



WELCOME

GASB Update

October 23, 2020

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Learning Objectives



- Describe accounting standards that are effective for upcoming fiscal years.
- Identify upcoming standards and projects that could have significant impact to your organization.





GASB Statement 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

Issued May 2020

New Effective Dates

Pronouncements	New Implementation Dates
Statement No. 83, <i>Certain Asset Retirement Obligations</i>	Reporting periods beginning after June 15, 2019
Statement No. 84 and Implementation Guide No. 2019-2, <i>Fiduciary Activities</i>	Reporting periods beginning after December 15, 2019
Statement No. 87 and Implementation Guide No. 2019-3, <i>Leases</i>	Fiscal years beginning after June 15, 2021, and all reporting periods thereafter
Statement No. 88, <i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	Reporting periods beginning after June 15, 2019
Statement No. 89, <i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	Reporting periods beginning after December 15, 2020

New Effective Dates (continued)

Pronouncements	New Implementation Dates
Statement No. 90, <i>Majority Equity Interests</i>	Reporting periods beginning after December 15, 2019
Statement No. 91 <i>Conduit Debt Obligations</i>	Reporting periods beginning after December 15, 2021
Statement No. 92, <i>Omnibus 2020 –</i>	
Paragraphs 6 & 7: Pension & OPEB related issues	Fiscal years beginning after June 15, 2021
Paragraphs 8, 9, & 12: GASB 84 and fair value related issues	Reporting periods beginning after June 15, 2021
Paragraph 10: Asset retirement obligations in government acquisitions	Government acquisitions occurring in reporting periods beginning after June 15, 2021



New Effective Dates (continued)

Pronouncements	New Implementation Dates
Statement No. 93, Replacement of Interbank Offering Rates, paragraphs 13 & 14: Lease Modifications	Fiscal years beginning after June 15, 2021, and all reporting periods thereafter
Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)	Varies depending on specific Questions within the Implementation Guide
Implementation Guide No. 2018-1	Reporting periods beginning after June 15, 2019
Implementation Guide No. 2019-1	Reporting periods beginning after June 15, 2020





Technical Bulletin 2020-1– Accounting
and Financial Reporting Issues Related
to the Coronavirus Aid, Relief, and
Economic Security Act (CARES Act) and
Coronavirus Diseases

Issued June 2020

Topics Addressed

- Whether resources received from the Coronavirus Relief Fund (CRF) are subject to eligibility requirements or to purpose restrictions and how they should be accounted for
- Whether CARES Act provisions that addresses a government's loss of revenue should be considered an eligibility requirement, for purposes of revenue recognition
- Whether amendments to the CARES Act after the statement of net position date but prior to the issuance of financial statements are the basis for recognition in financial statements for the period reported



Topics Addressed (continued)

- How to account for forgivable loans under the Paycheck Protection Program
- Whether resources provided through certain programs to a business-type activity or enterprise fund are nonoperating revenues
- Whether outflows incurred in response to the coronavirus are extraordinary items or special items for financial reporting purposes



