



# GASB Update

Atlanta Chapter of IIA

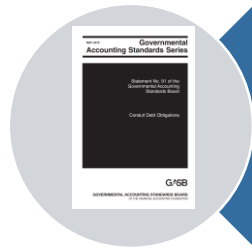
Alan Skelton, Director RTA

The views expressed in this presentation are those of  
Official positions of the GASB are reached only after extensive due process and deliberations.

# Presentation Overview



Pronouncements being implemented



Projects being deliberated by the Board



Pre-agenda research activities

# Pronouncements Being Implemented

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# Effective Dates

## June 30: Fiscal Year 2022

- Statement 87 – leases
- Statement 89 – construction-period interest
- Statement 92 – omnibus (multiple effective dates)
- Statement 93 – LIBOR removal and lease modifications
- Statement 97 – certain component unit criteria and Section 457 plans
- Statement 98 – the annual comprehensive financial report
- IG 2019-3 – leases
- IG 2020-1 – update (except 4.6–4.17 and 4.19–4.21)
- IG 2021-1 – update (4.22)

## June 30: Fiscal Year 2023

- Statement 91 – conduit debt
- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- IG 2020-1 – update (4.6–4.17 and 4.19–4.21)
- IG 2021-1 – update (4.1–4.21, 4.23, 5.2, and 5.4)

## June 30: Fiscal Year 2024

- IG 2021-1 – update (5.1)

# New GASB Statement Impact

## Potential Level of Effort for Preparer and Auditor\*

Statement and FY Effective		Potential Level of Effort*						
		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GASB 87 – Leases	2022	LARGE EFFORT						
GASB 89 – Construction-period Interest	2022	Minimal						
GASB 91 – Conduit Debt	2023	Small						
GASB 92 – Omnibus (multiple effective dates)	Various	Small						
GASB 93 – LIBOR Removal and Lease Modifications	2022	Small						
GASB 94 – Public-Private Partnerships	2023	MEDIUM						
GASB 96 – SBITA	2023	LARGE EFFORT						
GASB 97 – Certain Component Unit Criteria/Section 457 plans	2022	Small						
GASB 98 – The Annual Comprehensive Financial Report	2022	Minimal						
GASB 99 – Omnibus (multiple effective dates)	Various	Small						
GASB 100 – Accounting Changes and Error Corrections	2024	Small						
GASB 101 – Compensated Absences	2025	MEDIUM						

\*Based on June 30 fiscal years

# Right-to-Use Statements

## Statement 87

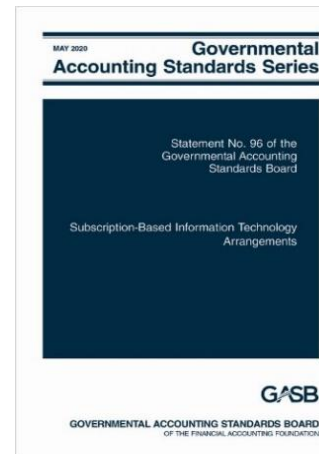
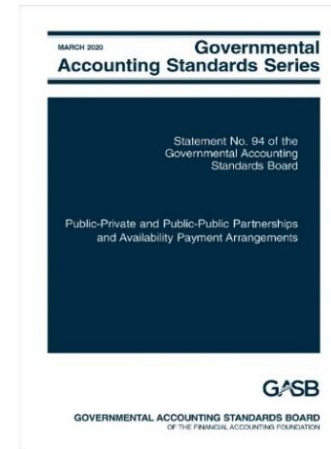
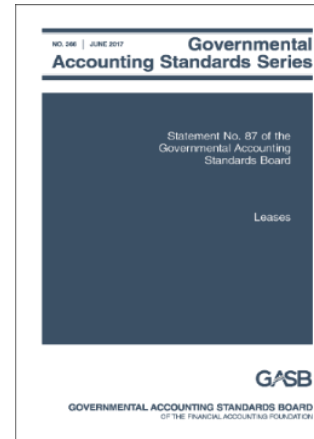
*Leases*

