

GASB UPDATE 2021

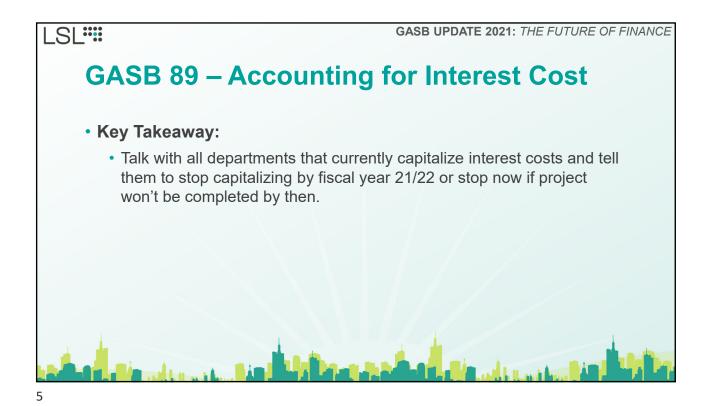
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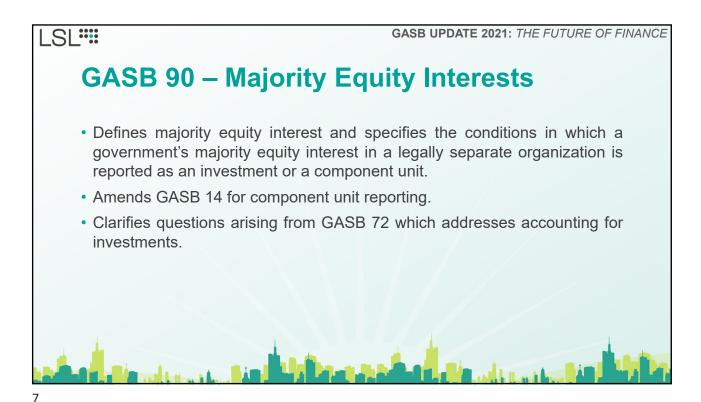
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## GASB 89 — Accounting for Interest Cost Changes accounting requirements for interest cost incurred before the end of a construction period. Including such interest cost that previously was accounted for in accordance with GASB 62. Resulting in interest cost incurred before the end of a construction period to be recognized as an expense and NOT to be included in the historical cost of a capital asset.







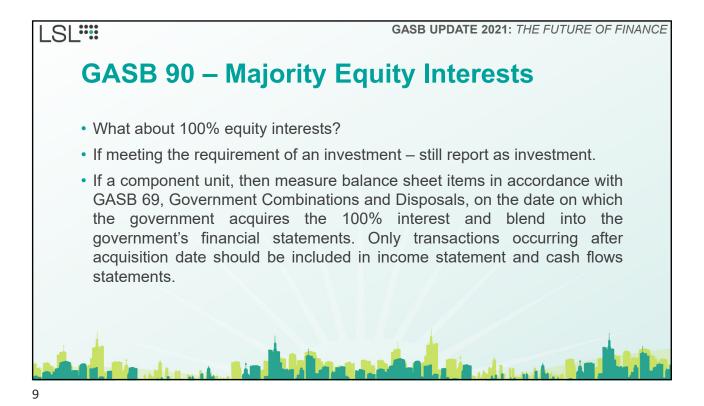


GASB 90 — Majority Equity Interests

• Equity Interest: financial interest in a legally separate organization evidenced by ownership of shares of stock or by other, explicit, measurable right to the net resources of the organization. Equity interests are accounted for as an investment and measured according to GASB 72 and not reported as a component unit.

• Investment: an asset that the government holds primarily for the purpose of income or profit and has a present service capacity based solely on its ability to generate cash or be sold to generate cash.

• Component unit: a legally separate organization for which the government is financially accountable or whose nature or significance to the operations of the government are such that exclusion would cause the financial statements of the government to be misleading.



# GASB 90 – Majority Equity Interests • Key Takeaways: • Majority equity interests in joint ventures or other entities for the purpose of generating income should be accounted for as investments according to GASB 72. • Majority equity interests in joint ventures or other entities not meeting the definition of an investment should be evaluated for component unit reporting. • 100% equity interests meeting component unity criteria should be blended into the governments' operations and primary government financials.