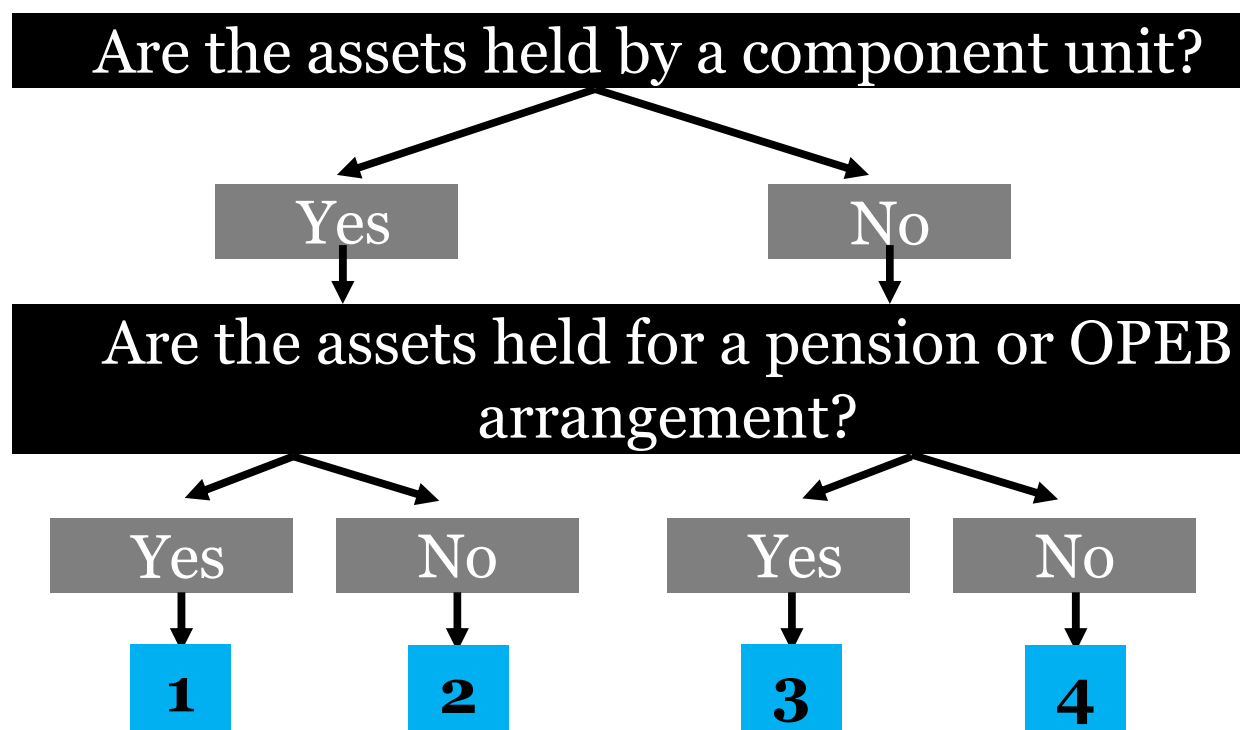


GASB Statement 84 – Fiduciary Activities

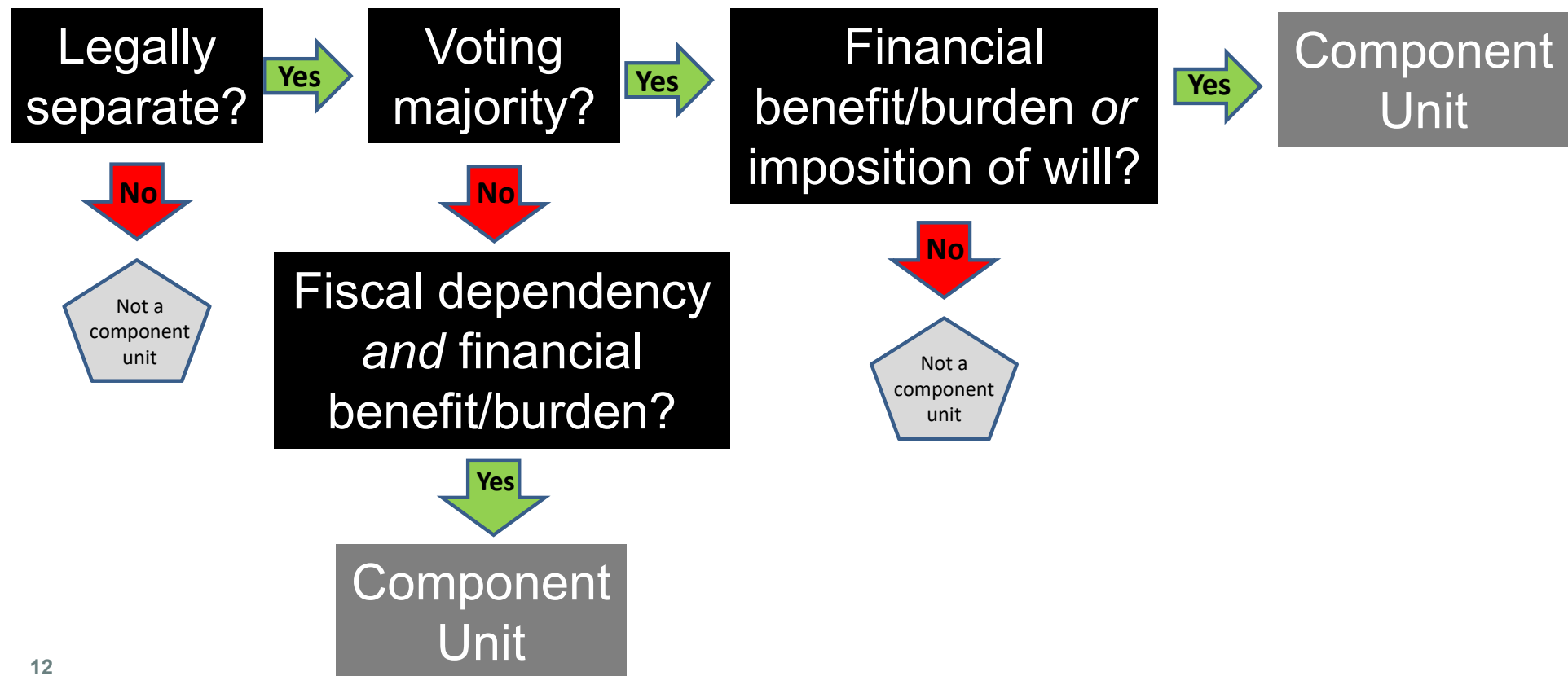
Issued January 2017

When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:



When Is There a Component Unit?





GASB Statement 97 – Certain Component
Unit Criteria, and
Accounting and Financial Reporting for
Internal Revenue Code Section 457
Deferred Compensation Plans

Issued June 2020

Component Unit Resolution

- Brings “the primary government is performing the duties that a governing board would” guidance into Category A literature
- Excludes defined contribution pension and defined contribution OPEB plans administered through trusts that meet the criteria and other employee benefit plans that otherwise would be defined contribution pension plans but to which only employees contribute from the provision—immediately
- Exclude those plans from financial burden modification introduced in Statement 84 (employer contributions)—immediately



Other Component Units Are Fiduciary if...

They have one or more of the following characteristics:

- Assets are:
- Administered through a trust in which government is *not* a beneficiary,
- Dedicated to providing benefits,

AND

- Legally protected from the creditors of government

or

- Assets are for the benefit of individuals,
- Assets are *not* derived from government's provision of goods or services to the individuals

AND

- Government does *not* have administrative involvement or direct financial involvement w/ the assets

or

- Assets are for the benefit of organizations/ governments *not* part of the reporting entity,

AND

- Assets are *not* derived from government's provision of goods or services to them



All Other Activities Are Fiduciary if...

Arrangement
meets one or
more of the
criteria in

2

and

The government
controls the
assets

and

Those assets are
not derived
either:

- Solely from the government's own-source revenues, or
- From grants, with the exception of pass-through grants for which the government does not have administrative or direct financial involvement



IRC – Determining Factor