## Statement 94

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

## Statement 96

*Subscription-Based Information Technology  
Arrangements*



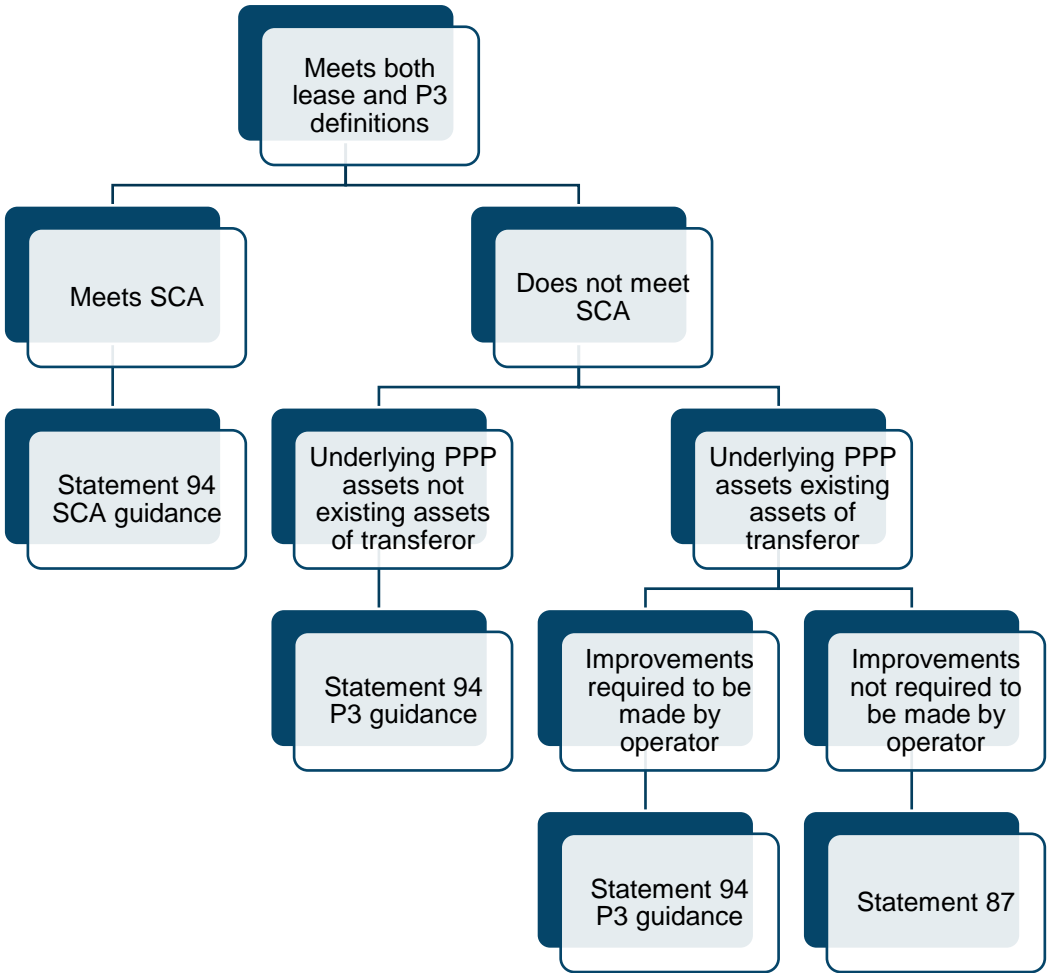
# Definitions – Leases, PPP, and SBITA

**Lease** - 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**.

**P3** - arrangement in which a government (the transferor) **contracts** with an operator [governmental or nongovernmental] to provide public services by **conveying control of the right** to operate a nonfinancial asset, such as infrastructure or other capital asset (the **underlying PPP asset**), for a **period of time** in an **exchange or exchange-like transaction**.

**SBITA** - a **contract** that **conveys control of the right** to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the **underlying IT assets**) as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.

# 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 tangible capital asset – Statement 87
    - Otherwise – Statement 96
- **Also excluded from Statement 96:**
  - Governments acting as SBITA vendors
  - Contracts that meet the definition of a P3 in Statement 94
  - Perpetual software licenses

# Topics That Are The Same

## ▪ **Lease/PPP/Subscription Term**

- Noncancellable period plus certain optional periods
  - One party has option - reasonably certain will extend or not cancel
- Excludes cancellable periods – both parties can cancel

## ▪ **Short-Term Lease/SBITA**

- Maximum possible term of 12 months or less
  - Includes all one-party options to extend
  - Excludes cancellable periods
- Recognize expense/expenditure or revenue (applies to lessors too) based on contract

