



Session 4: GASB ISSUES

GASB Updates

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GASB 68 - a
Small Revisit

GASB
68

GASB 84
Fiduciary Fund

Leases - No
Easy Way Out

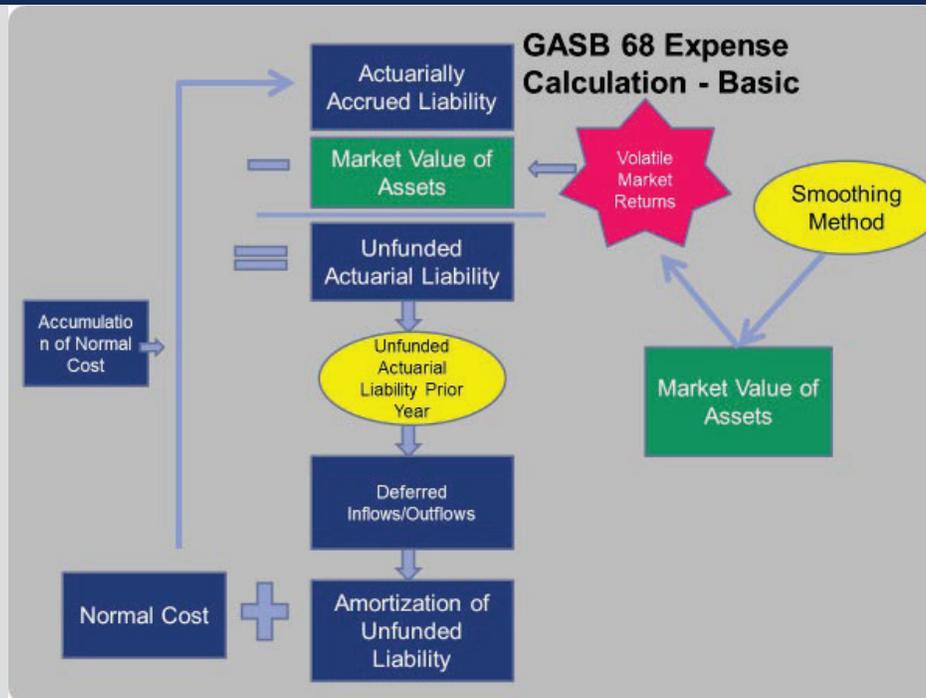
GASB
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GASB 61
Component
Units



GASB 68 Expense Calculation

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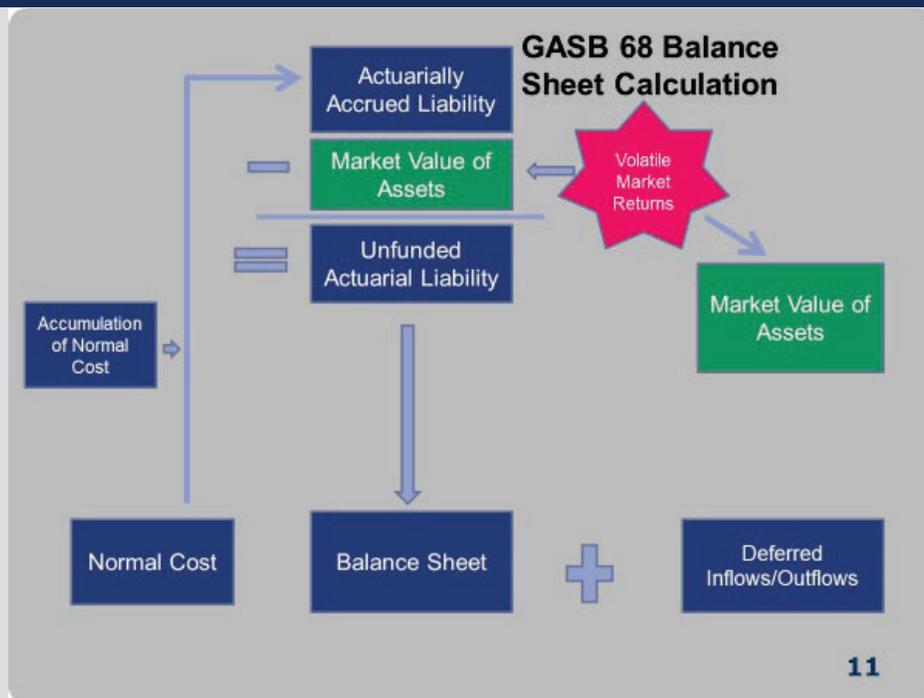