GASB 91 – Background

GASB originally discussed conduit debt obligations back in 1995 with Interpretation 2, which required disclosure of:

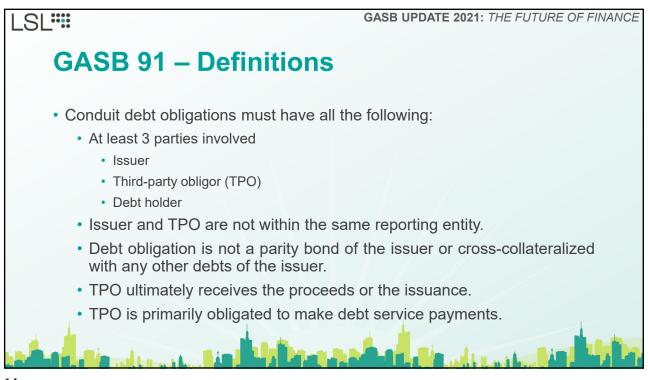
General description of obligations

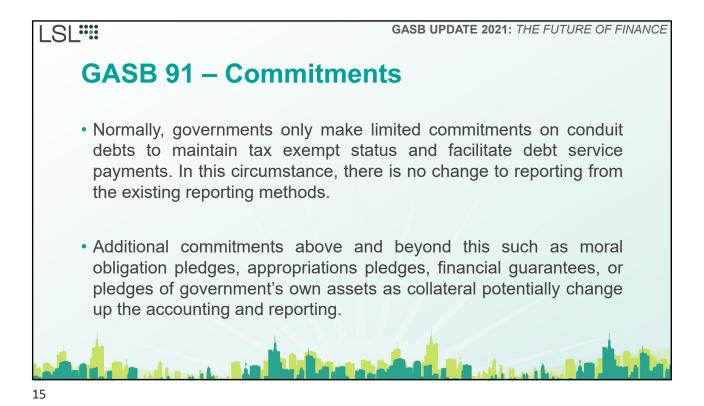
Aggregate balance of obligations at FYE

Clear indication that government is not obligated for the obligations

In pre-agenda research, GASB discovered that application of Interpretation 2 had been inconsistent, resulting in confusion for stakeholders, leading to the adoption of GASB Statement No. 91.

# GASB 91 — Objectives • The primary objectives of GASB 91 are to 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



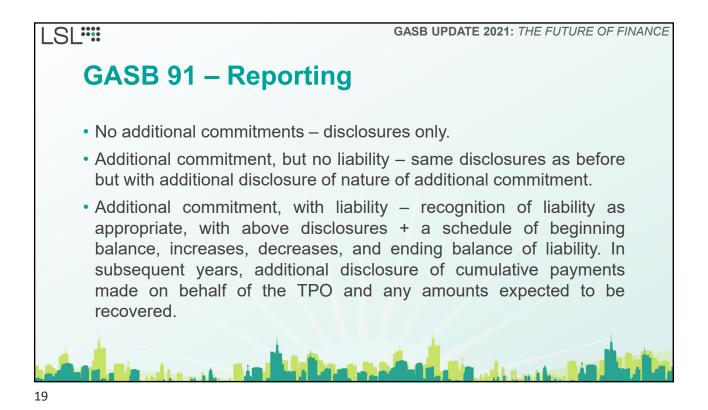


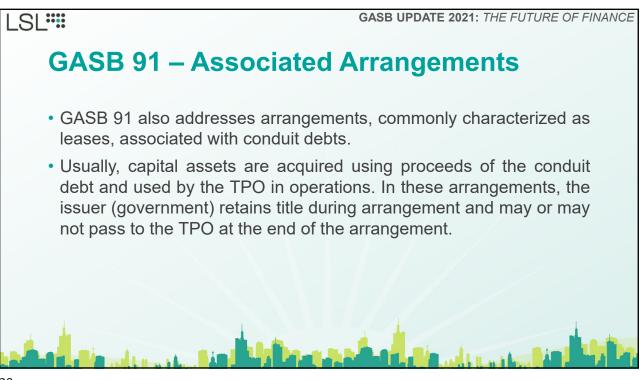
### LSL GASB UPDATE 2021: THE FUTURE OF FINANCE GASB 91 – No Additional Commitment • In the case of no additional commitments, the government recognizes no liability for the conduit debts and only makes the following disclosures: Purpose of conduit debt obligations and identity of third-party obligor Description of any security for the obligations Brief discussion of basic commitments (e.g., upkeep of tax-exempt status) · Remaining amount of principal outstanding. Note that these bonds most likely would be reported in a custodial fund in the fiduciary fund financial statements, and the amounts should agree! 16