# Topics That Are The Same

- **General recognition and measurement**

- Intangible right-to-use asset and liability (lessee/operator/SBITA)
- Receivable and deferred inflow of resources (lessor/transferor)

- **Contracts with multiple components**

- Generally, account for lease (etc) and non-lease (etc) components as separate contracts and multiple underlying assets as separate lease (etc) components
- Allocate contract price to different components

- **Modifications and terminations**

# Key Implementation Issues – GASB 87

Much of GASB 87 is driven by the legal form of the contract

- If contract gives either party the option to cancel, even if it is highly unlikely that they wont, it is a cancellable period (Q4.15 in IG 2019-3)
- If renewal is an option within the contract versus there being a new contract:
  - Could change the short-term lease evaluation (Q4.10 in IG 2020-1)
  - It determines whether renewal history matters—it matters if there is a renewal option and it does not matter if it is a new contract (Q4.11 in IG 2020-1)

Need to exercise professional judgment

- Is it an exchange or an exchange-like transaction—definition of a lease
- Estimating the incremental borrowing rate (discount rate) if no similar debt has been issued
- Whether payments are fixed in substance

# Key Implementation Issues – GASB 87

## Transition provisions

- Statement 87 requires that leases be recognized and measured using the facts and circumstances as of the beginning of the period of implementation
- For example:
  - As of January 1, 2022 for FYE December 31, 2022
  - As of July 1, 2021 for FYE June 30, 2022
- Not allowed to go back to the actual beginning of the lease

## Materiality

- Materiality is always a consideration

# Topics Unique to Statement 94

## ▪ **Service Concession Arrangements**

- Retained definition from Statement 60
  - Except for public services do not have to relate to primary function of underlying asset
- Retained general approach from Statement 60

## ▪ **New or Improved Underlying PPP Assets**

- Transferor:
  - SCA – recognize at acquisition value when placed in service
  - Not SCA – recognize receivable at operator’s estimated carrying value at date of future transfer and additional deferred inflow
- Operator:
  - SCA – recognize intangible right-to-use asset
  - Not SCA – recognize deferred outflow and liability for future transfer

# Topics Unique to Statement 94

## ▪ **Availability Payment Arrangements**

- Government contracts with another entity to operate or maintain the government's nonfinancial asset
- Entity receives payments from the government based on the asset's availability for use
- Asset's availability may be based on the physical condition of the asset or the achievement of certain performance measures
- May include design, finance, construction, or service components
  - Design, construction, financing components and ownership transfers – financed purchase
  - Service components – outflows of the period

# Topics Unique to Statement 96

## ▪ **Implementation Costs**

- Preliminary project stage
  - Expense
- Initial implementation stage
  - Generally capitalize
  - Expense if short-term SBITA
- Operation and additional implementation stage
  - Generally expense
  - Capitalize if specific criteria met
- Training costs always expensed



# Topics Unique to Statement 96

## ▪ **Subscription Term**

- Commences when initial implementation stage is completed
- No subscription liability or subscription asset until then
- Payments made before are prepayment until commencement

## ▪ **Multiple Modules**

- Subscription term begins when first module (or set of interdependent modules) is implemented

# Implementation Guidance

- **Implementation Guide No. 2019-3, Leases**

- 77 questions and answers (authoritative)
- 3 illustrations (nonauthoritative)

- **Implementation Guide No. 2020-1, Implementation Guidance Update—2020**

- 12 questions and answers about Statement 87 (authoritative)

- **Implementation Guide No. 2021-1, Implementation Guidance Update—2021**

- 19 questions and answers about Statement 87 (authoritative)

# Effective Dates

Pronouncement	Beginning After
Statement 87	June 15, 2021*
Statement 94	June 15, 2022**
Statement 96	June 15, 2022*
Implementation Guide 2019-3	June 15, 2021*
Implementation Guide 2020-1 (Statement 87 questions)	December 15, 2021*

\* Fiscal years beginning after this date, and all reporting periods thereafter

\*\* Reporting periods beginning after this date

# Other Standards Being Implemented

Statement 89 - Construction Period *Interest Costs*

Statement 90 – Majority Equity Interests

Statement 91 – Conduit Debt Obligations

Statement 92 - Omnibus 2020

Statement 93 – Replacement of Interbank Offered Rates

# Other Standards Being Implemented

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

Statement 98 – The Annual Comprehensive Financial Report (ACFR)