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GASB 68 – Liability Determination

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The Office of Public and Indian Housing (PIH) has reviewed the Financial Data Schedule for all public housing agencies to assess financial health. PIH conducted an analysis of the Housing Authority's fiscal year end 2018 unaudited financial data schedule submission received under Uniform Financial Reporting Standards. The analysis shows that your Housing Choice Voucher (HCV) administrative fee reserve does not have sufficient funds to address expected and/or unexpected expenses.

The financial determination was based on the following indicator:

- **HCV Administrative Fee Reserve is negative after adjusting for long-term pension and post-employment benefit obligations**

This letter was sent in December 2019 to PHAs whose equity was negative.

	Account Number	Account Name	Project Total	Business Activities/Other	Component Units	Vouchers	COCC	Total
PHA 1	2018	357.1 Pension Liability	4,884,790	-	-	-	-	4,884,790
		357.2 OPEB Liability	25,324	-	-	-	-	25,324
		357 Accrued Pension and OPEB Liabilities	4,910,114	-	-	317,828	1,131,708	6,359,650
		512.4 Unrestricted Net Position	(3,985,770)	-	38,027	(401,679)	(1,867,241)	(6,238,519)
		91500 Employee Benefit contributions - Administrative	223,734	-	-	37,753	255,845	513,059
		94500 Employee Benefit Contributions - Ordinary Maintenance	201,159	-	-	-	24,877	226,036
	2019	357.1 Pension Liability	47,768	-	-	25,465	143,304	216,537
		357.2 OPEB Liability	2,779,761	-	-	168,141	506,006	3,453,908
		357 Accrued Pension and OPEB Liabilities	2,827,529	-	-	193,606	649,310	3,670,445
		512.4 Unrestricted Net Position	(830,743)	-	62,467	(289,697)	(1,268,346)	(2,349,724)
		91500 Employee Benefit contributions - Administrative	191,298	-	-	40,627	263,708	491,339
		94500 Employee Benefit Contributions - Ordinary Maintenance	178,123	-	-	-	26,933	205,056

PHA 2

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		Account Number	Account Name	Project Total	Business Activities/Other	Component Units	Vouchers	COCC	Total
PHA 2	2018	357.1	Pension Liability	2,968,529	-	-	-	-	2,968,529
		357.2	OPEB Liability	-	-	-	-	-	-
		357	Accrued Pension and OPEB Liabilities	2,968,529	2,351,946	-	918,878	3,301,567	9,540,920
		512.4	Unrestricted Net Position	8,059,891	3,648,057	-	317,732	204,829	12,252,365
		91500	Employee Benefit contributions - Administrative	117,758	170,144	-	99,894	183,832	575,901
		94500	Employee Benefit Contributions - Ordinary Maintenance	315,232	255,597	-	-	193,833	764,662
	2019	357.1	Pension Liability	3,187,158	-	-	-	-	3,187,158
		357.2	OPEB Liability	-	-	-	-	-	-
		357	Accrued Pension and OPEB Liabilities	3,187,158	2,714,416	-	986,552	3,781,958	10,670,084
		512.4	Unrestricted Net Position	8,894,638	3,599,219	-	394,235	487,821	13,399,318
		91500	Employee Benefit contributions - Administrative	129,298	315,931	-	124,946	197,293	771,762
		94500	Employee Benefit Contributions - Ordinary Maintenance	350,064	470,187	-	-	311,716	1,131,967

