Financial Reporting Entity*, as amended
 - GASB 84 – financial burden (§7)
 - IG 2019-2, *Fiduciary Activities*
 - IG 2020-1, *Implementation Guide Update*
 - GASB 97 – Certain Component Unit Criteria

GASB Statement Nos. 84 & 97; Fiduciary activities

- Pension and OPEB plans may not have a traditional board ([GASB 97 & IG guidance](#))
 - Defined benefit plans
 - If the sponsoring government appoints members of the Board, their appointment authority should be substantive
 - Absence of a Board is treated the same as if the sponsoring government appointed the voting majority of the Board
 - Defined contribution plans:
 - If the sponsoring government appoints members of the Board, their appointment authority should be substantive
 - Absence of a Board does not equate to appointing the voting majority of the Board

GASB Statement Nos. 84 & 97; Fiduciary activities

- A financial benefit or burden relationship exists if any one of these conditions exists:
 - PG is legally entitled to or can otherwise access the organization's resources
 - PG is legally obligated or has otherwise assumed the obligation to finance the deficits of or provide financial support to the organization;
 - The primary government is obligated in some manner for the debt of the organization
- Defined Benefit Plans:
 - GASB 84 ¶7 – A 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
- Defined Contribution Plans
 - GASB 97 ¶5 – The financial burden criteria in GASB 84 ¶7 is only applicable to defined benefit plans.

GASB Statement Nos. 84 & 97; Fiduciary activities

- If the PG appoints the voting majority of the board AND financial benefit/burden was not met, consider imposition of will
- Government can significantly influence programs, projects, activities or level of services performed or provided
 - Existence of any one of the following criteria
 - Ability to remove appointed members of the organization's governing board at will
 - The ability to modify or approve the budget of the organization
 - The ability to modify or approve rate or fee changes affecting revenues
 - The ability to veto, overrule or modify other decisions of the organization's governing body
 - The ability to appoint, hire, reassign or dismiss management of the organization

GASB Statement Nos. 84 & 97; Fiduciary activities

- If the PG does not appoint the voting majority of the board, we need to consider fiscal dependency:
 - Approve the organization's budget
 - Approve the organization's levy, rates, taxes or other changes; OR
 - Approve the organization's issuance of bonded debt

GASB Statement Nos. 84 & 97; Fiduciary activities

Assets administered through a trust or equivalent

PG itself is not beneficiary

Assets dedicated to providing benefits to recipients

Assets legally protected from creditors of the PG

Assets are for the benefit of individuals

No administrative OR direct financial involvement by the PG

Assets not derived from PG's provision of goods/services to those individuals

Assets are for the benefit of organizations or other governments

Beneficiary isn't part of the financial reporting entity

Assets not derived from PG's provision of goods/services to those organizations/other governments

GASB Statement Nos. 84 & 97; Fiduciary activities

- PG has administrative involvement with the assets if:
 - 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
- PG has direct financial involvement with the assets if, for example, it provides matching resources for the activities.

GASB Statement Nos. 84 & 97; Fiduciary activities

- 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 Statement Nos. 84 & 97; Fiduciary activities

- Considered fiduciary activities if:
 - The government **controls** the assets AND
 - Holding the asset OR
 - Ability to direct use, exchange or employment of assets, providing benefits to specified recipients
 - The plan is administered through a qualifying trust OR held for entities that are not part of the government's reporting entity for pensions or OPEB outside of a trust
- Applies to defined benefit **and** defined contribution plans

GASB Statement Nos. 84 & 97; Fiduciary activities

Example 1

- C. Trusteeship of Accounts. All of the Plan's assets in investment accounts shall be held in trust by the Corporate Trustee and Custodian subject to the direction of the RPC, pursuant to an agreement with the Employer.

		Hire Date
Corporate Trustee & Custodian	OneAmerica	9/1/1982
Recordkeeper	OneAmerica	9/1/1982

Example 2

The Plan's trustee, Fidelity Management Trust Company, is responsible for holding the Plan's assets, and Fidelity Investments is responsible for investing those assets according to participants' directions.

