Philadelphia Area Municipal Analyst Society and
California Society of Municipal Analysts

GASB Update & “Ask Me Anything”

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The views expressed in this presentation are those of Mr. Mead.
Official positions of the GASB are reached only after extensive due process and deliberations.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD FAF FINANCIAL ACCOUNTING FOUNDATION

Presentation Overview

- Leases, P3s, and SBITAs
- Conduit debt
- Debt disclosures, including direct borrowings and direct placements
- Asset retirement obligations
- Ask Me Anything (GASB related, that is)

Leases, P3s, and SBITAs

Statement Nos. 87, 94, and 96

Statement 87 Scope and Approach

- Statement 87 applies 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."

- Leases are financings of the right to use an underlying asset

Single approach applied to accounting for leases with some exceptions, such as short-term leases

- Capital/operating distinction is eliminated

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Scope Exclusions

- Intangible assets (mineral rights, patents, software, copyrights), except for the sublease of an intangible right-to-use asset
- Biological assets (including timber, living plants, and living animals)
- Inventory
- Service concession arrangements (Statement 60)
- Arrangements associated with conduit debt obligations (Statement 91)
- Supply contracts (such as power purchase agreements that do not convey control of the right to use the underlying generating facility)

Lessee Reporting

	Asset	Liability
Initial	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.)
Subsequent	Amortize the intangible lease asset over shorter of useful life or lease term	Reduce by lease payments (less amount for interest expense)

Lessor Reporting

	Assets	Deferred Inflow
Initial	• Lease receivable (generally includes same items as lessee's liability) • Continue to report the leased asset	Equal to lease receivable plus any cash received up front that relates to a future period
Subsequent	• 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)	Recognize revenue over the lease term in a systematic and rational manner

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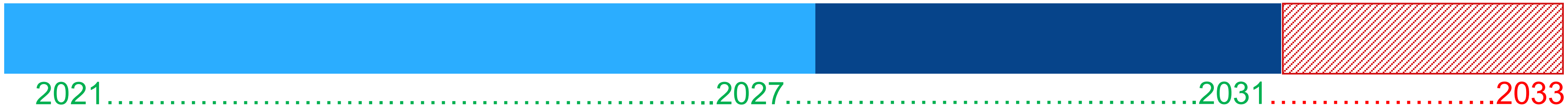
Lease Term

- For financial reporting purposes, when does the lease start and end?
  - Start with the noncancelable period



  - Plus, periods covered by options to:
    - Extend lease, if reasonably certain of being exercised
    - Terminate lease, if reasonably certain of *not* being exercised
  - Excludes cancelable periods
    - Periods for which lessee and lessor both have option to extend or terminate (such as rolling month-to-month leases)
  - Fiscal funding and cancellation clauses are ignored unless reasonably certain of being exercised

Lessee Financial Statement Examples

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Totals	Component Unit: Cosley Foundation
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 877,947	$ 108,616	$ 986,563	$ 43,940
Accrued payroll	162,887	48,212	211,099	—
Accrued interest payable	10,199	—	10,199	—
Deposits payable	—	342,498	342,498	—
Other payables	611,046	67	611,113	—
Compensated absences	148,016	41,328	189,344	—
Bonds payable - net	4,614,142	1,708,817	6,322,959	—
Leases payable	10,015	33,298	43,313	
Total current liabilities	6,434,252	2,282,836	8,717,088	43,940
NONCURRENT LIABILITIES				
Compensated absences	120,705	62,881	183,586	—
Net pension liability - IMRF	745,963	—	745,963	—
Total OPEB liability - RBP	346,121	132,659	478,780	—
Bonds payable - net	9,949,555	1,338,631	11,288,186	—
Leases payable	202,208	67,862	270,070	
Total noncurrent liabilities	11,364,552	1,602,033	12,966,585	—
Total liabilities	17,798,804	3,884,869	21,683,673	43,940

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Lessor Financial Statement Examples

ASSETS

		Governmental Activities
Assets:		
Currents assets:		
Cash and cash equivalents	$	6,349,562
Accounts receivable (net)		545,622
Leases receivable, current portion		949,054
Prepaids		405,215
Restricted cash and cash equivalents		900,396
Non-current assets:		
Leases receivable, long-term portion		1,644,029
Real estate inventory available for sale		7,998,339
Capital assets not being depreciated:		
Land, improvements, and construction in progress		7,448,702
Capital assets, net of accumulated depreciation:		
Infrastructure, net		14,309,259
Equipment, net		320,168
Lease assets, net		1,213,103
Total Assets	$	42,083,449

