



Office of the
Washington
State Auditor
Pat McCarthy

GASB UPDATE

June 2021

The Governmental Accounting Standards Board (GASB) establishes generally accepted accounting principles (GAAP) for U.S. state and local governments. All statements, exposure drafts and other documents for public comment are available from the GASB website, www.gasb.org, free of charge.

Here is a summary of current and upcoming accounting and financial reporting standards.

GASB Pronouncements Effective for Reporting Year 2021

- **Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period***
This statement suspends paragraphs 5-22 of GASB 62. Do not capitalize interest cost related to capital assets – expense as incurred. This statement was originally effective for the 2020 reporting year but was postponed by GASB 95.

GAAP – Formalizes that interest incurred before construction is complete for a capital asset is **not** capitalizable.

CASH – Does not apply since this is in relation to capital assets.

- **Implementation Guide 2019-1**
This guide's objective is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This guide addresses OPEB, Derivative Instruments, Nonexchange Transactions, Impairment and Insurance Recoveries, and other accounting and reporting topics. This guidance was originally effective for the 2020 reporting year, but was postponed by GASB 95.

GAAP – Most of the required changes have been implemented in BARS. Please review the new rules for storm cleanup and insurance recoveries, which can be found in the insurance recovery BARS codes.

CASH - Most of the required changes have been implemented in BARS. Please review the new rules for storm cleanup and insurance recoveries, which can be found in the insurance recovery BARS codes.

GASB Pronouncements Effective for Reporting Year 2022

- **Statement No. 87, *Leases***
This statement's scope includes definition of a lease, lease term, short-term leases, subleases, and sale-leasebacks. Guidance related to accounting and reporting for lessee and lessor. An implementation guide is available: **Implementation Guide 2019-3 - Leases**. The statement and guidance were originally effective for the 2020 reporting year but was postponed by GASB 95.

GAAP – Please see the Leases project page for accounting and reporting requirements. We will update the BARS manual in the Summer of 2022.

CASH - Please see the Leases project page for accounting and reporting requirements. We will update the BARS manual in the Summer of 2022.

- **Statement No. 91, *Conduit Debt Obligations***

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement was originally effective for the 2021 reporting year, but was postponed by GASB 95.

GAAP - Conduit debt will not be reported unless certain criteria has been met.

CASH - Conduit debt will not be reported unless certain criteria has been met.

- **Statement No. 92, *Omnibus 2020***

This statement addresses a mix of implementation issues related to leases, reinsurance recoveries, and derivative instruments (**effective immediately for reporting year 2020**). Other items effective for reporting year 2022 include intra-entity transfers of assets, postemployment benefit arrangements, government acquisitions, etc. This guidance was originally effective for the 2021 reporting year, but was postponed by GASB 95.

GAAP – Most of the required changes have been implemented in BARS.

CASH - Most of the required changes have been implemented in BARS.

- **Statement No. 93, *Replacement of Interbank Offered Rates***

This statement provides exceptions to derivatives hedge accounting termination provisions and lease modifications solely to replace an interbank offered rate (IBOR). This guidance was originally effective for the 2021 reporting year but was postponed by GASB 95.

GAAP – LIBOR has been removed from the hedging derivative section of the BARS manual.

CASH – Does not apply to cash due to only apply to hedging derivatives.

- **Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans***

This statement supersedes GASB Statement No. 32. IRC section 457 deferred compensation plans that meet the definition of a pension plan should follow the accounting and financial reporting requirements of pension plans.

GAAP – Most of the required changes have been implemented in BARS.

CASH - Most of the required changes have been implemented in BARS.

GASB Pronouncements Effective for Reporting Year 2023

- **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

This statement establishes the definition of PPP's and APA's and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions.

GAAP – Adds more situations for Service Concession Arrangements to apply and updates the accounting and reporting requirements in these areas.

CASH – Does not apply due to the fact that Service Concession Arrangements are not reported in Cash.

- **Statement No. 96, *Subscription Based Information Technology Arrangements***

This statement brings the guidance on the accounting and financial reporting for “SBITA’s” in line with that of GASB 87 - Leases.

GAAP – Adds software to the lease standard.

CASH – Adds software to the lease standard.

GAAP - *For all statements, earlier application is encouraged.*

CASH – *Implementation will be at the time of BARS prescription.*

Current GASB Exposure Drafts, Invitations to Comments, etc.

GASB recently issued several proposed new standards for public comment. These exposure drafts are not new standards yet, but they will be in the future. The Board encourages any individual or organization to provide written comments about them and instructions are included with each document. The documents can be downloaded free of charge from the GASB website. This is a good opportunity to become involved in the standard setting process.

- **Exposure Draft, *The Annual Comprehensive Financial Report***, Comments due by July 9, 2021
- **Exposure Draft, *Accounting Changes and Error Corrections***, Comments due by August 31, 2021

If you have questions about GASB standards, please contact the HelpDesk to be connected with a BARS and GASB Specialist.