



**ILLINOIS COMMUNITY
COLLEGE CHIEF
FINANCIAL OFFICERS
CONFERENCE
GASB UPDATE**

April 2021



SIKICH.

MEET YOUR PRESENTER



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GASB S-95 POSTPONEMENT OF THE EFFECTIVE DATES OF CERTAIN AUTHORITATIVE GUIDANCE

- **What:**

- GASB issued Statement No. 95 in May 2020 providing governments the *option* to delay the required implementation date of certain statements and implementation guides

- **Why:**

- Statement No. 95 was issued to provide relief to governments during the pandemic based on requests by various stakeholders

- **When:**

- Effective upon issuance
- Can choose to defer all, one, some or none

EFFECTIVE DATES **AFTER STATEMENT 95**

JUNE 30: FISCAL YEAR 2020

- Statement 83 – asset retirement obligations
- Statement 88 – debt disclosures
- IG 2018-1 – Update

JUNE 30: FISCAL YEAR 2021

- Statement 84 – fiduciary activities
- Statement 90 – majority equity interests
- Statement 93 – interbank offered rates (except LIBOR removal and lease modifications)
- IG 2019-1 – update
- IG 2019-2 – fiduciary activities

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
- IG 2019-3 – leases
- IG 2020-1 – update (except 4.6–4.17 and 4.19–4.21)

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)

GASB TECHNICAL BULLETIN (TB) 2020-1 **ACCOUNTING AND FINANCIAL REPORTING ISSUES RELATED TO THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES ACT) AND CORONAVIRUS DISEASES**

- **What:**

- GASB issued TB 2020-1 in June 2020 to clarify how existing guidance applies to resources received from programs established by the CARES ACT

- **Why:**

- GASB staff received a number of questions regarding accounting and financial reporting issues related to CARES ACT funding. This TB was issued to provide guidance on how to apply existing standards to the funding.

- **When:**

- Effective immediately

GASB TB 2020-1

▪ Question 1

- Are resources received from the Coronavirus Relief Fund (CRF) subject to eligibility requirements or to purpose restrictions? When should those resources be accounted for as revenue?

▪ Response:

- CRF funds are subject to eligibility requirements as defined by the U.S. Treasury. While not “grants”, GASB S-33 would apply. Funds received should be reported as liabilities until eligibility requirements are met at which time revenue would be recognized. A receivable/revenue would be accrued when qualifying costs have been incurred if not yet reimbursed, subject to the government’s revenue recognition criteria.

GASB TB 2020-1

- **Question 2:**

- Certain CARES ACT programs provide resources to address a government's loss of revenue attributable to COVID-19. Should this be considered an eligibility requirement for purposes of revenue recognition?

- **Response:**

- Yes, revenue would be recognized in the period when all eligibility requirements are met.

GASB TB 2020-1

- **Question 3:**

- If amendments are enacted to the CARES ACT after the statement of net position date but prior to the issuance of financial statements should the government, consider those amendments as the basis for recognition in financial statement for the period reported?

- **Response:**

- No, any amendment to the CARES ACT enacted after the statement of net position date should be considered a nonrecognizable subsequent event pursuant to paragraphs 8-12 of GASB S-56.

GASB TB 2020-1

- **Question 4:**

- If a governmental entity received a forgivable loan pursuant to the Paycheck Protection Program (PPP) and the government determines that the loan will be forgiven in a subsequent period, should the government continue to report the loan as a liability at year end?

- **Response:**

- Yes, in accordance with GASB S-70, paragraph 12, the government continues to report the loan as a liability until the government is legally released from the debt.

GASB TB 2020-1

- **Question 5:**

- Should CARES ACT resources to a business-type activity or enterprise fund be reported as nonoperating revenues?

- **Response:**

- Generally, resources provided pursuant to the CARES ACT are subsidies and should be reported as non-operating revenue. Resources provided through the Provider Relief Fund's Uninsured Program constitute payment for care or treatment of uninsured individuals testing positive for COVID-19 and should be reported as operating revenues.

GASB TB 2020-1

- **Question 6:**

- Should outflows of resources incurred in response to the coronavirus disease be reported as extraordinary items or special items?

- **Response:**

- No, extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items meet the same definition but are within the control of management. Outflows for this do not meet either definition.