Deferred Inflows of Resources - Leases	3,565,416

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Short-Term Leases

Definition	At beginning of lease, *maximum possible term* under the contract is 12 months or less
Lessee accounting	• 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
Lessor accounting	• Recognize lease payments as revenue based on the payment provisions of the contract • Do not recognize receivables or deferred inflows

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General Lessee Disclosures

- General description of leasing arrangements
- Total amount of lease assets (by major classes of underlying assets), and the related accumulated amortization
- Amount of outflows of resources recognized for the period for variable payments and other payments (such as residual value guarantees or penalties) not previously included in the measurement of the lease liability
- Principal & interest requirements to maturity for each of the next 5 fiscal years and in 5-year increments thereafter
- Commitments under leases that have not yet begun (other than short-term leases)
- Components of any net impairment loss recognized on the lease asset during the period.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Lessee Disclosure Examples

- General description of leasing arrangements
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- Components of any net impairment loss recognized on the lease asset during the period.

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable capital assets				
Land	$ 18,794,809	$ —	$ —	$ 18,794,809
Construction in progress	3,791,341	90,878	3,781,410	100,809
	22,586,150	90,878	3,781,410	18,895,618
Depreciable/amortized capital assets				
Land improvements	28,872,868	2,212,242	—	31,085,110
Buildings and constructed assets	33,340,477	3,723,207	264,873	36,798,811
Machinery and equipment	5,869,648	1,110,720	217,392	6,762,976
Vehicles	1,122,723	—	—	1,122,723
Leased equipment (intangible asset)	121,964	—	—	121,964
Leased property (intangible asset)	278,459	—	—	278,459
	69,606,139	7,046,169	482,265	76,170,043
Less accumulated depreciation/amortization				
Land improvements	15,017,413	1,168,848	—	16,186,261
Buildings and constructed assets	13,394,170	905,922	187,084	14,113,008
Machinery and equipment	2,765,958	384,279	180,010	2,970,227
Vehicles	832,927	74,298	—	907,225
Leased equipment (intangible asset)	97,571	24,393	—	121,964
Leased property (intangible asset)	66,828	11,138	—	77,966
	32,174,867	2,568,878	367,094	34,376,651
Total net depreciable/amortized capital assets	37,431,272	4,477,291	115,171	41,793,392
TOTAL NET CAPITAL ASSETS	$ 60,017,422	$ 4,568,169	$ 3,896,581	$ 60,689,010

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Lessee Disclosure Examples

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- Components of any net impairment loss recognized on the lease asset during the period.

NOTE E – LEASE LIABILITIES

Kansas City Riverfront Lease from the City of Kansas City, MO
Port KC leases certain real property, fronting along the Missouri River, from Kansas City under an original lease agreement from May 1993. The original lease was superseded and replaced by the "First Amended and Restated Lease Agreement" (Riverfront Lease) in August 2006. The Riverfront Lease was superseded and replaced by the “First Amended and Restated Lease Agreement Kansas City Riverfront” (Restated Lease) in September 2011, concurrent with the City’s conveyance and transfer of title to portions of the City parcels to Port KC (Transfer), together with certain improvements. Under the Restated Lease, the parcels not part of the Transfer continue to be leased for development purposes with the expiration date of August 20, 2056. As rent, Port KC is required to set aside for use by the City fifty percent of the total gross revenue received by Port KC attributable to operations of the leased property. The City is to use the amounts set aside for capital public improvements or development or redevelopment projects within specified boundaries, primarily within the Riverfront area.

Other Leases Liabilities
Other leases include the office lease for Port KC’s office at 110 Berkley Plaza through fiscal year ending 2029 and a lease for the Xerox machine through fiscal year ending 2023.

Total Lease Liabilities Schedule

Year Ended April 30,	Lease Liability	Interest Expense	Total
2022	$ 92,665	$ 30,095	$ 122,760
2023	94,342	26,348	120,690
2024	97,473	22,527	120,000
2025	101,444	18,556	120,000
2026	105,577	14,423	120,000
2027 to 2029	303,045	16,955	320,000
	$ 794,546	$ 128,904	$ 923,450

General Lessor Disclosures

- General description of leasing arrangements
- Total amount of inflows of resources (such as lease revenue and interest revenue), if not otherwise displayed
- Amount of inflows of resources recognized for the period for variable payments and other payments (such as residual value guarantees or penalties) not previously included in the measurement of the lease receivable
- The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments
- If a lessor's principal ongoing operations consist of leasing assets to other entities: schedule of future payments for each of the next five years and in five-year increments thereafter, showing principal and interest separately