Statement 99 – Omnibus 2022

Statement 100 – Accounting Changes and Error Corrections

Statement 101 – Compensated Absences

# Current Technical Agenda Projects

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# Technical Plan Overview – As of April 2022

## ▪ **Conceptual Framework:**

- Disclosure Framework
- Recognition

## ▪ **Comprehensive Projects:**

- Financial Reporting Model Re-examination
- Revenue and Expense Recognition

## ▪ **Major Projects:**

- Going Concern and Severe Financial Stress

## ▪ **Practice Issues:**

- Accounting Changes and Error Corrections
- Compensated Absences
- Implementation Guide—Update
- Nonfinancial Assets
- Omnibus
- Certain Risks Disclosures

## ▪ **Pre-Agenda Research Activities:**

- Capital Assets
- Subsequent Events

# Technical Plan Overview – As of July 2022

## ▪ **Conceptual Framework:**

- Disclosure Framework
- Recognition

## ▪ **Comprehensive Projects:**

- Financial Reporting Model Re-examination
- Revenue and Expense Recognition

## ▪ **Major Projects:**

- Going Concern and Severe Financial Stress

## ▪ **Practice Issues:**

- Accounting Changes and Error Corrections
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- Certain Risks Disclosures

## ▪ **Pre-Agenda Research Activities:**

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# Certain Risks Disclosures

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# Certain Risks Disclosures

## What?

The Board has proposed standards to identify and disclose risks faced by governments

## Why?

Stakeholders asked the GASB to address instances in which a government is exposed to risks that could impact services or the payment of obligation

## When?

Exposure Draft issued June 2022

Comment deadline is September 30, 2022

Final August 2023

# Exposure Draft: Scope

## Vulnerabilities due to certain **concentrations**

- Such as:
  1. principal employers
  2. principal industries
  3. principal resource providers,
  4. composition of principal inflows of resources,
  5. workforce covered by collective bargaining agreements
  6. suppliers of material, labor, or services

## Vulnerabilities due to certain **constraints**

- Such as
  1. limitations on raising revenue
  2. limitations on spending
  3. limitations on the incurrence of debt
  4. mandated spending

# Exposure Draft: Disclosure Criteria

Disclosures should be required when the government determines that:

1. An event associated with a concentration or constraint either has *occurred or is more likely than not to begin to occur* within 12 months of the financial statement date or shortly thereafter (3 months)
  - It is *at least reasonably possible* that the event will cause there to be a *substantial effect* within 3 years of the date of the financial statement

*Substantial effect* is one that affects the government's ability (1) to continue to provide services at the level provided in the current reporting period or (2) to meet its obligations as they come due

# Exposure Draft: Disclosure Requirements

Require to disclose sufficient detail to enable users to understand the general nature of the risks and their potential effect on the government's ability to provide services or meet its obligation.

- Including:
  - Description of concentration or constraint
  - Description of each event associated with the concentration/constraint, including the criteria met
  - Description of actions taken to mitigation the substantial effect.

Disclosure if not required *mitigating actions taken* cause any of the disclosure criteria to no longer be met.

Disclosures should be made at the primary government level unless a risk is specific to a reporting unit relative to other reporting units and has a substantial effect on that reporting unit but not on the primary government. In that case the disclosure should be made for the reporting unit.

# Project Timeline

<b>Added to Current Technical Agenda</b>	July 2020
<b>Deliberations Began</b>	September 2020
<b>Additional Outreach Conducted</b>	February–April 2021
<b>Exposure Draft Issued</b>	June 2022
<b>Comment Deadline</b>	September 30, 2022

# Other Projects – Broader Scope

Financial Reporting Model Reexamination

Revenue and Expense Recognition

Recognition – Conceptual Framework

Going Concern Uncertainties & Severe Financial Stress

# Other Projects – Practice Issues

Certain Risk Disclosures

Nonfinancial Assets



# Pre-Agenda Research / Monitoring Post-Implementation Reviews (PIR)

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# Pre-Agenda Research

Capital Assets

Subsequent Events

# Monitoring

Digital Assets

Electronic Financial Reporting

Federal Stimulus and Other COVID-related issues

Other

# Questions?

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