GASB Statement Nos. 84 & 97; Fiduciary activities

Assets are controlled by the government

- PG holds the assets OR
- PG has ability to direct the use, exchange, or employment of the assets

Assets are not derived either:

- Solely from PG's own-source revenues OR
- From government-mandated nonexchange transactions or voluntary nonexchange transactions
- Exception of pass-through grants for which the PG does not have administrative or direct financial involvement.

Assets have one or more of the following characteristics:

- Assets are held in a trust in which the PG itself is not a beneficiary, dedicated to providing benefits to recipients, and legally protected from creditors of the PG OR
- Assets are for the benefit of individuals; PG does not have administrative or direct financial involvement with the assets, and the assets are not derived from the PG's provision of goods/services to those individuals OR
- Assets are for the benefit of organizations or other governments not part of the financial reporting entity, and the assets are not derived from the PG's provision of goods/services to those organizations/other governments.

GASB Statement Nos. 84 & 97; Fiduciary activities

- 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 Statement Nos. 84 & 97; Fiduciary activities

- The descriptions of administrative involvement and direct financial involvement of a government that is a recipient of a pass-through grant provided in paragraph 5 of Statement 24 should be applied.
- PG has administrative involvement if:
 - Monitors secondary recipients for compliance with program-specific requirements
 - Determines eligible secondary recipients or projects, even if using grantor-established criteria
OR
 - Has the ability to exercise discretion in how the funds are allocated
- PG has direct financial involvement if, for example:
 - Finances some direct program costs because of a grantor-imposed matching requirement
 - Liable for disallowed costs

GASB Statement Nos. 84 & 97; Fiduciary activities

- Governments should report fiduciary activities in the fiduciary fund financial statements using 1 of the 4 fund types
- 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 Statement Nos. 84 & 97; Fiduciary activities

- 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 Statement Nos. 84 & 97; Fiduciary activities

- 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 Statement Nos. 84 & 97; Fiduciary activities

- Current reporting for Agency Funds
 - Assets = Liabilities
- Reporting for custodial funds under GASB 84
 - Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position
 - Additions and deductions

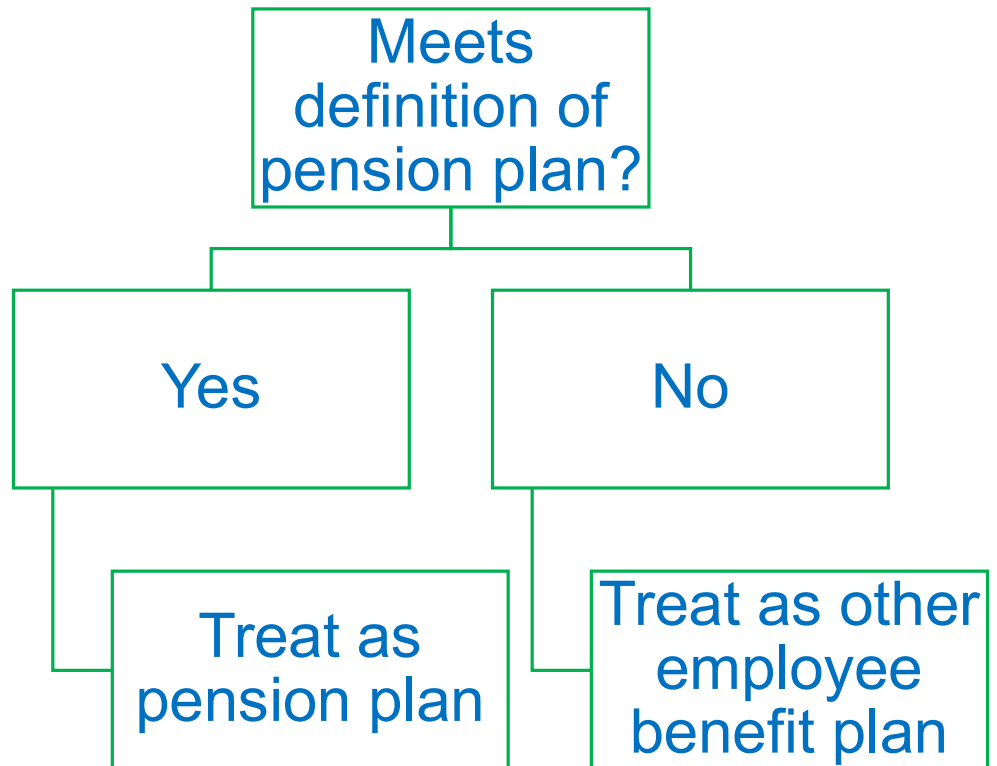
GASB Statement Nos. 84 & 97; Fiduciary activities