GASB S-84 FIDUCIARY ACTIVITIES

- **What:**
 - GASB issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements.
- **Why:**
 - Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; business-type activities are uncertain about how to report fiduciary activities.
- **When:**
 - Effective for fiscal years beginning after December 15, 2018 (FYE December 31, 2019 and thereafter for Community Colleges June 30, 2020). Optional deferral to June 30, 2021.
- **Implementation Guide:**
 - IG No. 2019-2, Fiduciary Activities was issued in June 2019 and is effective for fiscal years beginning after December 15, 2018 (FYE December 31, 2019 and thereafter) to coincide with the implementation of GASB S-84.
- **Samples:**
 - Elgin Community College, Rock Valley College, Waubensee Community College all implemented GASB S-84 as of June 30, 2020

GASB S-84 **WHEN SHOULD A GOVERNMENT REPORT ASSETS IN A FIDUCIARY FUND?**

Four paths to making this determination:

1. Component units that are post-employment benefit arrangements
2. Component units that are not post-employment benefit arrangements
3. Post-employment benefit arrangements that are not component units
4. All other activities

GASB S-84 **ALL OTHER ACTIVITIES ARE FIDUCIARY IF...**

All three of the following are met:

1. The government **controls** the assets
2. Those assets are *not* derived either:
 - Solely from the government's own-source revenues, or
 - From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants and for which the government does not have administrative or direct financial involvement
3. One of the criteria on the next slide is met

GASB S-84 **ALL OTHER ACTIVITIES (CONTINUED)**

- The assets are:
 - Administered through a trust agreement or equivalent arrangement in which the government itself is *not* a beneficiary
 - Dedicated to providing benefits to recipients in accordance with the benefit terms, and
 - Legally protected from the creditors of the government.
- The assets are for the benefit of individuals and the government does *not* have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are *not* derived from the government's provision of goods or services to those individuals.
- The assets are for the benefit of organizations or other governments that are *not* part of the financial reporting entity. In addition, the assets are *not* derived from the government's provision of goods or services to those organizations or other governments.

APPLICATION OF **GASB STATEMENT NO 84**

▪ Student Activity Funds

- An educational district collects student activity fees on each credit hour as part of tuition and fees
- These fees are used to support a variety of campus needs and activities. In addition, a certain amount of fees is distributed to the student government to be divided allocated among the student clubs for their use
- Some clubs generate their own additional revenues through fundraising activities on campus. Other clubs are financing only from the allotted student activity fees
- The educational district holds the funds in one of its demand deposit accounts
- Funds are disbursed by the student club upon approval by an academic advisor to the student club
- The student clubs are not in a trust or trust equivalent arrangement nor are the student clubs' component units

APPLICATION OF **GASB STATEMENT NO 84 (CONT)**

- Do the student activity funds meet the definition of a fiduciary activity?
 - No, the student activity fees are own source revenues to the educational district
 - The district has administrative involvement due to an academic advisor approving disbursements

GASB S-84 **STAND-ALONE BUSINESS-TYPE ACTIVITIES**

- A stand alone BTA's fiduciary activities should be reported in separate fiduciary fund financial statements
 - Similar to how a Foundation is reported
 - Two basic financial statements
 - Separate opinion unit
- Resources expected to be held 3 months or less can be reported instead in the statement of net position, with inflows and outflows reported as operating cash flows in the statement of cash flows

APPLICATION OF **GASB STATEMENT NO 84**

- What do we do with fund 10
 - Maintain fund 10 in the ERP system
 - Report full statement of net position (equity), flows into College's net position
 - Report full statement of changes in net position (revenues, expenses and changes in net position)
 - Consolidate with other sub funds of the College
 - Or reclassify activities into education fund (1) or auxiliary enterprise fund (5)
 - What will the ICCB FMM require for reporting fund 10 in the future?

GASB S-87 LEASES

- **What:**

- GASB issued S-87 to improve lease accounting and financial reporting

- **Why:**

- The existing standards had been in effect for decades without review to determine if they remain appropriate in light of GASB conceptual framework and continue to result in useful information
- FASB and IASB conducted a joint project to update their lease standards
- An opportunity to increase comparability and usefulness of information and reduce complexity for preparers

- **When:**

- Effective date is periods beginning after December 15, 2019 (December 31, 2020). Optional deferral for 18 months to June 30, 2022.