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Lessor Disclosure Examples

- General description of leasing arrangements
- Total amount of inflows of resources (such as lease revenue and interest revenue), if not otherwise displayed
- Amount of inflows of resources recognized for the period for variable payments and other payments (such as residual value guarantees or penalties) not previously included in the measurement of the lease receivable
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- If a lessor's principal ongoing operations consist of leasing assets to other entities: schedule of future payments for each of the next five years and in five-year increments thereafter, showing principal and interest separately

NOTE D – LEASE RECEIVABLE

Casino Lease

In March of 1993, Port KC entered into a development agreement (Development Agreement) with Hilton Hotels Corporation (Hilton), whereby Hilton agreed to develop certain portions of the above described property for riverboat gambling (the Casino Property). In addition Port KC, as the landlord, and Hilton, as the tenant, entered into a long-term lease agreement for the Casino Property. Port KC and Hilton entered into an amended and restated lease for the Casino Property (Casino Lease) in August 1995 (as subsequently amended in October 1995 and June 1996).

Hilton's rights and obligations under the Development Agreement and the Casino Lease were assigned to and assumed by the Isle of Capri Casino (IOC) in 2001. Port KC and IOC entered into an Amended and Restated Development Agreement in August 2005. Eldorado Resorts purchased IOC in May 2017 and assumed responsibility for the Casino Lease. Eldorado Resorts continued to operate the casino as "Isle of Capri Casino." Twin River Worldwide Holdings purchased IOC in July 2020 and renamed the site "Casino KC." Subsequent to year end, in August 2021, the casino was renamed "Bally's Casino."

The Casino Lease provided for an initial 10-year term beginning October 18, 1995, (Opening Date) plus eight 5-year renewal options for a maximum lease of 50 years. The tenant is deemed to have elected to renew the Casino Lease for a subsequent 5-year renewal term unless the tenant notifies Port KC at least 12 months in advance of the beginning of a new renewal term. Port KC and IOC are in the fifth year of the third 5-year renewal term. The next 5-year renewal term auto-renewed and will begin in October 2021.

During the initial 10-year term, the tenant was to pay a minimum net annual rent of $2,000,000 per year, in advance, on the annual anniversary of the opening date. For each renewal term, the agreement provides for an increase in the minimum net annual rent by the percentage change in the Consumer Price Index (CPI). Effective October 2016 the minimum net annual rent for the third renewal term was increased to $3,054,062. In addition to the minimum net annual rent, the tenant is required to pay percentage rent. Percentage rent is calculated by 3.25% of adjusted gross receipts less the minimum net annual rent paid in advance. During the year ended April 30, 2021 there was no percentage rent, and the total net annual rent received was $3,054,062.

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Other Disclosures, as Applicable

- Regulated leases (such as for airports)
- Subleases
- Sale-leaseback transactions
- Lease-leaseback transactions

Definition: P3

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 assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.”

Definition: APA

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

Transferor Reporting

For all P3s, recognize:	If underlying P3 asset is a new asset or an existing asset that has been improved…
• 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	• …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

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Operator Reporting

For all P3s, recognize:	If underlying P3 asset is an existing asset or improvement or a new asset and the P3 is an SCA…	If underlying P3 asset is a new asset and the P3 is not an SCA…
• Liability for installment payments to be made, if any	• …also recognize an intangible right-to-use asset	• 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

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APAs

An APA that is related to the design, finance, or construction of an infrastructure or other nonfinancial asset in which ownership of the asset transfers by the end of the contract would be reported as a financed purchase of the asset.

An APA that is related to operations would be accounted for as flows of resources (for example, expense) in the period to which the payments relate.

P3 Disclosures: Transferors

- General description of PPP arrangements, including the status of projects during the construction period, if applicable, and the basis, terms, and conditions on which any variable payments not included in the measurement of the receivable for installment payments are determined
- Nature and amounts of assets and deferred inflows of resources related to PPPs that are recognized in the financial statements
- Discount rate or rates applied to the measurement of the receivable for installment payments, if any
- Amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the receivable for installment payments, including inflows of resources related to residual value guarantees and termination penalties
- Nature and extent of rights retained by the transferor or granted to the operator under the PPP arrangements
- Guarantees and commitments, if any, including identification, duration, and significant contract terms

P3 Disclosures: Operators

- General description of PPP arrangements, including the status of projects during the construction period, if applicable, and the basis, terms, and conditions on which any variable payments not included in the measurement of the receivable for installment payments are determined
- Nature and amounts of assets, liabilities, and deferred outflows of resources related to PPPs that are recognized in the financial statements
- Discount rate or rates applied to the measurement of the liability for installment payments, if any
- Principal and interest payments to maturity for each of the next five years, and in five-year increments thereafter
- Amount of outflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the liability for installment payments
- Nature and extent of rights retained by the transferor or granted to the operator or retained by the transferor under the PPP arrangements
- Guarantees and commitments, if any, including identification, duration, and significant contract terms

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 (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction."