Q—For purposes of evaluating whether an employee benefit plan (that is, a pension plan, an OPEB plan, or an employee benefit plan other than a pension or OPEB plan [other employee benefit plan]) is a fiduciary activity in accordance with the requirements in Statement 84, is the Internal Revenue Code section under which the plan is organized for tax purposes (for example, Section 403(b) or Section 457) a determining factor?

A—No. The Internal Revenue Code section under which an employee benefit plan is organized is not indicative of whether the plan meets or does not meet the criteria in Statement 84 to be a fiduciary activity. Instead, the characteristics of the plan should be evaluated relative to the criteria identified in Statement 84 to determine whether the plan is a fiduciary activity for financial reporting purposes.



Leases, P3 Arrangement and SBITA

- Statement 87 - Leases
- Statement 94 – Public-Private and Public-Public-Partnerships and Availability Payment Arrangements
- Statement 96 – Subscription-Based Information Technology Arrangements





GASB Statement 87 – Leases



Issued June 2017

Implementation Suggestions

Debt limits and bond covenants

- All leases lasting more than a year will be reported by lessees as long-term liabilities
- Review state and local laws and agreements to determine whether that could impact compliance with debt limitations and bond covenants

Lease policies and procedures

- May need to consider changing policies and procedures for tracking and reporting leases, both as lessee and lessor
- May need better communication between departments that enter into leases and central accounting staff
- Need procedures that identify when lease agreements have been initiated and when existing leases are modified (such as changes in lease term or estimated payment amounts)
- Should review capital asset policies, such as the capitalization thresholds, especially in light of the need to report intangible right-to-use assets



Lease – Three Pitfalls

- Definition of a lease
- Lease term
- Liability measurement



Statement 87 Scope and Approach

Statement 87 applies to any contract that meets the definition of a lease:

“A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.”