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PHA 3

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		Account Number	Account Name	Project Total	Business Activities/Other	Component Units	Vouchers	COCC	Total
PHA 3	2018	357.1	Pension Liability	340,970	-	-	-	-	340,970
		357.2	OPEB Liability	142,341	-	-	-	-	142,341
		357	Accrued Pension and OPEB Liabilities	483,311	1,962	-	47,009	174,260	706,542
		512.4	Unrestricted Net Position	(241,076)	111,306	-	(38,525)	(472,863)	(641,158)
		91500	Employee Benefit contributions - Administrative	182,131	15,272	-	59,799	109,578	366,780
		94500	Employee Benefit Contributions - Ordinary Maintenance	369,865	-	-	-	-	369,865
	2019	357.1	Pension Liability	483,311	-	-	-	-	483,311
		357.2	OPEB Liability	1,877,253	-	-	-	-	1,877,253
		357	Accrued Pension and OPEB Liabilities	2,360,564	1,962	-	236,128	646,666	3,245,320
		512.4	Unrestricted Net Position	(2,133,512)	114,923	-	(227,107)	(860,969)	(3,106,665)
		91500	Employee Benefit contributions - Administrative	225,747	15,526	-	68,126	137,705	447,104
		94500	Employee Benefit Contributions - Ordinary Maintenance	304,416	-	-	-	-	304,416

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GASB 84 Fiduciary Funds

GASB 74/75 OPEB

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- Effective Dates:
 - GASB 74 - Fiscal Year End June 30, 2017
 - GASB 75 - Fiscal Year End June 30, 2018
- Similar to GASB 67/68 (Net Pension Liability if you have a Trust)
- GASB 74 is related to Plan accounting
- GASB 75 is related to PHA accounting for its share of the plan
- For plan description see GASB 68 above
- Big Difference – Are there any assets? **Are you holding Plan Assets at the PHA or a Trust?**

GASB 74 Trust or Trust Equivalent Arrangement

11

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

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GASB 74

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- *Most of GASB 74 only applies for plans administered through trusts in which contributions are irrevocable, trust assets provide OPEB to plan members, and trust assets are legally protected from creditors. If there are assets accumulated, but not through trusts meeting the above criteria, only paragraphs 58 and 59 apply. Those paragraphs indicate that any such assets should continue to be reported as assets of the employer or non-employer contributing entity.*

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- *If you have the assets in a trust fund as just described; then you would have to follow GASB 74 and report those assets and related liabilities of the OPEB as a Fiduciary Fund of the Housing Authority. (new financial statements)*
 - *Stand alone BTA's fiduciary activities should be reported in a separate fiduciary fund financial statement.*
- *Good news is the NET liability then would appear on your Housing Authority Financial Statements.*
- *If no Trust, then no Netting – Gross Asset and Gross Liability report on the Housing Authority Financial Statements*

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GASB 87 Leases

GASB's Current Position

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- Long Term Liabilities that were not being reported on statement of financial position.
- Early Implementation encouraged starts December 31, 2020
 - March 31, 2021 - June 30, 2021 - September 30, 2021

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Housing Authority Lease Type Transaction

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- Housing Assistance Payments
 - Lease is between HCV tenant and private landlord
- Public Housing Leases
 - Generally 12 month lease renewed annual (tricky)
- LIHTC Land Leases
 - Generally 99-50 year lease agreements with LIHTC Partnership
- Government Non-Profit (BCU) Facility Lease
 - Range of lease periods but with related party BCU for office space for federal programs.

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Lease Accounting

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- PHA should recognize a lease receivable and a deferred inflow of resources at start of lease
- PHA should NOT derecognize the leased asset
- Receivable measured at net present value of expected lease payments
- Deferred inflow measured at value of lease receivable, plus any payments received at or before the start of lease term that relate to prior periods.
- Revenue is recognized on the lease receivable from the deferred inflows in a systematic and rational manner over lease term
- Notes should include a description of leasing arrangements and the total amount of inflows recognized from leases.

GOT IT???