Scope Excludes…

Contracts that convey control of the right to use another party’s combination of IT software and tangible capital assets that meets the definition of a lease in Statement 87, in which the software component is insignificant compared to the cost of the underlying tangible capital asset

Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs

Contracts that meet the definition of a P3 in Statement 94

Licensing arrangements that provide a perpetual license to governments to use a vendor’s computer software, which are subject to Statement 51

Recognition and Measurement

A SBITA should be reported under provisions effectively the same as those for a lessee under Statement 87—recognize a subscription asset and a subscription liability (except for short-term SBITAs)

Measurement of the subscription asset should include certain capitalizable implementation costs based on stages similar to those for internally developed software in Statement 51:

- Preliminary project stage
- Initial implementation stage
- Operation and additional implementation stage

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Accounting for Activities Associated with a SBITA

Preliminary project stage	Initial implementation stage	Operation & additional implementation stage
• Outlays should be expensed as incurred	• In general, outlays should be capitalized • However, if no subscription asset is recognized (such as for a short-term SBITA), outlays should be expensed as incurred	• Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria

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SBITA Disclosures

- General description, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined
- Total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets
- Amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability
- Amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability
- Principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter
- Commitments under SBITAs before the commencement of the subscription term
- Components of any loss associated with an impairment (the impairment loss and any related change in the subscription liability)

SBITA Disclosures

- General description, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined
- Total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets
- Amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability
- Amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability
- Principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter
- Commitments under SBITAs before the commencement of the subscription term
- Components of any loss associated with an impairment (the impairment loss and any related change in the subscription liability)

SBITA - OPPD currently holds SBITA assets totaling $7,664,000 with associated accumulated amortization of $1,971,000 as of December 31, 2020 which is included in Electric Utility Plant and Accumulated Depreciation and Amortization on the Statements of Net Position, respectively. OPPD has SBITAs for software related assets with contract terms ranging from 1 to 5 years, when including applicable extensions. There were no payments recorded in the current period that were not included in the measurement of the SBITA liability, no commitments prior to the commencement of the SBITA contracts, and no SBITA impairments as of December 31, 2020.

The following table summarizes the SBITA principal and interest payments as of December 31, 2020 (in thousands).

	Principal	**Interest**	**Total**
2021	$ 1,980	$ 83	$ 2,063
2022	1,904	26	1,930
2023	291	1	292
Total	$ 4,175	$ 110	$ 4,285

The following table summarizes electric utility plant balances as of December 31, 2019, activity for 2020 and balances as of December 31, 2020 (in thousands).

	2019	**Increases**	**Decreases**	**2020**
Nondepreciable electric utility plant:				
Land and improvements	$ 41,799	$ 285	$ (52)	$ 42,032
Construction work in progress	140,526	196,985	(215,272)	122,239
Electric utility plant held for future use	2,413	-	-	2,413
Total nondepreciable electric utility plant	184,738	197,270	(215,324)	166,684
Depreciable electric utility plant:				
Generation	1,963,273	28,585	(10,293)	1,981,565
Transmission	537,062	68,800	(463)	605,399
Distribution	1,634,774	77,381	(9,951)	1,702,204
General plant	223,467	17,523	(20,071)	220,919
Intangible plant	43,676	470	(1,933)	42,213
Leases	-	154	-	154
SBITA	-	7,664	-	7,664
Total depreciable electric utility plant	4,402,252	200,577	(42,711)	4,560,118
Less accumulated depreciation and amortization	(1,989,458)	(140,196)	57,079	(2,072,575)
Depreciable electric utility plant, net	2,412,794	60,381	14,368	2,487,543
Net electric utility plant	$2,597,532	$ 257,651	$ (200,956)	$2,654,227

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Conduit Debt Obligations

Statement No. 91

Definition of Conduit Debt

1. There are at least three parties involved: the government-issuer, the third-party obligor (borrower), and the debt holder or trustee.
2. The issuer and the third-party obligor are *not* within the same financial reporting entity.
3. The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
4. The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
5. The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation.