- **Implementation Guide:**

- IG No. 2019-3, *Leases* was issued in August 2019 and is effective for fiscal years beginning after December 15, 2019 (FYE December 31, 2020 and thereafter) to coincide with the implementation of GASB S-87

GASB S-87 **SCOPE AND APPROACH**

- Applied to any contract that meets the definition of a lease: “A lease is 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.”
 - The right-to-use asset is that “specified in the contract”
 - Control is manifested by (1) the right to obtain present service capacity from use of the underlying asset and (2) the right to determine the nature and manner of use of the underlying asset
- Leases are financings of the right to use an underlying asset
 - Therefore, single approach applied to accounting for leases with some exceptions, such as short-term leases

GASB S-87 **SHORT-TERM LEASES**

- At beginning of lease, *maximum possible term* under the contract is 12 months or less
- Lessees recognize expenses/expenditures based on the terms of the contract
 - Do not recognize assets or liabilities associated with the right to use the underlying asset for short-term leases
- Lessors recognize lease payments as revenue based on the payment provisions of the contract
 - Do not recognize receivables or deferred inflows associated with the lease

GASB S-87 INITIAL REPORTING

	Assets	Liability	Deferred Inflow
Lessee	Intangible lease asset (right to use underlying asset)—value of lease liability plus prepayments and initial direct costs that are ancillary to place asset in use	Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.)	NA
Lessor	<ul style="list-style-type: none"> • Lease receivable (generally includes same items as lessee’s liability) • Continue to report the leased asset 	NA	Equal to lease receivable plus any cash received up front that relates to a future period

GASB S-87 SUBSEQUENT REPORTING

	Assets	Liability	Deferred Inflow
Lessee	Amortize the intangible lease asset over shorter of useful life or lease term	Reduce by lease payments (less amount for interest expense)	NA
Lessor	<ul style="list-style-type: none"> • Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition) • Reduce receivable by lease payments (less amount needed to cover accrued interest) 	NA	Recognize revenue over the lease term in a systematic and rational manner

IMPLEMENTING GASB S-87

- Implementation
 - Apply retroactively
 - Restate if practicable, cumulative effect if not
 - Leases recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (hindsight)
 - Create a standardized approach to gather all relevant contracts that contain a lease or possible lease
 - Lessors should *not* restate the assets underlying their existing sales-type or direct financing leases
 - Any residual assets for those leases would become the carrying values of the underlying assets

GASB S-90 MAJORITY EQUITY INTERESTS

- **What:**
 - GASB issued S-90 to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component unit.
- **Why:**
 - The existing standards have conflicting guidance for accounting for a majority equity interests after the issuance of GASB Statement No. 72.
- **When:**
 - Effective date is periods beginning after December 15, 2018 (December 31, 2019 and thereafter). Optional deferral to June 30, 2021.

GASB S-90 MAJORITY EQUITY INTERESTS

- **Modifies previous guidance for reporting a majority equity interest in legally separate entity**
 - Majority equity interest is a financial interest in a legally separate entity
 - Evidenced by ownership of a majority (>50%) of the stock of the legally separate entity, or
 - Having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government
 - Evidenced by a present or future claim to a majority of the net resources of the separate entity
- **If the intent of holding the equity interest is for profit or to generate income, this meets the definition of an investment**
 - Apply GASB Statement No. 72 to account for the equity interest
 - Do not report the separate entity as a component unit

GASB S-90 MAJORITY EQUITY INTERESTS

- If the intent of holding the equity interest is not for profit or to generate income but rather to provide services, then the definition of an investment is not met.
 - The holding of the majority equity interest results in the government being financially accountable for the organization
 - The government should report the legally separate organization as a component unit
- A majority equity interest in an organization reported as a component unit also should be reported as an asset of the government that holds the equity interest, measured using the equity method in accordance with paragraphs 205–209 of Statement 62, as amended.
 - If the component unit is blended, the asset and net position associated with the equity interest held by the government or fund should be eliminated in the blending process.

GASB S-91 CONDUIT DEBT OBLIGATIONS

- **What:**
 - GASB issued S-91 are to provide a single method of reporting conduit debt obligations by issuers
- **Why:**
 - Eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures
- **When:**
 - Effective date is periods beginning after December 15, 2020 (June 30, 2022). Optional deferral to June 30, 2023

GASB STATEMENT NO. 92, *OMNIBUS*

- **What:**

- GASB issued S-92 to amend existing standards covering a variety of topics.