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Lease Activity and Reporting

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Lessor

- Lease Receivable
- Deferred Inflow of Resources
- Interest Income
- Lease Income (amortized of lease period)

Lessee

- Right to Use (Intangible Asset)
- Lease Liability
- Interest Expense
- Amortization of Right to Use

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GASB – Short Term Lease Loophole

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- Paragraph #16: Short-term lease is 12 months (or less)
- Max life of the lease is the noncancelable period.
- Be careful, if you keep renewing leases - Is your lease really a short-term lease?
 - Paragraph #90 Leases between related parties
 - For example, if the lease contract is structured to meet the definition of a short-term lease but the related parties have a mutual understanding that the lease contract will stay in effect for several more years, that lease should not be accounted for as a short-term lease.
- Fiscal funding/cancelation clause not taken into consideration unless reasonably certain of being exercised.

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HCV HAP Leases

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- No effect
 - Lease is between HCV tenant and private landlord, not the housing authority.

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Public Housing Leases

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- 12-month leases are regularly extended: time and time again.
- However, since these leases are cancelable, at any time by tenant, they qualify as short-term leases. Rolling month to month lease.

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Land Leases

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- Generally long term non-cancelable lease that would make Housing Authority the Lessor.
- Record Lease Receivable for the present value of the payments and corresponding Deferred Inflow of Resources.
- No effect on leased assets, don't remove or reclass the land.
- Disclosures about general terms of lease, types of assets leased by categories, amortized amounts of lease receivable, amounts of deferred inflow of resources during the period, and 5 year and each five years after amortization schedule.

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Related Party Lease with Blend Component Unit

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- Generally long-term lease that would make Housing Authority the Lessee.
- Record Right to Use for the present value of the payments and corresponding Lease Liability.
- Disclosures about general term of lease, type of assets leased by categories, amortized amounts of lease receivable, and 5 year and each five years after amortization schedule.
- Eliminations during consolidation of BCU with PG.

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Effects to the Financial Statements

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- New Assets and Liabilities accounts - Statement of Financial Position
- Amortization expenses - Statement of Revenues and Expenses
- Moves activity on Statement of Cash Flows from Operating to Financing Capital Assets.
- Disclosures about term of lease and maturities

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GASB 61 Component Unit

GASB 14/61 Impacts on Organizational Choices for Asset Repositioning



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GASB Component Unit Hierarchy

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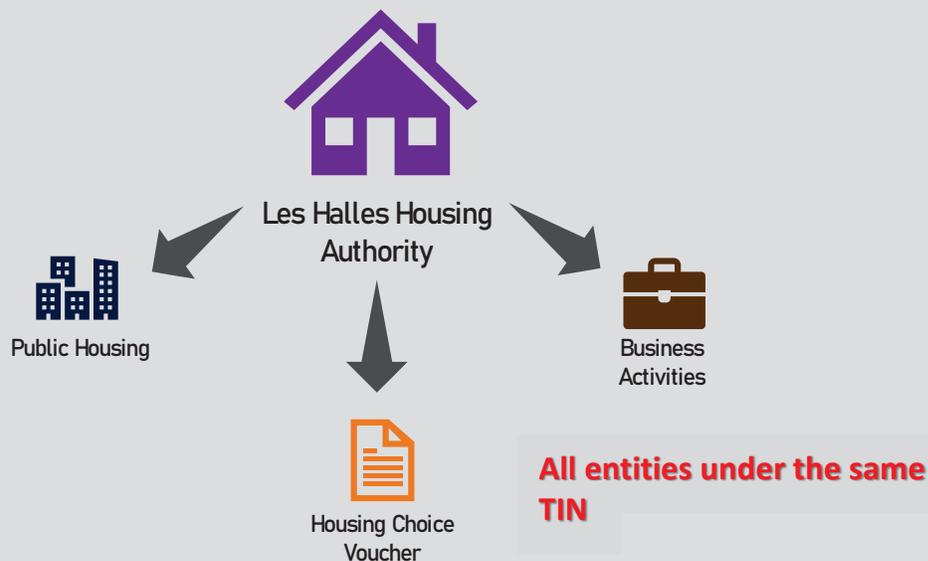
- GASB 14 – The Financial Reporting Entity
- GASB 39 – Determining Whether Certain Organizations are Component Units – An Amendment of GASB 14
- GASB 61 – The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements 14 and 34
- GASB 80 – Blending Requirements for Certain Component Units - An Amendment of GASB 14
- GASB 90 – Majority Equity Interest – An Amendment of GASB Statements 14 and 61