Limited, Additional & Voluntary Commitments

Generally, issuers' commitments are **limited** to the resources provided by the third-party obligor.

Occasionally, an issuer may extend an **additional commitment** to support debt service in the event of the third-party obligor's default.

For example:
- Extending a moral obligation pledge
- Extending an appropriation pledge
- Extending a financial guarantee
- Pledging its own property, revenue, or other assets as security

Under a **voluntary commitment**, issuer voluntarily decides to make a debt service payment or request an appropriation for a payment in the event that the third-party is, or will be, unable to pay.

Recognition by the Issuer

- Do *not* recognize a conduit debt obligation as a liability
- May have a related liability arising out of an additional or voluntary commitment
- **Additional commitment**: report a liability when qualitative factors indicate it is *more likely than not* that the issuer will support debt service payments for a conduit debt obligation
- **Voluntary commitment**: if a certain event or circumstance has occurred, evaluate likelihood, then report a liability if it is *more likely than not* that the issuer will support debt service payments
- Voluntary commitments for which a liability is recognized and all additional commitments: At least annually reevaluate whether recognition criteria are met while conduit debt is outstanding

Arrangements and Capital Assets

Some conduit debt obligations include arrangements* that involve capital assets to be used by the third-party obligor but owned by the issuer.

- Capital asset is built or acquired with proceeds of the conduit debt obligation.
- Issuer retains title to the capital asset from the beginning of the arrangement.
- Payments from the third-party obligor are to cover debt service payments.
- Payment schedule of the arrangement coincides with the debt service repayment schedule.

*Often characterized as "leases"

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Arrangements and Capital Assets (continued)

Accounting by the issuer:

- Do *not* report those arrangements as leases
- Do *not* recognize a liability for the related conduit debt obligations
- Do *not* recognize a receivable for the payments related to those arrangements
- If the arrangement meets the definition of a service concession arrangement, follow Statement 60

Arrangements and Capital Assets (continued)

Does title pass to third-party obligor at end of arrangement?	What does the government report?
Yes	Nothing
No, and third party has exclusive use of *entire* capital asset	A capital asset when the arrangement ends
No, and third party has exclusive use of only *portions* of the capital asset	A capital asset at the inception of the arrangement, and a deferred inflow that subsequently is recognized as revenue over the term of the arrangement

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Disclosures by Type of Commitment

A general description of the issuer's conduit debt obligations

- Description of limited commitments
- Description of additional commitments (legal authority and limits; length; arrangements for recovering payments from third-party obligors, if any)
- Aggregate outstanding principal amount

If the issuer recognizes a related liability…

- Description of timing of recognition and measurement of the liability
- Beginning balances, increases, decreases, ending balances
- Cumulative payments that have been made
- Amounts expected to be recovered, if any, for those payments

Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

Statement No. 88

Definition of Debt for Disclosure Purposes

"A liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of payment of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established"

- For purposes of this determination, interest to be accrued and subsequently paid (such as variable-rate interest) or added to the principal amount of the obligation, such as capital appreciation bonds, would not preclude the amount to be settled from being considered fixed at the date the contractual obligation is established.
- Leases and accounts payable are excluded from the definition of debt for disclosure purposes.

Disclosure Requirements

Direct borrowings and direct placements of debt should be distinguishable from other types of debt for all disclosures

New Disclosures about *All* Types of Debt		
Amount of unused lines of credit	Assets pledged as collateral for debt	Terms specified in debt agreements related to significant: • Events of default with finance-related consequences • Termination events with finance-related consequences • Subjective acceleration clauses

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Disclosure Examples

Primary Government	City General Obligation[1]	Other bonds and notes payable[2]	Revenue[3]	Total
	2020			
				(in thousands)
Governmental activities:				
Bonds and Notes payable				
General obligation bonds	$ 38,158,665	$ —	$ —	$ 38,158,665
from Direct borrowing and direct placement	625,000	—	—	625,000
Total General obligation bonds . . .	38,783,665	—	—	38,783,665
TFA Bonds	—	40,153,780	—	40,153,780
from Direct borrowing and direct placement	—	524,800	—	524,800
TFA Bonds BARBS	—	—	8,299,815	8,299,815
Total TFA Bonds.	—	40,678,580	8,299,815	48,978,395
TSASC Bonds	—	—	1,023,185	1,023,185
IDA Bonds.	—	59,710	—	59,710
STAR Bonds	—	—	1,633,590	1,633,590
FSC Bonds.	—	—	—	—
HYIC Bonds	—	—	2,723,870	2,723,870
from Direct borrowing and direct placement	—	545	—	545
Total HYIC Bonds	—	545	2,723,870	2,724,415
ECF Bonds.	—	—	213,515	213,515
from Direct borrowing and direct placement.	—	—	—	—
Total ECF Bonds	—	—	213,515	213,515
Total before net of premium / discount. .	38,783,665	40,738,835	13,893,975	93,416,475
Net Premiums/(discounts).	2,157,123	806,820	3,012,351	5,976,294
Total bond payable.	$40,940,788	$41,545,655	$16,906,326	$99,392,769