- Implementation considerations
 - Consider existing fiduciary activities and activities that may not have been previously reported
 - Obtain and review relevant documents
 - Plan documents; trustee agreements
 - Legislation
 - Organization policies
 - Budget impact
 - Financial system
 - Internal controls
 - BTA only reporters



GASB Statement Nos. 84 & 97; Fiduciary activities

- 457 plans = pension or OPEB
- GASB 84 applies
- Supersedes GASB 32 regarding investment valuation requirements



GASB Statement Nos. 84 & 97; Fiduciary activities

- If a Section 457 plan that meets the definition of a pension plan (a) is included in the financial statements of another government or (b) issues standalone financial statements, all accounting and financial reporting requirements that are relevant to pension plans should be applied.
- All accounting and financial reporting requirements that are relevant to pensions should be applied to benefits provided through a Section 457 plan that meets the definition of a pension plan.

Update on pending GASB statements

GASB Statement No. 87, *Leases*

GASB Statement No. 87; Leases

	Effective dates
GASB 87; <i>Leases</i>	Fiscal years beginning after June 15, 2021, and all reporting periods thereafter
Implementation Guide 2019-3	Fiscal years beginning after June 15, 2021, and all reporting periods thereafter
Implementation Guide 2020-1	Fiscal years beginning after June 15, 2021, and all reporting periods thereafter
Implementation Guide 2021-1	Fiscal years beginning after June 15, 2021, and all reporting periods thereafter

GASB Statement No. 87; Leases

What's in?

- 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
 - Any contract that meets this definition!

What's out?

- Intangible assets
- Biological assets
- Leases of inventory
- Service concession arrangement
- Underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor
- Supply contracts
- Lessors only – certain regulated leases

GASB Statement No. 87; Leases

Intra-entity leases

- Blended component units
 - Provisions do not apply
 - Assets and debt are treated as the assets and debt of the primary government
- Discretely presented component units
 - Provisions apply
 - Separately display lease receivables/payables from other amounts due to/from the primary Government

GASB Statement No. 87; Leases

Includes

- Any non-cancellable periods
- Periods covered by a lessee's or lessor's option to:
 - Extend the lease if the lessee or lessor is reasonably certain to exercise that option
 - Terminate the lease if the lessee or lessor is reasonably certain not to exercise that option

Excludes

- Cancellable periods – periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend)

GASB Statement No. 87; Leases

- 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 Statement No. 87; Leases

- 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 Statement No. 87; Leases

- 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 Statement No. 87; Leases

- 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 Statement No. 87; Leases

- 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 Statement No. 87; Leases

- 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 Statement No. 87; Leases

- 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 Statement No. 87; Leases

Lease payments should be discounted using the interest rate the lessor charges the lessee. Lessees and lessor should consider the following in this analysis:

Lessees



Lessors



- If the lease contract contains a stated interest rate, the stated rate generally is used as the discount rate.
- If there is no stated rate (or if the stated rate is not the rate the lessor charges the lessee), the lessor should determine whether the rate implicit in the lease can be estimated.
- Lessees and lessors should use professional judgment to determine their best estimate for the interest rate, maximizing the use of observable information; for example, using the lessee's estimated incremental borrowing rate or published market rates for similar instruments.
- If there is no stated rate, and neither the implicit rate, nor the lessee's incremental borrowing rate are determinable, the lessor may use its own incremental borrowing rate.

