

GASB Update

North Carolina Government Finance Officers Association
2020 Virtual Fall Conference

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Presented by
Gregory S. Allison
Teaching Professor



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GASB Statement No. 95

*Postponement of the Effective Dates of
Certain Authoritative Guidance*



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Overview of Standard

- Issued in May 2020
- Response of the Governmental Accounting Standards Board to the unprecedented effects of the COVID-19 pandemic on state and local governments
- Implementation of upcoming standards were problematic at best and impossible at worst given the current circumstances

General Impacts of GASB Statement No. 95

- Implementation of GASB Statement No. 95 – immediately
- Implementation of GASB Statement Nos. 83, 84, and 88 – 93, as well as related Implementation Guide requirements, are generally delayed by one year
- Implementation of GASB Statement No. 87, *Leases*, delayed by 18 months

Recent Statements *Not* Impacted by Statement No. 95

- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

Revised Implementation Dates of Significant Standards in NC

- GASB Statement No. 83, *Certain Asset Retirement Obligations* – FYE 6/30/2020
- GASB Statement No. 84, *Fiduciary Activities* – FYE 6/30/2021
- GASB Statement No. 87, *Leases* – FYE 6/30/2022

GASB Statement No. 89

*Accounting for Interest Cost Incurred Before the
End of a Construction Period*



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Interest Capitalization

- *Accounting for Interest Cost during the Period of Construction*
- Issued June 2018
- Effective for fiscal periods beginning after ~~12/15/19~~ 12/15/20 (FYE 6/30/22)

Interest Capitalization (cont.)

- Interest cost will simply be expensed in the period incurred
- Interest will *not be* capitalized prospectively
- *Early implementation encouraged*

Most Recent Pronouncements Not Impacted

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
 - Effective FYE 6/30/23
- GASB Statement No. 97, *Certain Component Unit Criteria...Internal Revenue Code Section 457...*
 - Portions effective immediately, portions FYE 6/3/22

Financial Reporting Model Projects



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Financial Reporting Model Improvements

- Encompasses review of MD&A, government-wide statements, major funds, governmental/proprietary/fiduciary funds, and budgetary considerations
- Exposure Draft approved June 2020
 - Comment period ends 2/26/2021
- Final standard anticipated June 2022

Potential Implementation Timeline

- Two-tier phased-in approach with thresholds determined by FYE 6/30/23 (NC) – first fiscal year after 6/15/22
 - \$75 million or more in revenue for governmental and business-type activities
 - Implement FYE 6/30/25
 - \$75 million or less in revenue for governmental and business-type activities
 - Implement FYE 6/30/26
 - All revenues except extraordinary/special

Revenue and Expense Recognition

- Primarily focuses on measurement focus/basis of accounting for government-wide and enterprise funds
- Moves away from exchange/nonexchange determinations
- Preliminary Views issued June 2020
- Exposure Draft anticipated June 2023
- Standard anticipated September 2024



Early Virtual Graduation Day

GASB Statement No. 90

Major Equity Interests

*an amendment of GASB
Statements No. 14 and No. 61*



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Statement Objectives

- Guidance for reporting a government's majority equity interest in a legally separate entity
 - Equity interest defined as a “financial interest in a legally separate organization evidenced by ownership of shares of ...stock...or explicit, measurable right to net resources of the organization...”

Summarized Guidance

- If the holding meets the definition of an investment as defined in GASB No. 72, *Fair Value Measurement and Application*, the interest should be reported as an investment using the equity method
- If the holding does not meet the definition of an investment, the government should report the legally separate organization as a component unit

Implementation Guidance

- Effective for reporting periods beginning after ~~12/15/18~~ 12/15/19 (FYE 6/30/21)

GASB Statement No. 91

Conduit Debt Obligations



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Statement Objectives

- Clarify existing definition of conduit debt obligations
- Establish that a conduit debt obligation is *not a liability*
- Establish accounting/reporting standards of commitments/voluntary commitments extended by issuers
- Improve required relevant note disclosures

Conduit Debt Defined

- At least three parties are involved
 - Issuer, third-party obligor, and debt holder/trustee
- Issuer and third-party obligor are not within the same reporting entity

Conduit Debt Defined (cont.)

- Third-party obligor, not the issuer, receives the proceeds from the debt issuance
- Third-party obligor, not the issuer, is primarily obligated for all amounts associated with the debt service payments

Conduit Debt Arrangements

- Issuer makes at least a limited commitment
 - Additional or voluntary commitments may be extended to support debt service if the third party is unable to do so
- Generally, an issuer does *not* report conduit debt as a liability

Arrangements (cont.)

- Additional or voluntary commitments, however, *should* be reported as a liability if it is “more likely than not” that payment may have to be made by the issuer
- Issuer should re-evaluate annually if these recognition criteria for these commitments are being met

Reporting Criteria

- Economic resources measurement focus
 - Expense and liability
- Current financial resources measurement focus
 - Expenditure and fund liability to the extent that available financial resources will be used (i.e., due and payable at reporting date)

Note Disclosure Requirements

- General descriptions of the issuer's...
 - conduit debt obligation
 - limited commitments
 - voluntary commitments
 - any additional commitments
- Aggregate outstanding principal amount of all conduit debt obligations *that share the same commitments*

Disclosures (cont.)

- In instances where the issuer has recognized a liability, the following should be disclosed
 - Beginning balances
 - Increases and decreases to the liability during the year
 - Ending balances
 - Cumulative amounts of payments made
 - Amount expected to be recovered from the payments, if any

Implementation

- Implementation should be retroactive
- Required for periods that begin after ~~12/15/20~~ 12/15/21 (FYE 6/30/23)

GASB Statement No. 92

Omnibus 2020



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Statement Overview

- Various clarifications including but not limited to....
 - GASB Statement No. 87, *Leases*, implementation related to interim reports
 - Transfers of assets between a primary government employer and component unit pension or OPEB plan
 - Applicability of certain requirements of GASB Statement No. 84, *Fiduciary Activities*, to OPEB arrangements

Implementation

- Generally, paragraphs 6,7,8,9, 10 and 12 are for fiscal periods that begin after ~~6/15/20~~ 6/15/21 (FYE 6/30/22)
- Provisions related to Statement Nos. 84 and 87 are impacted by the timing of the delay of those standards

GASB Statement No. 93

Replacement of Interbank Offered Rates



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Implementation

- Most of the standard's original implementation guidelines remain intact
 - Removing LIBOR (London Interbank Offered Rate) as an appropriate benchmark interest rate effective for reporting periods that *end after 12/31/21*
 - Most other requirements for fiscal periods that *begin after 6/15/20*
 - Certain lease modifications *now for fiscal periods begin after 6/15/21 (FYE 6/30/22)*

GASB Statement No. 94

*Public-Private and Public-Public
Partnerships and Availability Payment
Arrangements*



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Statement Overview and Implementation

- Addresses various accounting and financial reporting requirements for such partnerships
- Effective date NOT impacted by GASB Statement No. 95
 - Required for fiscal periods that begin after 6/15/22 (FYE 6/30/23)