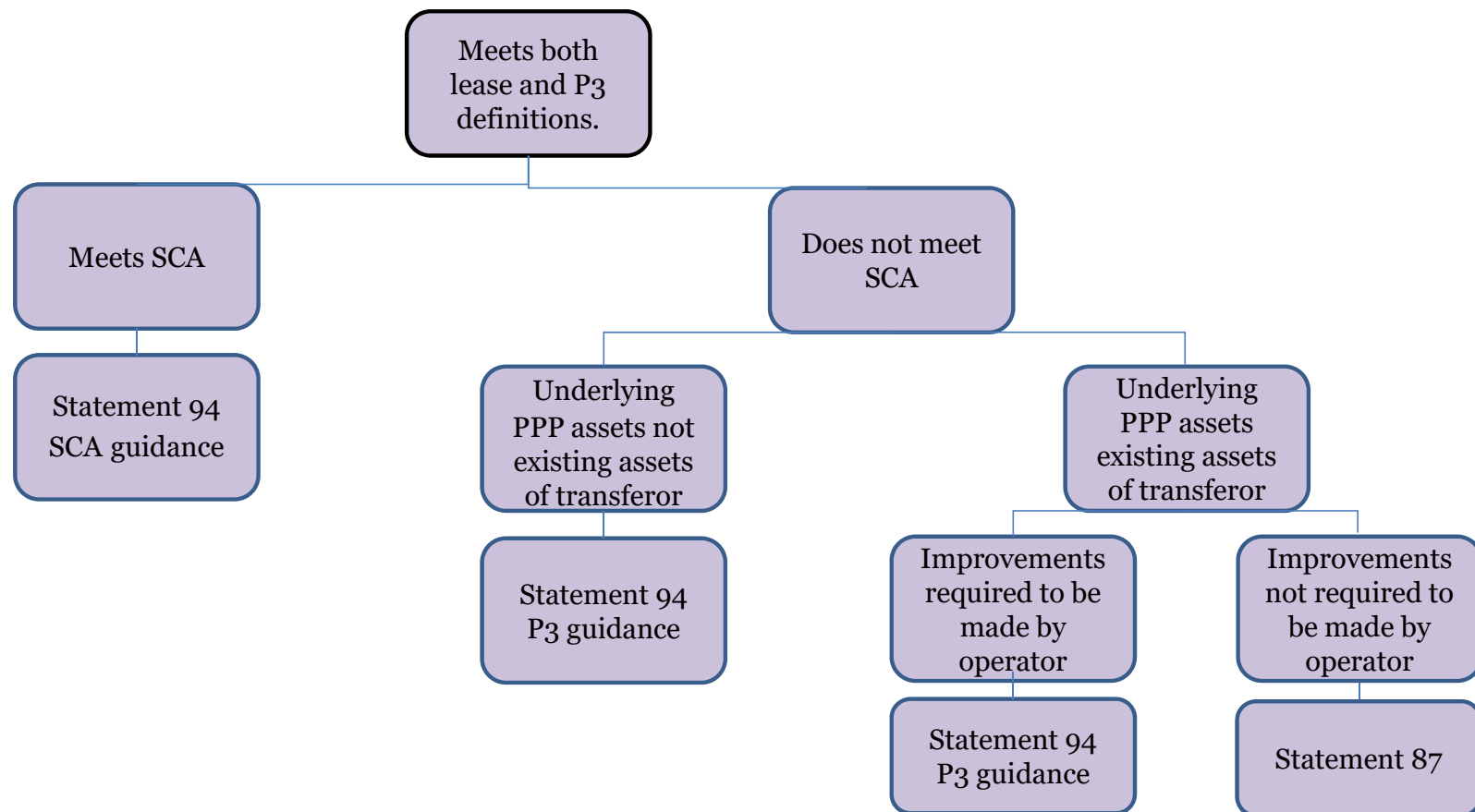


Definition of a Lease - Control

- Control requires both of the following:
 - Right to obtain the present service capacity from use of the underlying asset, and
 - Right to determine the nature and manner of use of the underlying asset
- Control applied to the right-to-use lease asset (a capital asset) “specified in the contract”
 - Control criteria NOT limited to contracts that convey substantially all of the present service capacity from use of the underlying asset
 - Right-to-use lease assets include rights to use underlying assets for portions of time, such as certain days each week or certain hours each day