GASB Statement No. 87; Leases



Debt
issuances

Adjustments:
Financing
elements

Adjustments:
Lease
elements

GASB Statement No. 87; Leases

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Description	Maturity Date	Rating	Industry Lvl 4 Desc	Face Value_LOC	Maturity / WAL	Effective Duration	Modified Duration	OAS	Effective Yield
LAMAR TEX CONS INDPT SCH DIST	2/15/2056	AAA	GO - Local	42.135	34.126	13.74	20.81	-18	1.36
TEXAS WATER DEV BRD	10/15/2055	AAA	Revenue - Water & Sewer	50	33.789	16.8	22.01	-11	1.44
TEXAS WATER DEV BRD	10/15/2054	AAA	Revenue - Water & Sewer	58.69	32.789	10.76	18.04	-11	1.43
TAMPA FLA	10/1/2054	AAA	Revenue - Utilities - Other	77.505	32.751	10.12	17.35	8	1.61
UNIVERSITY VA	9/1/2054	AAA	Revenue - Education	100	32.668	12.84	21.06	-38	1.16
ARLINGTON TEX HIGHER ED FIN CORP	8/15/2054	AAA	Revenue - Leasing COPS & Appropriations	41.255	32.622	13.1	20.02	-2	1.52
CLEVELAND TEX INDPT SCH DIST	2/15/2054	AAA	GO - Local	39.285	32.126	11.05	18.67	-12	1.41
MONTGOMERY CNTY MD HSG OPPNTYS COMMN	7/1/2052	AAA	Revenue - Multi-Family Housing	99.25	30.5	18.39	22.22	-6	1.51
FLORIDA HSG FIN CORP	7/1/2052	AAA	Revenue - Single Family Housing	54.6	30.5	10.2	13.47	17	1.63
TRI-CNTY MET TRANSN DIST ORE	9/1/2051	AAA	Revenue - Tax	44.15	29.668	15.36	19.86	0	1.55
HILLSBOROUGH CNTY FLA	8/1/2051	AAA	Revenue - Utilities - Other	37.245	29.584	15.85	19.64	6	1.62

GASB Statement No. 87; Leases

- Remeasurement of the lease liability should occur if one or more of the following have occurred:
 - Change in the lease term
 - Likelihood of a residual value guarantee being paid has changed from reasonably certain to not reasonably certain, or vice versa.
 - Likelihood of a purchase option being exercised has changed from reasonably certain to not reasonably certain, or vice versa.
 - Change in the estimated amounts for payments already included in the measurement of the lease liability.
 - Change in the interest rate the lessor charges the lessee, if used as the initial discount rate.
 - A contingency, upon which some or all of the variable payments that will be made over the remainder of the lease term are based, is resolved such that those payments now meet the criteria for measuring the lease liability.

GASB Statement No. 87; Leases

- Remeasurement of the lease liability (continued):
 - If liability is remeasured for any of the changes on the previous slide, the liability should also be adjusted for any change in an index or rate used to determine variable payments if the change is expected to significantly affect the amount of the liability since the previous measurement.
 - Discount rate should also be updated as part of the remeasurement if:
 - There is a change in lease term
 - An assessment of all relevant factors indicates that the likelihood of a purchase option being exercised has changed from reasonably certain to not reasonably certain or visa versa
 - Changes arising from amendments to a lease contract should be accounted for under the provisions of modifications or terminations

GASB Statement No. 87; Leases

- Contracts with multiple components
 - Lease and non-lease
 - Multiple underlying assets, differing major asset classes or lease terms
 - Allocation
 - Prices for individual components that are reasonable
 - If no prices or not reasonable use estimate based on observable information
 - Not practicable treat components as a single lease unit



GASB Statement No. 87; Leases

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

GASB Statement No. 87; Leases



- What now?
 - Read GASB 87 and implementation guidance
 - Identify key stakeholders and resources
 - Document key policies, controls and processes
 - Consider centralization
 - “Reasonably certain”
 - Capitalization threshold
 - Materiality
 - Allocation procedures
 - Consider, identify and make necessary changes to your IT system

GASB Statement No. 87; Leases



- What now, cont'd?
 - Regulatory or debt covenant implications
 - Inventory your lease population
 - Lessee and lessor
 - Identify key terms and assumptions for use in calculations; e.g. term, components, IBR
 - Retroactive application if applicable; calculate restatement using facts and circumstances at beginning of period of implementation i.e. remaining lease term