Governmental activities	Balance June 30, 2019	Additions	Retirements	Principal Adjustments	Balance June 30, 2020	Amounts Due Within One Year
Compensated absences	$ 55,145	52,945	(43,865)		64,225	6,422
Claims payable (Note 17)	166,690	6,263	(27,552)		145,401	27,091
Net OPEB liability (Note 15)	626,675		(103,235)		523,440	
Retirement litigation settlement debt service	10,097		(1,952)		8,145	2,108
Net pension liability (Note 14)	824,298		(326,331)		497,967	
Capital leases	18,121	4,566	(3,580)		19,107	3,488
Certificates of participation-net [3]	53,831		(1,241)		52,590	1,353
Pension bonds payable	176,325		(49,720)		126,605	55,016
Notes payable-direct borrowings	614		(117)		497	122
Lease revenue bonds from direct placements	117,633		(10,173)		107,460	10,426
Lease revenue bonds	39,913		(6,471)		33,442	6,782
Add: unamortized premium	5,587		(366)		5,221	366
Lease revenue bonds, net	163,133		(17,010)		146,123	17,574
Special assessments	4,120		(270)		3,850	275
Add: unamortized premium	18		1		19	1
Special assessments, net	4,138		(269)		3,869	276
Other noncurrent liabilities	1,398		(421)	(2)	975	
Total governmental activities	$ 2,100,465	63,774	(575,293)	(2)	1,588,944	113,444
Business-type activities						
Compensated absences	$ 23,945	26,341	(21,938)		28,348	2,835
Medical liability claims payable (Note 17)	7,062		(1,985)		5,077	2,480
Net OPEB liability (Note 15)	23,399		(22,906)		493	
Net pension liability (Note 14)	313,860		(133,851)		180,009	
Notes payable-direct borrowings	715		(132)		583	137
Reserves for supplemental payments	149,864	8,711			158,575	
Landfill post closure and closure liability [1]	699				699	22
Lease revenue bonds from direct placements	48,341		(9,846)		38,495	10,067
Lease revenue bonds payable	55,938		(2,909)		53,029	3,038
Add: unamortized premium	2,124		(170)		1,954	131
Less: unamortized discounts	(714)		43		(671)	(43)
Lease revenue bonds, net	105,689		(12,882)		92,807	13,193
Total business-type activities	$ 625,233	35,052	(193,694)		466,591	18,667

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Disclosure Examples

	Oct. 1, 2019	Increase	Decrease	Sept. 30, 2020	Due within one year
Governmental activities:					
Public offering:					
Revenue bonds	$ 49,250,000	$ 0	$ 65,000	$ 49,185,000	$ 70,000
Direct placement:					
General obligation bonds	45,480,000	0	5,080,000	40,400,000	5,195,000
Revenue bonds	88,257,706	32,700,000	47,512,706	73,445,000	13,025,000
Deferred amounts:					
Discounts	(36,941)	0	(6,098)	(30,843)	0
Premiums	1,249,019	0	101,230	1,147,789	0
Total bonds payable	$ 184,199,784	$ 32,700,000	$ 52,752,838	$ 164,146,946	$ 18,290,000
HUD Section 108 (direct placement)	2,984,000	0	165,000	2,819,000	165,000
Leases payable	811,234	1,731,748	662,025	1,880,957	556,375
Accrued compensated absences	30,221,735	4,672,022	3,614,961	31,278,796	3,324,124
Net pension liability	317,379,108	105,916,312	29,897,306	393,398,114	0
OPEB liability	16,809,047	8,607,976	0	25,417,023	0
Claims and judgments	17,350,762	68,895,037	64,295,067	21,950,732	11,741,906
Governmental activities long-term liabilities	$ 569,755,670	$ 222,523,095	$ 151,387,197	$ 640,891,568	$ 34,077,405

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Disclosure Examples

Events of Default and Acceleration Clauses (2012, 2017A, and 2017B Lease Revenue Bonds)

The county is considered to be in default if the county fails to pay the principal of or interest on any lease revenue bond and such failure shall continue for three (3) business days. During the continuance of an event default by written notice to the trustee, the county, and the PFA, declare the outstanding amount of the obligations under the agreement to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue and will be considered an acceleration of the lease revenue bonds.