Relationship between Leases and P3



Relationship between Leases and SBITAs

- All SBITAs meet definition of lease
- Depends on what the underlying asset is
 - Tangible capital assets alone –Statement 87
 - IT software alone –Statement 96
 - IT software in combination with tangible capital assets:
 - Software component is insignificant compared to cost of underlying tangible capital asset –Statement 87
 - Otherwise –Statement 96
- Also excluded from Statement 96:
 - Governments acting as SBITA vendors
 - Contracts that meet the definition of P3 in Statement 94
 - Perpetual software licenses



Lease Term

- For financial reporting purposes, when does the lease start and end?
 - State with the noncancelable period



- Plus or minus periods covered by options to:
 - Extend lease, if reasonably certain of being exercised
 - Terminate lease, if reasonably certain of *not* being exercised
- Excludes cancelable periods
 - Periods for which lessee and lessor both have option to extend or terminate (such as rolling month-to-month leases)
- Fiscal funding and cancellation clauses are ignored unless reasonably certain of being exercised



Variable Payments

Q—A lease includes a fixed payment amount for the first year and a provision that future years' payments will increase or decrease from that amount based on a variable factor other than an index or a rate, future performance of the lessee, or usage of the underlying asset (for example, the number of authorized users of a piece of equipment). Those variable payments are not fixed in substance. Which payments should be included in the initial measurement of the lease liability?

A—Only the fixed payment amount for the first year should be included in the initial measurement of the lease liability.variable payments, including those based on future performance of the lessee or usage of the underlying asset (as specified in paragraph 22 of Statement 87), should not be included in the measurement of the lease liability, even if they are reasonably certain of being required based on an assessment of all relevant factors.



Lessor – Discount Rate

Q—Paragraph 47 of Statement 87 requires a lessor to discount the future lease payments to be received using the interest rate the lessor charges the lessee. How should the lessor determine that rate?

A—If the lease contract contains a stated interest rate, the stated rate generally is the rate the lessor charges the lessee. If there is no stated rate (or if the stated rate is not the rate the lessor charges the lessee) and the implicit rate cannot be determined, the lessor may presume (unless there is persuasive evidence to the contrary) that it is recovering its cost associated with interest cost and use the lessor's own incremental borrowing rate as the discount rate.



P3s – Transferor Reporting

For all P3s, recognize:

- Receivable for installment payments to be received, if any
- Deferred inflow of resources for the assets recognized, including payments received from the operator at or before start of the P3 term

If underlying P3 asset is a new asset or an existing asset that has been improved...

- ...and the P3 is an SCA: also recognize the capital asset at acquisition value when placed into operation
- ...and the P3 is not an SCA: also recognize a receivable for the capital asset, measured at operator's estimated carrying value as of the future date of the transfer in ownership



Accounting for Activities Associated with a SBITA

Preliminary project stage

- Outlays should be expensed as incurred

Initial implementation stage

- In general, outlays should be capitalized
- However, if no subscription asset is recognized (such as a short-term SBITA), outlays should be expensed as incurred

Operation & additional implementation stage

- Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria



Practice Issue Projects

Projects	
Compensated Absences	Exposure Draft – February 2021
Omnibus	Exposure Draft – July 2021
Prior Period Adjustments, Accounting Changes, and Error Corrections	Exposure Draft – March 2021
Risks and Uncertainties Disclosures	Exposure Draft – February 2021



Big Three Projects

- Financial Reporting Model
- Revenue and Expense Recognition
- Disclosure Framework





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Contact Information

Kevin Mullerleile, Senior Manager

Kevin.Mullerleile@mossadams.com

(541) 225-6022



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**THANK
YOU**