Update on pending GASB statements

GASB Statement No. 91; *Conduit debt obligations*

GASB Statement No. 91 – Conduit debt obligations

- Issued – May 2019
- Effective – **Periods beginning after December 15, 2021 (December 31, 2022, June 30, 2022)** 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
- IG 2020-1; 4.19 – 4.21

GASB Statement No. 91 – Conduit debt obligations

- 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 Statement No. 91 – Conduit debt obligations

- 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 Statement No. 91 – Conduit debt obligations

- 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
 - 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
 - More likely than not > 50%

GASB Statement No. 91 – Conduit debt obligations

- 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 Statement No. 91 – Conduit debt obligations

- 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 Statement No. 91 – Conduit debt obligations

- 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 Statement No. 91 – Conduit debt obligations

- 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 Statement No. 91 – Conduit debt obligations

- 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 Statement No. 91 – Conduit debt obligations

- 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

Update on pending GASB statements

GASB Statement No. 92, *Omnibus 2020*

GASB Statement No. 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 (June 30, 2022, December 31, 2022)**
 - Paragraphs 8, 9, and 12; reporting periods beginning after **June 15, 2021 (June 30, 2022, December 31, 2022)**
 - Paragraph 10; for government acquisitions occurring in reporting periods beginning after **June 15, 2021 (June 30, 2022, December 31, 2022)**

GASB Statement No. 92 – Omnibus 2020

- 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 June 15, 2021 by Statement 95) and all reporting periods thereafter
- Terminology Used to Refer to Derivative Instruments
- Intra-Entity Transfers of Assets
- Reporting Assets Accumulated for Defined Benefit Postemployment Benefits Provided through Plans That Are Not Administered through Trusts That Meet Specified Criteria

GASB Statement No. 92 – Omnibus 2020

- Applicability of Certain Requirements of Statement 84 to Postemployment Benefit Arrangements
- Exception to Acquisition Value in a Government Acquisition
- Reinsurance Recoveries
- Nonrecurring Fair Value Measurements

Update on pending GASB statements

GASB Statement No. 93, *Replacement of interbank offered rates*

GASB Statement No. 93 – Replacement of interbank offered rates

- Issued – March 2020
- Effective
 - Removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark reporting (para. 11b) – **periods ending after December 31, 2021**
 - Lease modifications (para. 13-14) – **fiscal years beginning after June 15 2021**, and all reporting periods thereafter.
 - 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 on June 30, 2023.
 - 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 Statement No. 93 – Replacement of interbank offered rates

- 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 Statement No. 93 – Replacement of interbank offered rates

- 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

Update on pending GASB statements

GASB Statement No. 94, *Public-private and public-public partnerships and availability payment arrangements*

GASB Statement No. 94 – Public-private and public-public partnerships and availability payment arrangements

- Issued – March 2020
- Effective – fiscal years beginning after **June 15, 2022 (June 30, 2023, December 31, 2023)**; 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 an Service Concession Arrangement

GASB Statement No. 94 – Public-private and public-public partnerships and availability payment arrangements

- 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 Statement No. 94 – Public-private and public-public partnerships and availability payment arrangements

- 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 Statement No. 94 – Public-private and public-public partnerships and availability payment arrangements

- Transferor
 - 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 Statement No. 94 – Public-private and public-public partnerships and availability payment arrangements

- **Transferor**
 - 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**
 - 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

Update on pending GASB statements

GASB Statement No. 96, *Subscription-based information technology arrangements*

GASB Statement No. 96 – Subscription-based information technology arrangements

- Issued – May 2020
- Effective fiscal years beginning after **June 15, 2022 (June 30, 2023, December 31, 2023)**, and all reporting periods thereafter.
- Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).
 - SBITAs result in a right-to-use subscription intangible asset and corresponding subscription liability
 - Provides capitalization criteria for payments other than subscription payment
 - Requires certain note disclosures

