



**Administrative Council
Presentation
on
GASB
April 2, 2019**

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GASB

Governmental Accounting Standards Board

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What is GASB?



What is GASB?!

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What is GASB?

Established in 1984, the Governmental Accounting Standards Board (GASB) is the independent, private-sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

The GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPAs (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.

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Several New GASB Statements

GASB 83 – Assets

GASB 84 – Agency Accounts

GASB 87 – Leases

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GASB 83

Certain Asset Retirement

Obligations

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GASB 83 – Certain Asset Retirement Obligations

Standardized requirements on the recognition and measurement for asset retirement obligations, to reduce inconsistency in financial reporting and enhance comparability.

Effective for Fiscal Year 2019

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GASB 83 – Certain Asset Retirement Obligations

- **Governments should recognize the Asset Retirement Obligations (ARO) when the liability is incurred and reasonably estimable.**
- ARO measurement is to be based on the best estimate of the current value of the outlays expected to be incurred.
- Governments should recognize a deferred outflow of resources.
- After initial measurement, governments are required to adjust the current value of their AROs for the effects of inflation or deflation annually.
- Also, annually, governments are required to evaluate all relevant factors related to an ARO and to determine if any of those factors are expected to increase or decrease the
- Governments should only re-measure an ARO when the results of this evaluation indicate a significant change in the estimated outlay.



GASB 83 – Certain Asset Retirement Obligations

Examples of Asset Retirements:

- Decommission of a nuclear reactor - Georgia Tech
- Research Vessel -Skidaway

CSU- Dental Clinic

Retirement of an x-ray machine



GASB 83 – Certain Asset Retirement Obligations

Evaluation of ARO Activity

USG Institution Name:									
Institution Contact:									
ASSET ID	ASSET DESCRIPTION	FUND	ORIGINAL COST	DATE OF INSERVICE	USEFUL LIFE	ARO REQUIREMENT	ESTIMATED COST OF DISPOSAL	DISPOSAL CALCULATION METHODOLOGY	

Asset ID

Asset Description

Fund

Original Cost

Date Placed In service

Useful Life

ARO Requirement – Legal, federal statute, federal regulation, state statute, contract, grant award, etc.

Estimated Cost of Disposal

Disposal Calculation Methodology – Actual, Estimate, Historical, etc.

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GASB Statement 84

Fiduciary Funds

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GASB 84 – Fiduciary Funds

Statement establishes criteria for identifying fiduciary activities. The focus of the criteria is on:

- whether a government controls the assets of the fiduciary activity, and
- the beneficiaries with whom a fiduciary relationship exists.

A government is considered in control of the assets if the government holds the assets or has the ability to direct the use of the assets in a manner that provides benefits to the specified or intended recipients. The assets also cannot be derived from the government's own source revenues (or from government-mandated or voluntary non-exchange transactions). In addition, with respect to the assets related to the specified or intended beneficiaries, one or more of the following characteristics must be present:

- 1) Be administered through a trust
- 2) The government itself is not the beneficiary
- 3) Dedicated to providing benefits in accordance with the benefit terms
- 4) Legally protected from the government's creditors
- 5) For the benefit of individuals and the government has no administrative or direct financial involvement with the assets

GASB 84 – Fiduciary Funds

Reporting an activity meeting the above criteria should be reported in the basic financial statements in one of the following four fiduciary funds, as applicable:

- 1) Pension (and other employee benefit) trust funds
- 2) Investment trust funds
- 3) Private-purpose trust funds
- 4) **Custodial funds**



GASB 84 – Fiduciary Funds

The use of Agency Funds has been eliminated with GASB 84 and replaced with Custodial funds.

NO MORE INSTITUTIONAL AGENCY ACCOUNTS!

Process:

Each agency fund will have to be evaluated

Funds Spent

Non-custodial activity will have to be moved to the appropriate fund

Retrospective GASB Statement

Effective for Fiscal Year 2020 – Beginning July 1, 2019

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GASB 84 – Fiduciary Funds

Examples:

Study Abroad Accounts

Fiscal Affairs Conference Account

Scholarship Fund with Trust Agreement

Scholarship Fund with no Trust Agreement

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GASB 87

Leases

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GASB 87 – Title Leases

The newly issued [GASB Statement 87](#) on leases will fundamentally change lease recognition, measurement, and related disclosures for both government lessees and lessors.

The major changes outlined in GASB 87 are:

- Leases will be classified as “short-term,” “contracts that transfer ownership,” and “all other.”
- Leases that extend beyond 12 months will have a balance sheet impact on both the lessee and lessor.
- For all leases other than non-short-term, the lessee will recognize the intangible use asset, and the lessor will continue to depreciate and account for the lease asset.
- Financial statement disclosures and schedules will be required for contracts that transfer ownership and non-short-term leases.
- There will be no disclosure requirement for short-term lease outflows.



GASB 87 – Title Leases

Short-term leases are defined as leases that have a maximum possible term of 12 months or less, including any options to extend. Leases that are month-to-month are considered short-term. Short-term leases will be accounted for similarly to operating leases, with lease payments being recorded as expense or revenue by the lessee or lessor.

Contracts that transfer ownership -If the underlying asset transfers ownership to the lessee by the end of the contract, the transaction should be reported as a financed purchase of the underlying asset by the lessee, or sale of the asset by the lessor.

All other leases

Any agreement that doesn't qualify as a short-term lease or ownership transfer contract will fall into this category, with implications for both lessees and lessors.



GASB 87 – Leases

Impact:

Effective for Fiscal Year 2020

Retrospective

Debt Ratios

State of Georgia Statutory Debt Limits

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CONCLUSION

Need for your cooperation for data collection
& use of agency funds

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