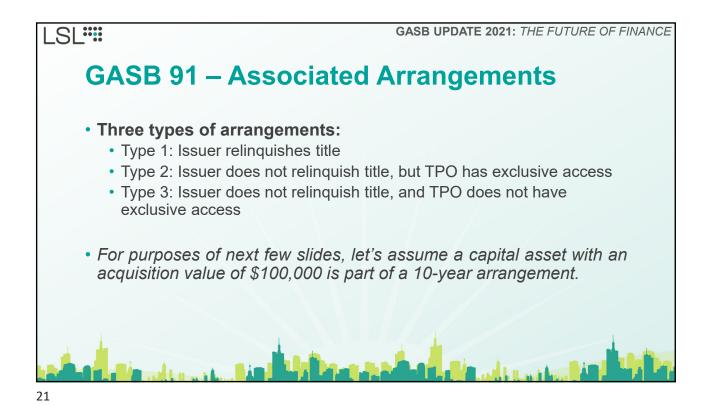
### GASB 91 – When to Recognize a Liability If there is an additional commitment, the government should annually review the conduit debt obligation for qualitative factors in the TPO which would indicate liability recognition in the government's financial statements (governmental activities/business-type activities). Bankruptcy Breaches of contract Financial difficulties If there is a more than 50% chance that the government will make a debt service payment on behalf of the TPO because of the qualitative evaluation, a liability should be recognized.

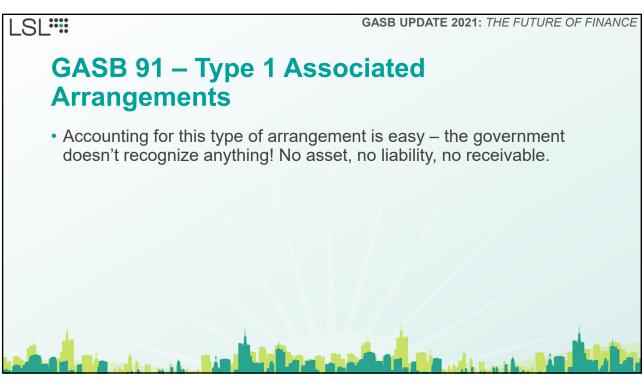
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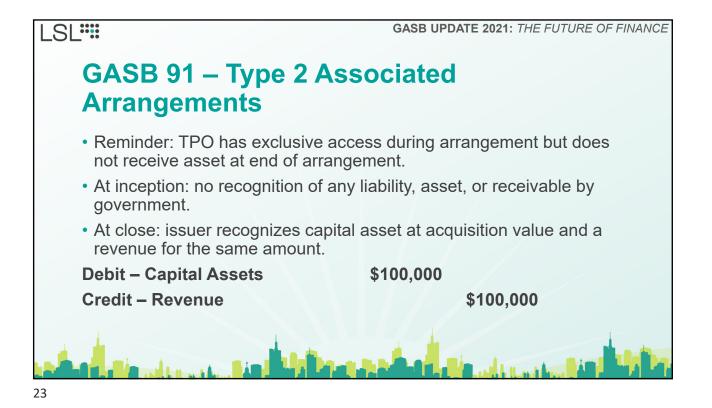
# GASB 91 – Liability Measurement In a full-accrual fund, the liability is measured as the discounted present value of the best estimate of future debt service payments made on behalf of the TPO. If no precise amount can be calculated but a range can be determined, the lowest amount in the range is recognized. Debit – Expense Credit – Conduit Debt Liability In a modified-accrual fund, the recognition of the liability is treated like a regular debt service payment, with expenditure recognized when payment is made.