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Initial PHA

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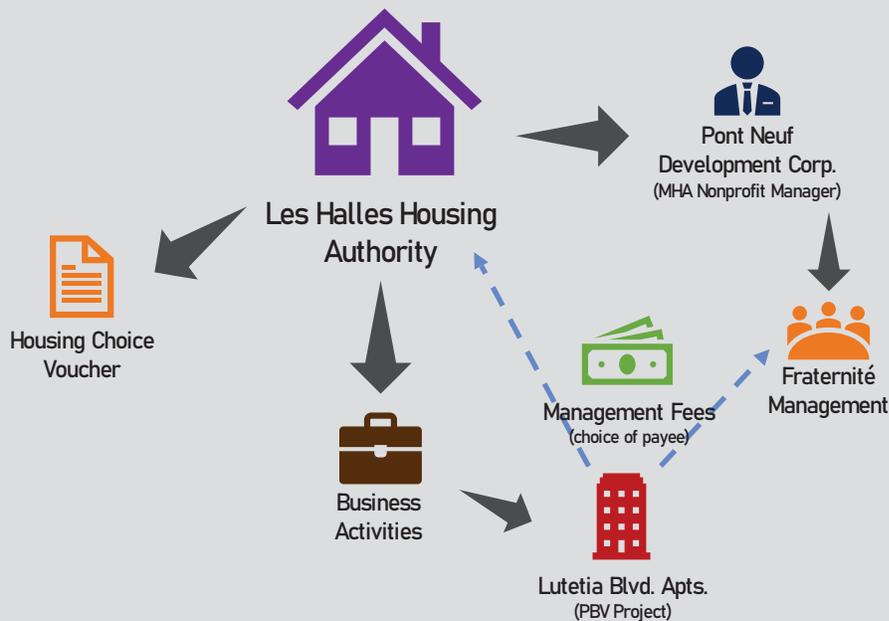


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Asset Reposition, PBV Conversion

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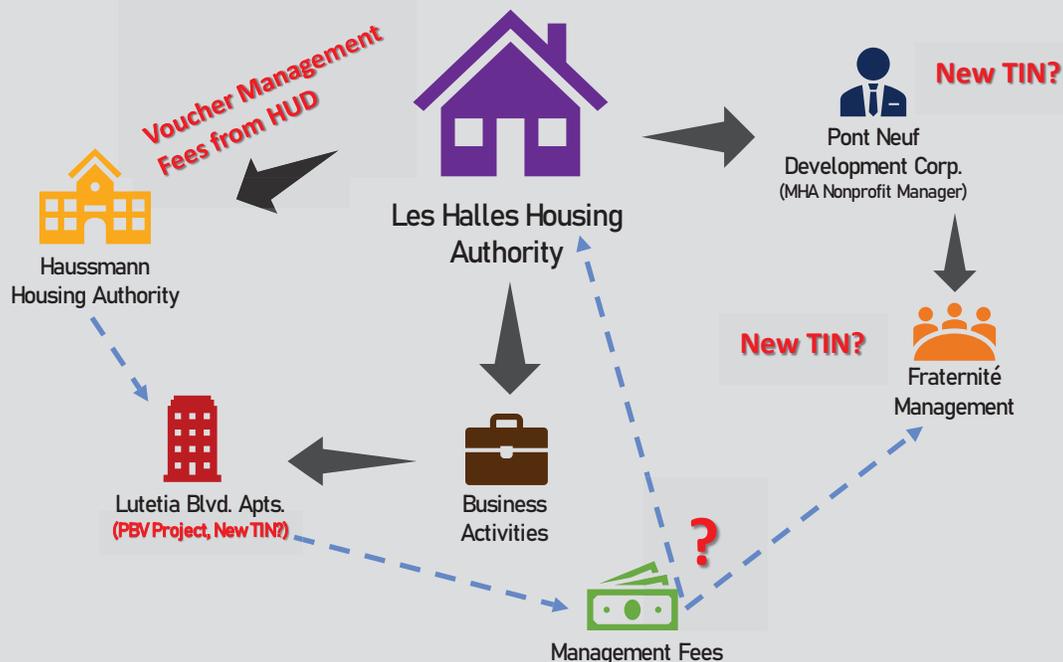