- **Why:**

- GASB no longer issues interpretations, instead omnibus statements are used to address issues in multiple pronouncements that, individually, would not justify the issuance of a statement.

- **When:**

- Effective dates vary by topic. Optional deferral to June 30, 2022.

GASB STATEMENT NO. 92, OMNIBUS

- **Government combinations and disposals of operations**
 - Provides an exception to the use of acquisition value in the measurement of an acquired asset retirement obligation.
- **Derivative instruments**
 - Amends NCGA and GASB pronouncements to standardize the terminology used to refer to derivative instruments
- **Application of Statement 84 to Postemployment Benefit Arrangements**
 - Limit the requirements of paragraphs 22 and 25 to defined benefit pension and OPEB plans
 - Effective for reporting periods beginning after June 15, 2021
- **Fair value measurements**
 - Amends paragraph 81 of Statement 72 to adjust the example of nonrecurring fair value measurements

GASB S-93 **REPLACEMENT OF INTERBANK OFFERED RATES**



- **What:**

- GASB issued S-93 to facilitate the transition from using IBORs in hedging derivative instruments and leases

- **Why:**

- LIBOR in its current form is expected to effectively sunset at the end of 2021

- **When:**

- LIBOR – periods ending after December 31, 2021
- Leases – periods beginning after June 15, 2021
- Remainder – periods beginning after June 15, 2020 (June 30, 2021).

Continue to apply hedge accounting to an effective hedging derivative instrument with a variable payment based on an IBOR, if all criteria are met:

Hedging derivative instrument is amended or replaced to change the reference rate of its variable payment or add/change reference rate-related fallback provisions

The new reference rate essentially equates the old rate by:

Adjusting the new rate by a coefficient or constant, limited to what is necessary to essentially equate the rates, and/or

An up-front payment, limited to what is necessary to essentially equate the rates

The original hedging derivative instrument is ended and the replacement hedging derivative instrument is entered into on the same date

Critical terms are identical, except for term changes that are necessary for reference rate replacement (see next slide)

GASB S-94, PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS AND AVAILABILITY PAYMENT ARRANGEMENTS



- **What:**

- GASB issued S-94 to provide guidance for public-private and public-public partnerships (P3s) that are not subject to Statements 60 or 87, and improvements to Statement 60.

- **Why:**

- GASB research found that some P3 transactions are outside the scope of Statement 60 and identified opportunities to improve Statement 60's guidance for service concession arrangements (SCAs).

- **When:**

- Effective for reporting periods beginning after June 15, 2022 (FYE June 30, 2023, no optional deferral).

GASB S-94 DEFINITIONS: PPPS AND APAS

- **Public-private partnerships** and **public-public partnerships (P3s)** are arrangements “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.”
- **Availability payment arrangements (APA)**
 - 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

GASB S-94 TRANSFEROR REPORTING

For all P3s, recognize:

- Receivable for installment payments to be received, if any
- Deferred inflow of resources for the assets recognized, including payments received from the operator at or before start of the P3 term

If underlying P3 asset is a new asset or an existing asset that has been improved...

- ...and the P3 is an SCA: also recognize the capital asset at acquisition value when placed into operation
- ...and the P3 is not an SCA: also recognize a receivable for the capital asset, measured at operator's estimated carrying value as of the future date of the transfer in ownership

GASB S-94 OPERATOR REPORTING

For all P3s,
recognize:

- Liability for installment payments to be received, if any

If underlying P3 asset is (a) existing asset or improvement or (b) new asset and the P3 is an SCA...

- ...also recognize an intangible right-to-use asset

If underlying P3 asset is a new asset and the P3 is not an SCA...

- Also recognize the underlying P3 asset until ownership is transferred
- And a liability for the underlying P3 asset, measured at the estimated carrying value as of the future date of the transfer

GASB S-96 **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

- **What:**

- GASB issued S-96 to provide guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs)

- **Why:**

- Lack of existing guidance
- Conflict with GASB S-87 on Leases

- **When:**

- Effective date is periods beginning after June 15, 2022 (FYE June 30, 2023, no optional deferral).