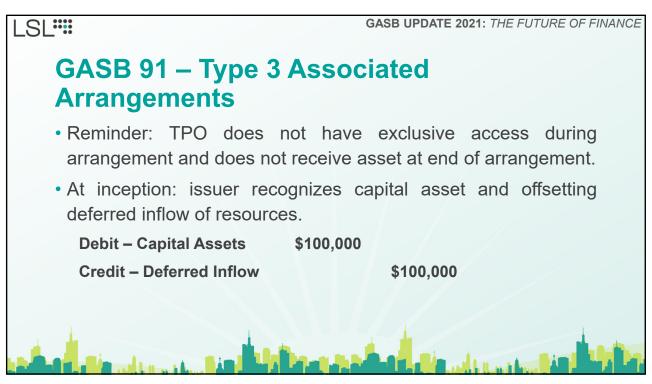


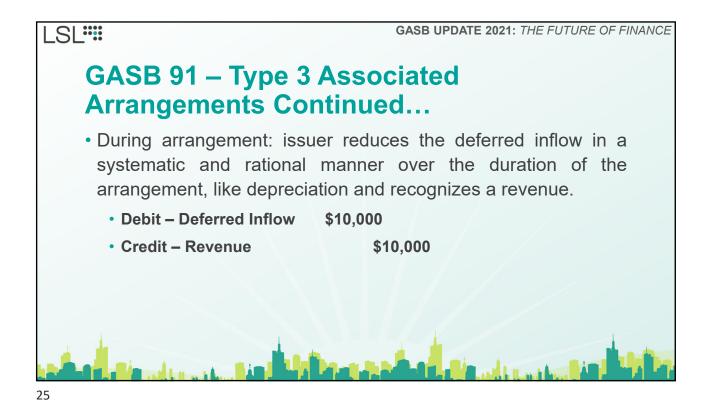




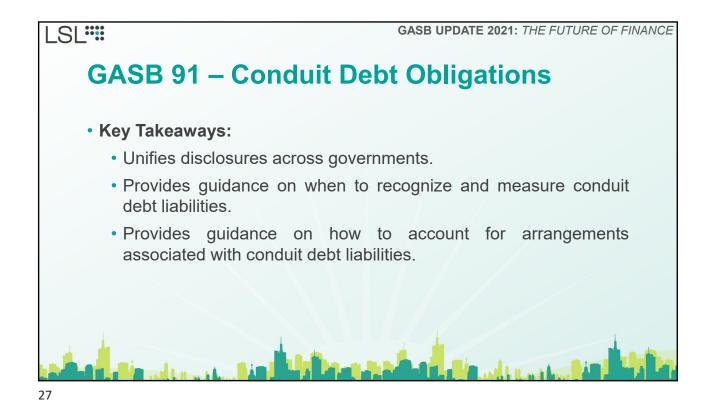




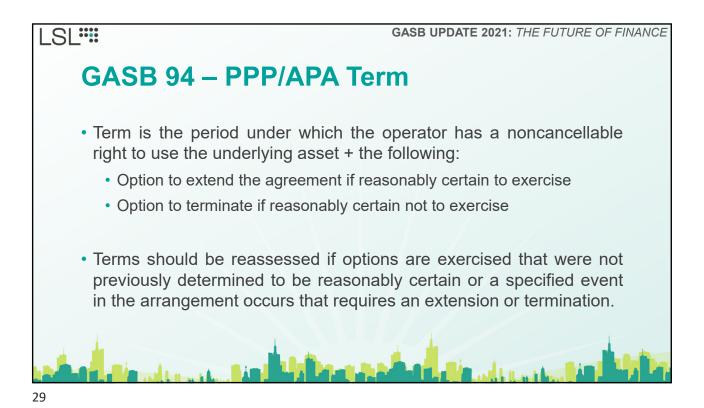


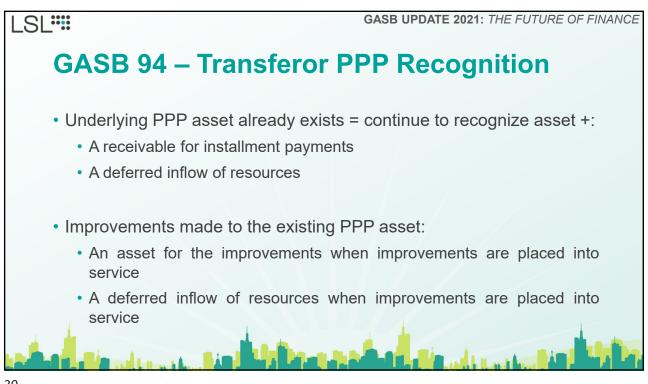


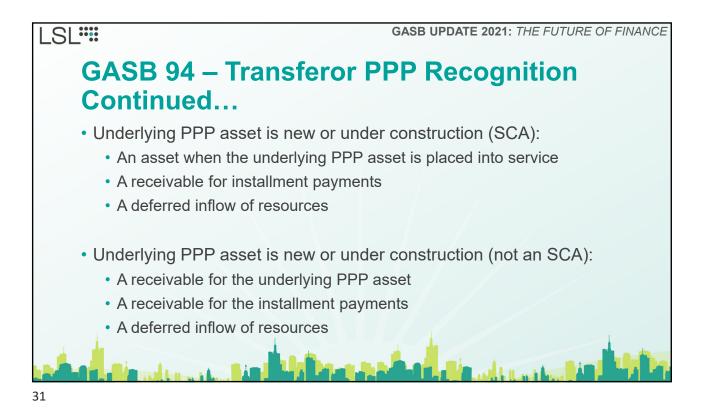


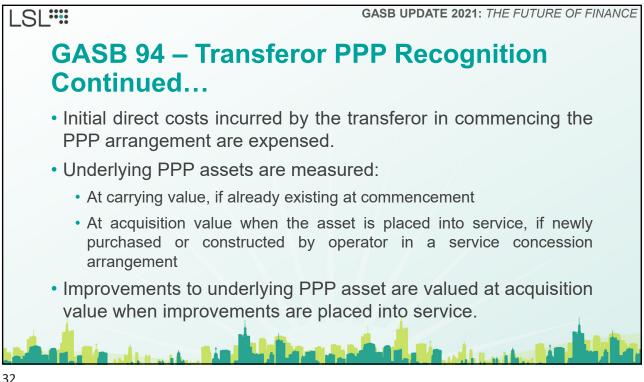












## GASB 94 – Transferor PPP Recognition Continued... Receivables for installment payments are measured as the present value of PPP payments to be collected during the PPP term reduced by an allowance for uncollectible amounts and should include: Fixed payments Variable payments that depend on an index or rate initially measured at commencement of term Variable payments that are fixed in substance Residual value guarantee payments that are fixed in substance.

GASB 94 – Transferor PPP Recognition
Continued...

Receivables for installment payments may be remeasured for:

Changes in PPP term

Changes in interest rates

Other specified contingencies

Receivables for underlying PPP assets are measured as the operator's estimated carrying value of the asset at the time of transfer in ownership to the operator.

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GASB 94 – Transferor PPP Recognition
Continued...

• The deferred inflow of resources is measured as:

• The amount of initial measurement of receivable for installment payments

• PPP payments received at or before commencement of term

• Initial measurement of new underlying PPP asset, or improvements or receivable

• The deferred inflow of resources should be recognized in a systematic and rational manner over the term of the PPP.

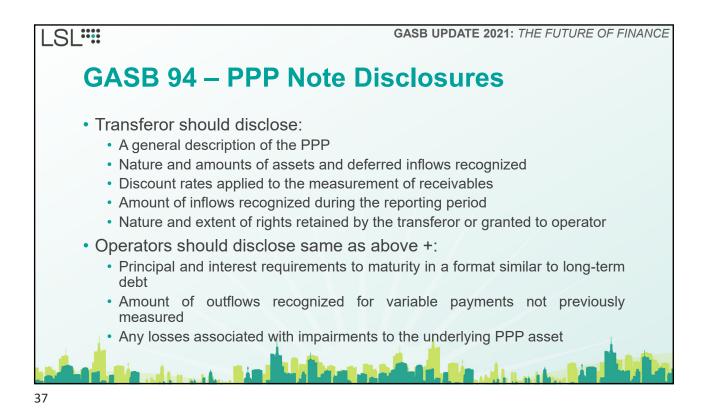
GASB 94 – Operator PPP Recognition

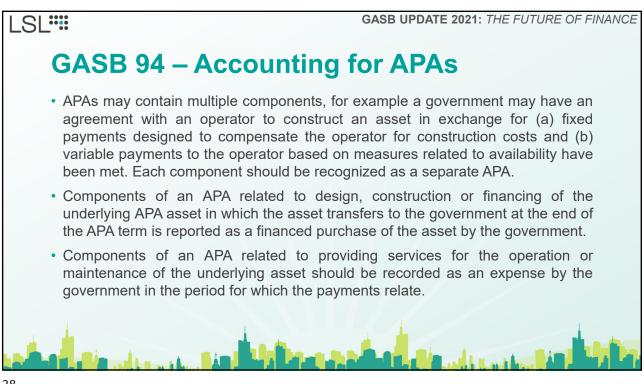
Same as transferor, but where there is an underlying asset, it is recognized as a "right-to-use" asset.

Where there are receivables, there are liabilities.

Deferred outflows of resources corresponding to underlying assets to be transferred to the transferor at end of PPP term and amortized over the life of the PPP term.

Basically, it is the mirror image of the transferor entries, just like how GASB 87 addresses accounting for lessors and lessees.





## GASB 94 — APA Recognition • Underlying APA assets are recognized when they are placed into service and measured as the total cost paid to the operator as per agreement to construct asset, including initial payments at commencement of agreement + present value of future payments made to compensate operator for construction. • There are no required note disclosures specified by GASB 94 for APAs.