The county's outstanding lease revenue bonds from direct placements related to governmental activities of $107,460,000 contain a provision that in an event of default, outstanding amounts become immediately due if the county is unable to make payment.

The county's outstanding lease revenue bonds from direct placements related to business-type activities of $38,495,000 contain a provision that in an event of default, outstanding amounts become immediately due if the county is unable to make payment.

The SBPAs contain various events of default that are summarized below. Events of default, which result in the immediate termination of the SBPA, cause tendered and unremarketed bonds to pay interest to bondholders at a maximum rate specified in the underlying documents, which is typically 9% for tax-exempt bonds and 14% for taxable bonds. Other events of default under a SBPA may cause a mandatory tender to the bank providing the SBPA and result in the interest rate on the bonds held by the bank increasing to the default rate, which is typically equivalent to the lesser of 25% and the Base Rate plus a spread ranging generally from 2% to 4%, until the City takes action to cure the default. The Base Rate is typically a rate per annum equal to the highest of (i) a fixed rate generally in the vicinity of 8%; (ii) the federal funds rate plus a spread ranging generally from 0.5% to 4%; (iii) the prime rate plus a spread ranging generally from 0% to 3%; and (iv) other indices with specified spreads which may vary. Events of Default under an LOC may result in a termination of the LOC within a stated period of generally eight days and a mandatory tender of the bonds to the LOC bank. The bank then holds the bonds at the default rate, which is typically equivalent to the lesser of 25% and the Base Rate plus a range from 2% to 4.5%, until the City takes action to cure the default.

Events of default under the SBPAs or LOC Reimbursement Agreements supporting the 35 series of VRDBs are summarized below. The summaries are qualified in their entirety by references to the actual SBPAs and LOC Reimbursement Agreements, which can be found by following prompts on the New York City home page on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website (http://emma.msrb.org). Events of default can include, but are not necessarily limited to: payment defaults by the City; City failure to observe certain covenants; City representations in bond documents prove to be incorrect; bankruptcy or insolvency of the City; provisions in the City's bond documents cease to be valid and binding or the City repudiates obligations; the City declares a moratorium on payment of any of its debts; the City's long-term unenhanced bond ratings are withdrawn, suspended for credit-related reasons, or reduced below certain thresholds; or the City fails to satisfy non-appealable monetary judgements above a certain amount.

Disclosures

Schedule of Long-Term Debt Obligations, Fiscal Year 2020-21 (Continued)

Description	Balance July 1, 2020	Loans/Debt Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2021	Amounts Due within One Year
Direct Placement Obligations:						
County of Orange						
Teeter Plan Notes						
Date of Issuance: April 27, 2020						
Interest Rate: LIBOR Index rate + 50 basis points						
Original Amount: $43,439						
FY 2020-21 Principal and Interest: $49,169						
FY 2020-21 Total Pledged Revenues: $10,477						
Maturing on July 30, 2021	$ 34,661	$ 50,725	$ --	$ (47,980)	$ 37,406	$ 37,406
Subtotal-Direct Placement Obligations	34,661	50,725	--	(47,980)	37,406	37,406
Subtotal-Governmental Activities	500,199	49,956	849	(68,339)	482,665	46,871

Direct Placement Obligations

Teeter Plan Notes

On July 16, 2018, the County issued its three-year taxable Teeter Plan Notes, Series B with Wells Fargo Bank, National Association as a direct placement under the Amended and Restated Note Purchase and Reimbursement Agreement. The Teeter Plan Notes were authorized for a total amount of $100,000 and certain delinquent taxes (excluding penalties and interest) were pledged revenues for the Teeter Plan Notes. The Teeter Plan Notes were issued for $61,107 in taxable Teeter Plan Obligation Notes, Series B to refund the June 30, 2018 outstanding Teeter balance of $27,247 and finance the purchase of $33,860 for the delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance, associated with the purchase of delinquent property tax receivables, paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. In the event of default, the Purchaser may exercise any and all remedies available under the Trust Agreement or pursuant to law. There is an acceleration clause that allows the Purchaser to declare the principal and accrued interest to be due and payable immediately, in the event of default.