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Asset Reposition, PBV Conversion – NO HCV Program

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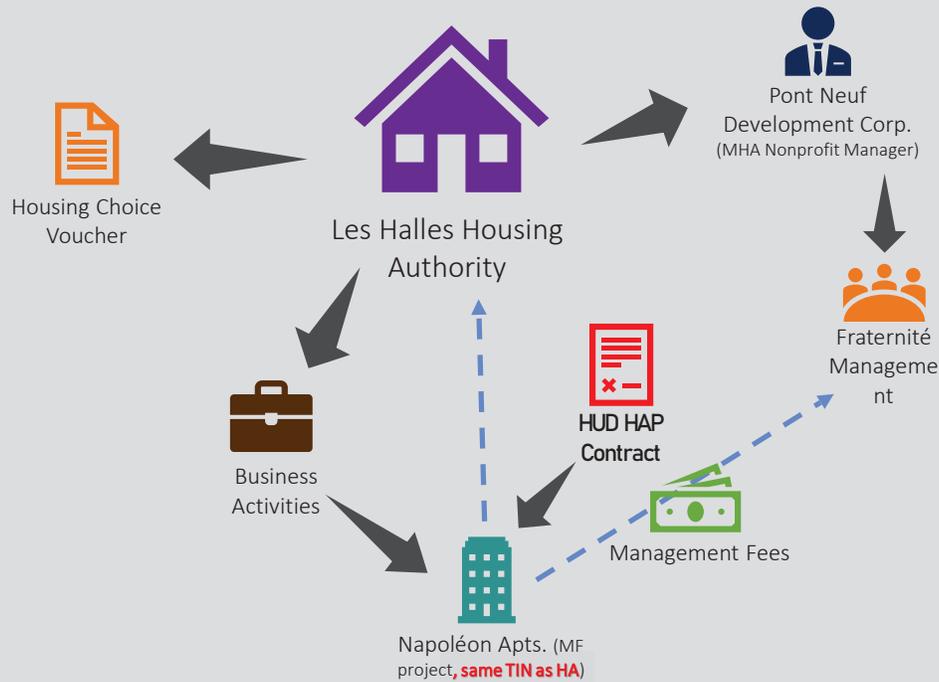


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Simple PBRA Conversion

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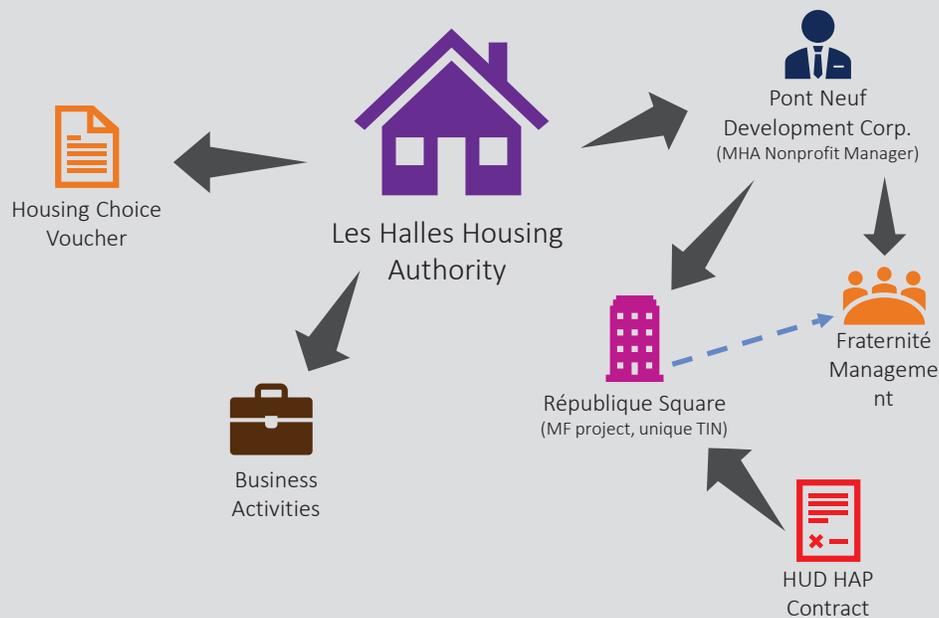