GASB Statement No. 96 – Subscription-based information technology arrangements

- SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in exchange or exchange-like transaction.
- Term includes noncancellable term under the contract as well as optional periods to extend or terminate SBITA if it is reasonably certain that the government or the vendor will exercise the option.
 - Reassess options exercised or not exercised were different than expensed or an extension or termination of contract

GASB Statement No. 96 – Subscription-based information technology arrangements

- Recognize a right-to-use subscription asset and subscription liability
- Recognize liability at the commencement of the term (when the asset is placed in service)
 - Measure at the present value of subscription payments expected to be made during the subscription term less any incentives receivable from the vendor
 - Interest rate using the rate used by the vendor or the government's incremental borrowing rate, if the interest rate is not readily determinable
 - Amortization of the discount rate recognized as outflow of resources (i.e., interest expense)
 - Liability should be remeasured if there is a change in subscription term or amounts, change in vendor interest rate used as the initial discount, or a contingency is resolved.

GASB Statement No. 96 – Subscription-based information technology arrangements

- Subscription asset
 - Measures as the sum of the following
 - The initial subscription liability amount
 - Payments made to the SBITA vendor before commencement of the subscription term (reclassified from prepayment (asset) to subscription asset at start of term)
 - Capitalizable implementation costs
 - Less any incentives received from the SBITA vendor at or before the commencement of the subscription terms
 - Amortization of the asset should be recognized in a systematic and rational manner as an outflow of resources over the subscription term
 - If the liability is remeasured, the asset should generally be adjusted by the same amount

GASB Statement No. 96 – Subscription-based information technology arrangements

Preliminary Project Stage

- Conceptual formulation and evaluation of alternatives,
- Determination of the existence of needed technology, and the
- Final selection of alternatives for the SBITA
- **Outlays should be expensed as incurred.**

Initial Implementation Stage

- Ancillary charges related to designing the chosen path, such as configuration, coding, testing, and installation associated with the government's access to the underlying IT assets.
- Other ancillary charges necessary to place the subscription asset into service.
- Stage is completed when the subscription asset is placed into service.
- **Outlays should be capitalized as part of the subscription asset.** If no asset (ST SBITA), expense as incurred.

Operation and Additional Implementation Stage

- Maintenance, troubleshooting, and other activities associated with the government's ongoing access to the underlying IT assets.
- Additional implementation activities, such as those related to additional modules, that occur after the subscription asset is placed into service.
- **Outlays should be expensed as incurred, except for those that meet one of the capitalization criteria in GASB 96 ¶40.**

GASB Statement No. 96 – Subscription-based information technology arrangements

- Contracts containing multiple components
 - Account for each component as a separate SBITA or nonsubscription component and allocate price to each component (for example, based on stand-alone selling prices)
 - If it is not practical to determine a best estimate for price allocation, those components should be accounted for as a single SBITA.
- Short-term SBITA exception
 - Maximum term of 12 months.
 - Recognized as outflows of resources
- Contract combinations – combine if negotiated with a single objective or if price in one contract depends on price of another

GASB Statement No. 96 – Subscription-based information technology arrangements

- Modifications and terminations
 - Modifications
 - Account for as a separate contract if government is given an additional asset by accessing more underlying more IT assets not included in original contract and the increase in payments is reasonable
 - Account for other modifications by remeasuring the liability and adjusting the asset.
 - Terminations
 - Account for as a termination if an amendment decreases the government's right to use assets (for example, shortened term or assets are reduced)
 - Reduce asset and liability and recognize gain or loss for the difference

GASB Statement No. 96 – Subscription-based information technology arrangements

- Disclosures
 - Descriptive information about its SBITAs (other than short term)
 - Amount of subscription asset, accumulated amortization, and other payments not included in the measurement of the subscription liability
 - Principal and interest requirements for the subscription liability and other essential information
- Transition
 - Assets and liabilities of SBITAs should be recognized and measured based on facts and circumstances that existed at the beginning of the fiscal year when the standard is implemented.