GASB S-96 **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

- Defines a subscription-based information technology arrangement (SBITA)
- Creates an intangible asset, a right to use subscription asset
 - Also creates a subscription liability
- Includes capitalization criteria for outlays other than subscription payments
- Requires note disclosure of SBITAs

GASB S-96 **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

- A subscription-based information technology arrangement (SBITA) is a
 - Contract that conveys control of the right to use another party's IT software
 - Alone or with tangible capital assets (e.g., hardware)
 - In an exchange or exchange-like transaction
- Right to use the underlying IT asset means the government can
 - Obtain the present service capacity from the use of the underlying IT asset
 - Determine the nature and manner of use of the underlying IT assets
- SBITAs exclude contracts that solely provide IT support services
- SBITAs include contracts that contain both a right to use asset and an IT support services component

GASB S-96 RECOGNITION AND MEASUREMENT

Accrual basis/economic resources

- Recognize a subscription liability and an intangible right-to-use asset at the commencement of the subscription term
- The subscription liability should be measured at the present value of subscription payments expected to be made during the subscription term. Measurement of the subscription liability should include the following, if required by a SBITA
 - Fixed payments
 - Variable payments that depend on an index or rate
 - Variable payments that are fixed in-substance
 - Any subscription contract incentives receivable from the SBITA vendor
 - Any other payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on an assessment of all relevant factors
- The liability should be discounted using the interest rate that the vendor charges the government

GASB S-97, CERTAIN COMPONENT UNIT CRITERIA, AND ACCOUNTING AND FINANCIAL REPORTING FOR INTERNAL REVENUE CODE SECTION 457 DEFERRED COMPENSATION PLANS

- **What:**

- GASB issued S-97 to change the criteria for including certain employee benefit plans as component units and improvements to Statement 32 on IRC Section 457 plans

- **Why:**

- Some 457 plans have characteristics have changed due, in part, to changes in the IRC; questions been raised about whether certain employee benefit plans should be included as component units

- **When:**

- Defined contribution exemption from definition of a financial burden is effective immediately; remainder is effective for fiscal years ending June 30, 2022 (no optional deferral)

GASB S-97

■ Component Unit Criteria

- For purposes of determining whether a primary government is financially accountable, the absence of a governing board (when the government is performing the duties a governing board normally would perform) should be treated the same as the appointment of a voting majority of a governing board, *except for defined contribution (DC) pension plans, DC OPEB plans, or other employee benefit plans*
- The criterion that a legal obligation to contribute (or otherwise assuming the obligation) is considered to be a financial burden applies only to defined benefit plans

GASB S-97

- **IRC 457 Plans**

- All requirements relevant to pension plan reporting should be applied to Section 457 plans that meet the definition of a pension plan
- All requirements relevant to pensions should be applied by employers to benefits provided through Section 457 plans that meet the definition of a pension plan
- Investments should be valued as of the end of the reporting period (allowance to use the most recent report of the plan administrator is eliminated)

GASB EXPOSURE DRAFT, FINANCIAL REPORTING MODEL IMPROVEMENTS

- The ED would require the statement of revenues, expenses and changes in net position to distinguish between operating and nonoperating revenues and expenses and subsequently report noncapital subsidies, such as appropriations followed by a subtotal that incorporates operating income (loss) and all subsidies.
 - The subtotal would be labeled “operating income (loss) and noncapital subsidies” and is designed to display financial results for all non-capital, financing, and investing activities against operating expenses of public institutions
- Operating revenue and expenses are defined as **other than nonoperating revenues and expenses**. This approach clarifies and identifies non-operating items as:
 - Subsidies received and provided
 - Revenues and expenses related to financing
 - Resources from the disposal of capital assets and inventory
 - Investment income and expenses

GASB EXPOSURE DRAFT, FINANCIAL REPORTING MODEL IMPROVEMENTS



- Subsidies are defined from the vantage point of recipients and providers. As such, subsidies are either:
 - Resources received from another party or fund to keep rates lower than otherwise would be necessary to support the level of goods and services to be provided, or
 - Resources provided to another party or fund that results in higher rates than otherwise would be established for the level of goods and services to be provided
 - State appropriations to public institutions would be subsidies because the appropriation lowers the cost of education for state residents.
 - Pell Grants would not be considered a subsidy because the grant lowers recipient students' costs rather than subsidizing the institution as a whole.
 - Pell Grants would be classified as operating revenue under the proposed guidance

QUESTIONS



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