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Simple PBRA Conversion, Type 2

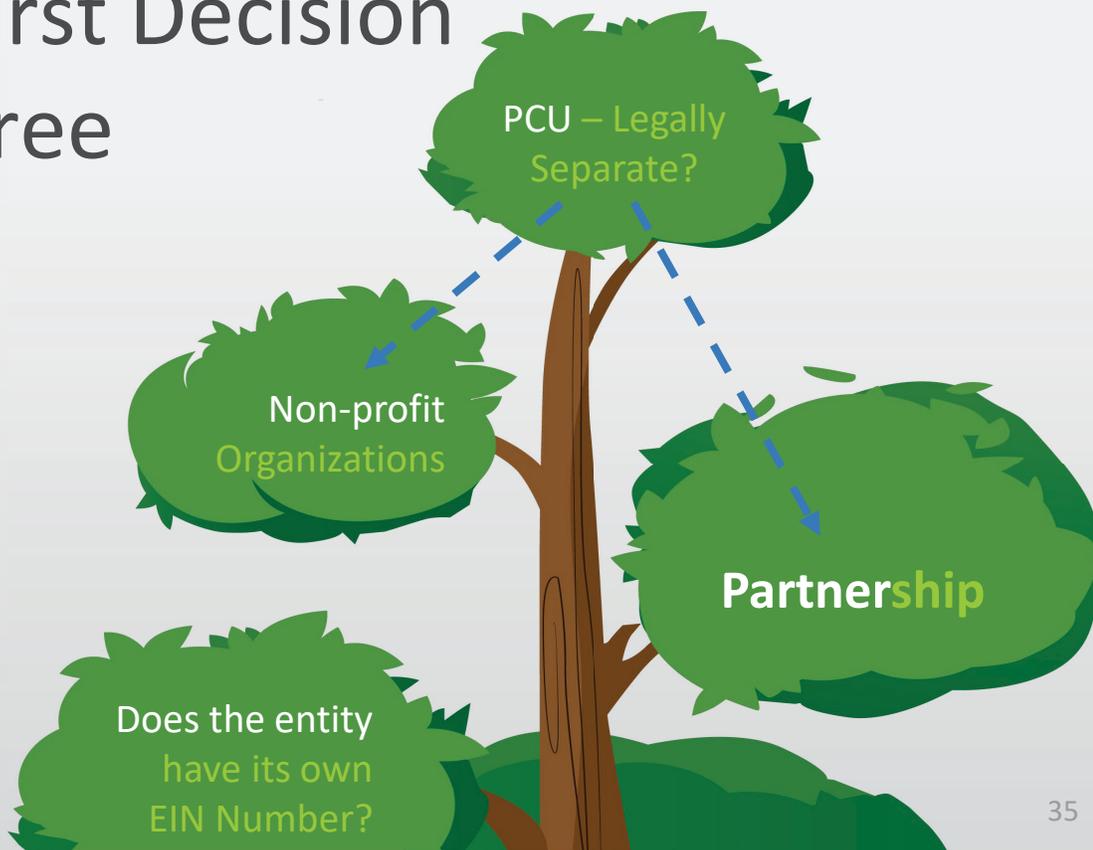
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First Decision Tree