Update on pending GASB statements

GASB Statement No. 98, *The Annual Comprehensive Financial Report*

GASB Statement No. 98 – The Annual Comprehensive Financial Report (ACFR)

- Issued – October 2021
- Effective – Fiscal years ending after December 15, 2021 (December 31, 2021, June 30, 2022); earlier application encouraged
- Addresses references in authoritative literature to the term *comprehensive annual financial report(s)*
 - Replaces an existing term but does not otherwise establish new accounting and financial reporting requirements

GASB's Technical Plan

GASB Statement No. 99; *Omnibus*

GASB Statement No. 99; Omnibus

- Issued – April 2022
- Effective
 - The requirements in paragraphs 26–32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
 - The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
 - The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
 - Earlier application is encouraged and is permitted by topic.

GASB Statement No. 99; Omnibus

- Financial guarantees
- Governments that extend exchange or exchange-like financial guarantees
- Derivative instruments that are neither investment derivative instruments or hedging derivative instruments
- Termination of hedge accounting
- Leases
 - Lease term
 - Short term leases

GASB Statement No. 99; Omnibus

- Leases (continued)
 - Lessee recognition and measurement for leases other than short term leases and contracts that transfer ownership – lease liability
 - Lessor recognition and measurement for leases other than short term leases and contracts that transfer ownership – lease liability
 - Lease incentives
- PPPs
 - PPP term
 - Transferor recognition and measurement
 - Receivable for installment payments

GASB Statement No. 99; Omnibus

- PPPs (continued)
 - Transferor recognition and measurement (continued)
 - Receivable for underlying PPP asset
 - Operator recognition and measurement for PPPs
 - Liability for installment payments
 - Deferred outflow of resources
- SBITAs
 - Subscription term
 - Short term
 - Recognition and measurement for SBITAs other than short term SBITAs – subscription liability

GASB Statement No. 99; Omnibus

- Replacement of LIBOR
- SNAP
- Disclosure of nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Focus of the Government-Wide financial statements
- Terminology updates

GASB's Technical Plan

GASB Statement No.100;
*Accounting changes and error
corrections, an amendment of
GASB Statement No. 62*

GASB Statement No. 100; Accounting changes and error corrections

- Issued: June 2022
- Effective: For **fiscal years beginning after June 15, 2023, and all reporting periods thereafter**
 - Earlier application is encouraged -
- Supersedes Statement No. 62 paragraphs 58-89 and footnotes 29-36
- Supersedes various implementation guide questions

GASB Statement No. 100; Accounting changes and error corrections

Change in accounting principle

- Should be applied consistently
- Results from either:
 - Change from one GAAP to another because the newly adopted principle is preferable
 - The qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability—should be the basis for determining whether a new accounting principle would be preferable
 - Implementation of new pronouncement

Change in accounting estimate

- Results from changes to the inputs of an estimate (change in circumstance, new information, or more experience)
 - Changes in inputs result from a change in circumstance, new information or more experience
 - The qualitative characteristics of financial reporting should be the basis for determining whether a new measurement methodology would be preferable

Change to or within the financial reporting entity

- Result from:
 - Addition/removal of a fund due to the movement of resources within the primary government
 - Change in the fund presentation as major/nonmajor
 - Addition/removal of a CU to the financial reporting entity (excluding those related to acquisitions/mergers/transfers of operations of GASB 90)
 - Change in the presentation of a CU (blended vs discrete)

GASB Statement No. 100; Accounting changes and error corrections

Change in Accounting Principle

- Reported retroactively by restating FS for all periods presented
 - Restatement of beginning net position, fund balance, or fund net position, as applicable
- Disclose the following in the notes for each change:
 - Nature of the change, including identification of FS line items affected
 - Reason for the change, including why its preferable
 - If prior periods presented are not restated because it wasn't practicable, reason why its not practicable
 - Effects on beginning net position/fund balance/fund net position

Change in Accounting Estimate

- Reported prospectively by recognizing the change in the reporting period it occurs
- Disclose the following in the notes for each change:
 - Nature of the change, including identification of FS line items affected
 - If due to a change in measurement methodology, the reason for the change in measurement methodology and why its preferable

