

GASB Update 2022

STANDARDS

Introductions

Moderator: Betsy Allen, CPA
- *Principal, Miller, Cooper & Co., Ltd.*

MILLER
COOPER
& Co., Ltd

ACCOUNTANTS AND CONSULTANTS

Speaker: Matt Geerdes, CPA
- *Advisory Senior Manager, Crowe LLP*



Speaker: Andy Mace, CPA, CFE
- *Partner, Wipfli LLP*

WIPFLI



Presentation Agenda

- Post GASB 95 – Aren't we done yet with the impacts of the COVID-19 Pandemic?
- New Standards Released – GASB Isn't Stopping!
- GASB Exposure Drafts – What's in the Pipeline?
- GASB 87 – Implementation Year...Time to EXECUTE!

2022 – Coping with GASB 95 Delays

- GASB Statement 95 – Adopted May 2020
- Postpones implementation dates of certain standards guidance due to COVID-19
- Does NOT change other technical accounting or reporting requirements

THE GRACE PERIOD IS OVER!!!!!!

2022 – Coping with GASB 95 Delays

REVISED EFFECTIVE DATES

Fiscal year 2022	Fiscal Year 2023
#87 – Leases	#91 – Conduit Debt
#89 – Construction Period Interest	
#92 – Omnibus 2020	
#93 – LIBOR Removal and Lease Modification	
Implementation Guide 2019-3 Leases	

New Standards Released - 2022

2022 Implementations

- GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans
- GASB 98 – The Annual Comprehensive Financial Report

Long Term Implementations

- GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB 96 – Subscription-Based Information Technology Arrangements

New Standards Released – GASB 97

- GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans
 - 457 Plans/403B Plans
- Two steps for implementation:
 - Is the plan required to be reported as a component unit and a pension plan or OPEB plan?
 - Is the plan required to be reported as a fiduciary activity?

Major Factor – Who controls the assets? Who serves as the trustee?

GASB Projects and Exposure Drafts

GASB's Technical Agenda:

<https://www.gasb.org/page/TechnicalAgenda?pageId=/projects/current-projects-pre-agenda-research.html>

Exposure Drafts

- Compensated Absences
 - Planned standard draft – April 2022 with release in June 2022
 - Re-defines a compensated absences and key terminology
 - Discusses industry issues such as conversion to post-employment benefits, a probability threshold for liability determination, and accounting for common transactions seen in practice



GASB Projects and Exposure Drafts

Exposure Drafts

- 2022 Omnibus
 - Planned standard draft – March 2022 with release in April 2022
 - Similar to GASB 92 – a “potpourri” draft
 - Remeasurement of Certain Assets and Liabilities
 - Effect of a Purchase Option on Contract Terms and Measurement of Liability
 - Derivative Instruments that are neither Hedges or Investments
 - Exchange Financial Guarantees
 - Other Technical Corrections

ACCOUNTING
CONCEPTS



GASB Projects and Exposure Drafts

Exposure Drafts

- Prior Period Adjustments, Accounting Changes and Error Corrections
 - Planned standard draft – April 2022 with release in June 2022
 - Events that considered PPAs, Accounting Changes and Corrections
 - Relationships between events and terminology
 - Disclosures for this situations

Major Projects

- Revenue and Expense Recognition
- Governmental Funds Financial Statements
 - Potential NEW model!!!!

GASB 87 – FY22 Implementation

Technical Overview - Single model for lease accounting

- No more difference between capital and operating leases
- Funds still report expenditures for lease payments
- Gov't wide statements report lease asset as “right to use” asset or a capital asset offset with a lease liability

Regulatory basis? Do I have to implement?

GASB 87 – FY22 Implementation

For purposes of applying this Statement, a lease is defined as 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.

GASB 87 – FY22 Implementation

Definition – “a contract”

- Does the lease need to be called a “contract”?
No. “Leases include contracts that, although not explicitly identified as leases, meet the definition of a lease.” (GASBS 87, ¶6)
- Does the contract need to be written?
No. Whether written or verbal, the contract should be legally enforceable. (GASBS 87, ¶B7)

GASB 87 – FY22 Implementation

Definition – “conveys control of the right to use”

- A government should assess whether it has both of the following:
 - The right to obtain the present service capacity from use of the underlying asset
 - The right to determine the nature and manner of use of the underlying asset. (GASBS 87, ¶5)

GASB 87 – FY22 Implementation

Definition – “conveys control of the right to use”

What if you have the right to use, but so do others?

- Not a lease – The agreement doesn’t convey the right to determine the nature and manner of use if you can’t prevent others from accessing, using, or altering the asset. (Q&A 4.4)

What if you have the right to use, but only for a limited purpose?

- You may still have control of the right to use because control doesn’t have to be absolute, just as specified in the contract. (IG 2020-1, Q&A 4.6)

GASB 87 – FY22 Implementation

Definition – “for a period of time”

- What if there’s exclusive use for only three days a week?
Uninterrupted use is not required (Q&A 4.2)
- Do easements meet the definition?
Yes, if they aren’t perpetual or nonexchange (Q&A 4.5)

GASB 87 – FY22 Implementation

Exceptions

- Statement 87 does not apply to:
 - Leases of intangible assets (rights, licenses)
 - Leases of biological assets (timber, living plants, living animals)
 - Inventory
 - Service concession arrangements (Statement 60)
 - Supply contracts (power purchase agreements)

GASB 87 – FY22 Implementation

Exceptions

Short-Term Lease Exception

A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less)

GASB 87 – FY22 Implementation

Issues to focus on now!!

- Identify potential noncompliance with debt limitations and bond covenants
- Review policies and procedures for tracking and reporting leases
- Coordinate with departments that have operational knowledge of leases
 - Contract initiation
 - Lease term changes
 - Changes in estimated payment amounts

GASB 87 – FY22 Implementation

- Examples
 - Lessee
 - Lessor

Questions and Answers

We thank you for your time!

Presenters:

MODERATOR INFO:

Betsy Allen CPA – Principal, Miller, Cooper & Co. Ltd.
(847) 527-1117; ballen@millercooper.com

PANELISTS INFO:

Matt Geerdes, CPA – Advisory Senior Manager, Crowe LLP
(630) 706-2061; matt.geerdes@crowe.com

Andy Mace, CPA, CFE – Partner, Wipfli LLP
(630) 898-5578; andy.mace@wipfli.com