

# GASB Update

NCGFOA 2021 Spring Conference

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# GASB Statement No. 95

*Postponement of the Effective Dates of Certain  
Authoritative Guidance*



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# General Impacts of GASB Statement No. 95

- Implementation of GASB Statement No. 95 – immediate
- Implementation of GASB Statement Nos. 83, 84, and 88 – 93, as well as related Implementation Guide requirements, were generally delayed by one year

# 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. 84

## *Fiduciary Activities*



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# Fiduciary Fund Reporting

- Fiduciary fund types for *legally entrusted* arrangements
  - Pension (and other employee benefit) trust funds
    - Pension plans
    - OPEB trust
    - Fiduciary component units (e.g., pensions that meet component unit criteria as per GASB Statement No. 14, *The Financial Reporting Entity*)

# Fiduciary Fund Reporting (cont.)

- Investment trust funds – external investment pools
- Private-purpose trust funds
  - Legally entrusted assets that are *not* pension or OPEB assets
  - Government named as trustee but *not* the beneficiary
  - May be expendable or nonexpendable in nature



# Fiduciary Fund Reporting (cont.)

- Fiduciary fund type for such activities *not legally entrusted*
  - Custodial funds
    - Such funds may have equity

# Implementation Date

- Implementation Guide 2019-2, *Fiduciary Activities*, released in June 2019
- Fiscal years that begin *after* ~~12/15/18~~  
12/15/19 (FYE 6/30/21)

# Exposure Draft

## *Renaming the Comprehensive Annual Financial Report*



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# Overview of the Proposal

- The acronym used for 45+ years has a pronunciation that is similar to multiple derogatory terms in other countries.
- The project proposal (which is fast-tracked) would rename the report *Annual Comprehensive Financial Report (ACFR)*

# Implementation Provisions

- Exposure Draft being prepared for release this month (April 2021)
- Comment period will be April – July 2021
- Final standard expected October 2021
- Implementation to be immediate, thus impacting the 2021 reports
- Impact/recommendations of the recent GFOA policy

# GASB Statement No. 87

## *Leases*



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# Scope and Approach

- “A lease is defined as 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.”
- All leases are financings of the right to use an underlying asset
  - Therefore, single approach applied to accounting for all leases with a few exceptions
  - Lessee recognizes a liability and a capital asset
  - Lessor recognizes a receivable and a deferred inflow of resources
- Statement does not apply to leases for intangible assets (computer software), biological assets, service concession arrangements, supply contracts

# Lease Term

- Period during which a lessee has a noncancelable right to use an underlying asset
- Fiscal funding/cancellation clauses should not affect the lease term unless it is reasonably certain that it is going to be exercised
- *A short-term lease has a maximum ORIGINAL term of one year; lessees and lessors reflect outflows and inflows of resources, respectively*



# Initial Reporting - Lessee

- Recognize lease liability
  - PV of payments expected to be made in lease term
- Recognize capital asset
  - Sum of lease liability adjusted for lease payments at or before the lease started and initial direct costs necessary to place asset into service

# Initial Reporting - Lessor

- Recognize lease receivable
  - PV of payments received over lease term
- Recognize deferred inflow of resources
- Lessor should not derecognize asset underlying the lease
  - Accounting for depreciation and impairments continue
  - If asset must be returned in original condition, do not depreciate

# Subsequent Reporting - Lessee

- Lease asset amortized in a systematic and rational manner
  - Shorter of lease term or underlying life of asset
  - If lease contains purchase option that lessee is reasonably certain to exercise, amortize over useful life of asset
  - For non-depreciable assets, no lease amortization
- Lease amortization reported as an outflow of resources – expense
- Discount on present value is amortized in a systematic way as an outflow of resources (interest expense)

# Subsequent Reporting - Lessor

- Discount on receivable amortized as interest revenue at a constant periodic rate of return
- Recognize inflows of resources (revenues) over lease term in a systematic and rational manner

# Other Items

- Identify leases NOW!!!!
- Management decisions will need to be made for leases as of the beginning of the fiscal year
- Will need to determine lease terms and discount rates
- Operating leases now accounted for as capital leases – capital leases are less common, but operating leases are very common
- Materiality
- Non-lease components – maintenance, taxes, insurance, CAM, etc.
- Lease modifications are complex – materiality determination
- GASB 87 does not apply to nonexchange transactions
- Governmental Fund accounting
  - Similar entries to current GAAP
  - Remember budgetary implications
- Significant changes in economic resources accounting

# Implementation

- Implementation for periods beginning after 6/15/21
  - FYE 6/30/22
  - Retroactive restatement required for all prior periods presented
  - If restatement is not practicable, restate beginning net position amounts for first year presented – for NC this means restate 7/1/21 and amortize
  - Disclose the nature of the restatement and its effect

# Exposure Draft – Compensated Absences

*Compensated Absences –  
Reexamination of GASB Statement No. 16*



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# Compensated Absences

- Amendment to GASB Statement No. 16
- Liability recognized if the absence:
  - Accumulates (carried forward to a future reporting period)
  - Is attributable to services already rendered
  - Is more likely than not to be paid or settled through other means
- Liability amount:
  - Based on employee's pay rate at reporting date – future pay changes recognized prospectively
  - Includes both directly and incrementally-associated salary-related payments (employer's share of SS and Medicare taxes)



# Compensated Absences (cont.)

- Accumulated leave that is more likely than not to be paid through conversion to postemployment defined benefits would not be included
- FIFO assumption for estimating amount due within a year
- Current financial resources measurement focus – expenditure and liability recognized as payments come due each period – guidance from GASB Interpretation #6 carried over (will be superseded by new reporting model)

# Compensated Absences (cont.)

- Note disclosure changes
  - Net change in liability may be disclosed – previously was additions and deductions
  - Do not have to disclose which governmental funds were used to liquidate liability
- Implementation
  - Periods beginning after 12/15/22 – 6/30/24  
FYE in NC
  - Retroactive restatement required if practical

# Out there....

- Two recent additions to the GASB agenda that are in initial discussions:
  - *Prior-period Adjustments, Accounting Changes, and Error Corrections – Reexamination of Statement No. 62*
  - *Risks and Uncertainties Disclosures*