GASB Statement No. 100; Accounting changes and error corrections

Change to or within the
financial reporting entity

- Reported by adjusting beginning net position, fund balance, or fund net position, as applicable, for the effect of the change as if the change occurred as of the beginning of the reporting period
- Disclosure in the notes for each change:
 - Nature and reason for each change to or within the financial reporting entity
 - Effects on beginning net position/fund balance/fund net position

Correction of an error in
previously issued FS

- Reported retroactively by restating FS for all prior periods presented
 - Restatement of beginning net position, fund balance, or fund net position, as applicable
- Disclose the following in the notes for each error correction:
 - Nature of the error and its correction, including the periods affected and identification of FS line items affected
 - Effect of the error correction on the change in net position/fund balance/fund net position of the prior period

GASB Statement No. 100; Accounting changes and error corrections

- **Display in financial statements**

- Aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, should be displayed for each reporting unit.

- **RSI/SI**

- For prior reporting period presented in the FS that are included in RSI (MD&A) or SI = presented consistently with the manner in which the information is presented in the FS
- For prior reported period that are **not** presented in the FS but are included in RSI (MD&A) or SI = information presented in RSI/SI should not be restated for changes in accounting principles but should be restated for error corrections, if practicable
 - Error
 - Identify information as restated/not-restated and include an explanation of the nature of the error
 - If not practicable to restate → Include an explanation of why its not practicable
 - Change in Accounting Principle or Financial Reporting Entity
 - Inconsistencies in RSI/SI --? Include explanations of why inconsistencies exist
 - MD&A – include a reference to the related note disclosure in the FS

GASB's Technical Plan

GASB Statement No. 101; *Compensated absences*

GASB Statement No. 101; Compensated absences

- Issued: June 2022
- Effective: For **fiscal years beginning after December 15, 2023, and all reporting periods thereafter**
 - Earlier application is encouraged
- Establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB)

GASB Statement No. 101; Compensated absences

- A compensated absence is leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits.
 - Payment or settlement could occur during employment or upon termination of employment
 - Generally do not have a set payment schedule
 - Examples include vacation (or annual) leave, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave

GASB Statement No. 101; Compensated absences

- Sabbatical leave during which an employee is not required to perform any significant duties for the government (unrestricted sabbatical leave) is a compensated absence
 - Sabbatical leave during which an employee is required to perform duties of a different nature for the government (for example, research instead of teaching) is not a compensated absence.
 - Termination of employment refers to the end of an employee's active service, which can occur for a variety of reasons, including voluntary resignation or retirement
- Does not apply to benefits that are within the scope of Statement No. 47, *Accounting for Termination Benefits*, as amended.

GASB Statement No. 101; Compensated absences

- Economic Resources Measurement Focus
 - Compensated absences liability recognized using the economic resources measurement focus if the absence:
 - Accumulates,
 - Attributable to services rendered, and
 - Is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means
 - $\text{Liability} = \text{Accumulated Leave} \times \text{Employee's Pay Rate (or Other Rate)}$
- Current Financial Resources Measurement Focus
 - Recognize compensated absences liability and expenditure as payments come due each period
- Disclosure in financial statements – present increases/decreases separately or net. Do not need to disclose which funds typically liquidated compensated absences in prior years.

GASB Statement No. 101; Compensated absences

- Compensated absences that are dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period, a government should not recognize a liability until the leave commences.
 - Parental leave, military leave, and jury duty leave should not be recognized as liabilities until the leave commences
- A government should not recognize a liability
 - Leave without specific limits
 - Holiday leave that is taken on a specific date not at the discretion of employees

GASB Statement No. 101; Compensated absences

- Additional obligations a government incurs related to paying an employee for services rendered
 - Example: Employer-share of Social Security or Medicare taxes
- Include if they are directly or incrementally associated with payments/settlements for CA
 - Directly Associated – payment is a function of salary to be paid
 - Incrementally Associated – payment will be made in addition to the payment that represents the compensated absence
- If related to defined contribution pension/OPEB – recognize as pension/OPEB expense when the compensated absence is recognized and report pension/OPEB liability rather than a compensated absence
- If related to defined benefit pension/OPEB – should not be included in the compensated absence liability



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