Board of Directors

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- Does the Housing Authority appoint the majority of the Board or are the Boards identical?
 - Non-profit Organization (common)
 - PARTNERSHIP (Don't have boards)

Primary Government (HA) Is Financially Accountable If It:

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- Appoints board (NPO)
- Is able to impose its will on organization, (GP) or
- Is potentially liable for financial benefits or burden (funding and loans)

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Board Override

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- If Component Unit is fiscally dependent on PG and PG is potentially liable for financial benefits or burdens
 - Operating Loss
 - Operating Revenue

No Board Requirement

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Financial Benefit Or Burden

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- Any one of the following:
 - Primary Government (HA) can access organization resources.
 - PG is legally obligated to finance deficits or provide support to organization.
 - PG is obligated in some other manner for debt of organization.

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Management Override

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- If Criteria is met or if it would be misleading to exclude organization (n managements opinion), the entity is a Component Unit.

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Blend vs. Discrete

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- The overriding presumption of GASB is that a component unit is a discretely presented Component Unit.
- To become a “blended” Component Unit, it must meet specific requirements to move from discretely presented to blend.

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4 Tests to Be “Blended”

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1. Organization’s governing body substantively the same as PG – PG decisions cannot be overridden by organization, or
2. Provides service entirely to PG (Internal Service Fund), or
3. Component unit’s total debt outstanding is expected to be repaid by resources of PG, or
4. Wholly-owned NPO

Only Need One

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NPO Analysis of LP for GASB 61



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Legally Separate

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- Does the potential component unit (PCU) have the right to sue and be sued in its own name?
- Does the PCU have the right to buy, sell, lease, or mortgage property in its own name?
- Does the PCU have a separate EIN from the Primary Government?

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- Does the primary government appoint a voting majority of the potential component unit's governing board?
 - Do the PCU's financial decisions require more than a single voting majority and does the primary government appoint only a simple majority?
 - Is the appointment process limited to nominations?
 - Is the appointment process limited to confirming appointments made by individuals or groups other than the primary government?
 - Does the primary government have limited or no authority for continuing appointments? Does it have the authority to unilaterally abolish the governing body?
- If any of the above questions are answered "yes", the primary government **cannot** appoint a voting majority of the potential component unit's governing board.
- If any of the above questions are answered "no", the primary government **can** appoint a voting majority of the potential component unit's governing board.

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- Can the primary government impose its will on the PCUs?
 - Can the primary government remove appointed members of the PCU's governing board at will?
 - Can the primary government modify/approve the budget of the PCU?
 - Can the primary government veto, overrule, or modify the decisions of the PCU's governing body (other than above)?
 - Can the primary government appoint, hire, reassign, or dismiss persons responsible for the day-to-day operations of the PCU?
- If the answer to any of the above questions is "yes", the primary government **can** impose its will on the PCU.
- If the answer to any of the above questions is "no", the entity is a related organization to the primary government. The relationship is required to be disclosed in the notes to the basic financial statements of the primary government including the nature of accountability for the related organization.

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- Can the PCU impose a financial benefit or burden on the primary government?
 - Is the primary government legally entitled to or can it otherwise access the resources of the PCU? Could it do so even if there was no such transaction in the current period?
 - Is the primary government legally obligated to provide financial support or has it otherwise assumed the obligation to finance the deficits of the PCU?
 - Is the primary government obligated in some manner for the debt of the PCU (including any non-exchange guarantees as defined in GASB Statement No. 70, effective for periods beginning after June 15, 2013, either temporarily or in a permanent manner?)

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- Is the PCU fiscally dependent on the primary government?
 - Does the primary government have the authority to approve/modify the component unit's budget?
 - Does the primary government have the authority to approve of the levy of taxes, the rates, or charges set by the PCU?
 - Does the primary government have the authority to approve the issuance of bonded debt by the PCU?

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- Brief description of relationship of component unit to primary government.
- Discussion of rationale for including CU and whether it's a blended or discretely present.
- Finally, how a separately issued FS of CU can be obtained.
- If there is a different fiscal year end, disclose
 - Go back 11 months or forward 3 months