Certain Asset Retirement Obligations

Statement No. 83

Definitions and Scope

Asset retirement obligation

Legally enforceable liability associated with the retirement of a tangible capital asset

Retirement of a tangible capital asset

The permanent removal of a capital asset from service (such as from sale, abandonment, recycling, or disposal)

Examples

- Nuclear power plant decommissioning
- Coal ash pond closure
- Contractually required land restoration, such as removal of wind turbines
- Wastewater treatment plant renovations and closures
- Items involving radiation, such as x-ray machines

Recognition & Measurement

Initial Recognition	ARO liability when incurred and reasonably estimable. Incurrence manifested by both external and internal obligating events. Measured based on the best estimate of the current value of outlays expected to be incurred.	Deferred outflow of resources—same amount as the ARO liability
Subsequent Recognition	• At least annually, adjust for general inflation or deflation • At least annually, evaluate relevant factors to determine if there is a significant change in the estimated outlays; remeasure liability when significant	An outflow of resources (such as expense) in a systematic and rational manner over the estimated useful life of the capital asset. Immediately expense if capital asset is abandoned.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Recognition in the Financial Statements

LIABILITIES		
Current Liabilities		
Accounts payable	$	144,459
Accrued expenses (Note 1)		323,021
Unearned revenue (Note 1)		15,132
Customer deposits		662,313
Total Current Liabilities		1,144,926
Noncurrent Liabilities		
Employee leave benefits (Note 1)		187,049
Other postemployment benefits (Note 8)		1,409,327
Net pension liability (Notes 1 and 7)		685,621
Environmental remediation liability (Note 13)		612,500
Underground storage tank retirement obligation (Note 14)		253,500
Total Noncurrent Liabilities		3,147,997
TOTAL LIABILITIES		4,292,923

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Effects of Funding and Assurance

If legally required to provide funding and assurance, disclose that fact

Do not offset ARO with assets restricted for payment of the ARO

Costs to comply with funding and assurance provisions are period costs separate from the ARO expense

Disclosures

- General description of ARO and associated tangible capital assets, including source of AROs (such as federal laws or regulations, contracts, court judgments)
- Methods and assumptions used to measure ARO liabilities
- Estimated remaining useful life of tangible capital assets
- How financial assurance requirements, if any, are being met
- Amount of assets restricted for payment of ARO liabilities, if not separately displayed in financial statements
- If a government has an ARO (or portions of an ARO) that is incurred but not yet recognized because it cannot be reasonably estimated, that fact and the reasons therefor

Disclosure Examples

- General description of ARO and associated tangible capital assets, including source of AROs (such as federal laws or regulations, contracts, court judgments)
- Methods and assumptions used to measure ARO liabilities
- Estimated remaining useful life of tangible capital assets
- How financial assurance requirements, if any, are being met
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- If a government has an ARO (or portions of an ARO) that is incurred but not yet recognized because it cannot be reasonably estimated, that fact and the reasons therefor

The Port owns and operates a marina fueling facility. The fuel dispensers are supplied by 3 12,000 gallon, double-walled underground storage tanks that were installed in 1995. Washington Administrative Code (WAC) 173-360A requires owners and operators to monitor the tanks for leakage, provide insurance coverage for all leakage, submit to periodic testing of the tanks and monitoring equipment, provide training for certain staff, and to properly close the underground storage tanks when they are no longer needed.

The Port has chosen to measure the ARO based on the cost estimate for decommissioning and removing one 20,000 gallon gasoline underground storage tank prepared by DH Environmental, Inc. in October 2019, for the Port of Seattle. The estimate totaled $82,382. Multiplying by the 3 tanks the Port owns, results in a liability of roughly $250,000. This amount will be reviewed annually to account for the effects of inflation or deflation, and to consider any factors significantly affecting the estimate; such as, changes in technology, changes in legal or regulatory requirements, and changes to the type of equipment or services that may be used to decommission the underground storage tanks. In 2020, the Port increased the ARO by $3,500 to account for inflation.

GASB 83 is retroactive to the date of the internal obligating event in September 1995 and is effective over the life of the underground storage tanks. The tanks originally had a 20 year estimated life, which was reevaluated in 2019 and increased to 40 years.

Upon retirement of the underground storage tanks, the Port will fund the decommissioning out of current reserves. There are no assets restricted for the payment of this liability.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

News: GASB Is Hiring

Project manager: minimum 10 years of experience, including at least 5 in government finance or auditing, public accounting, finance or accounting academia, standards setting, or using government financial statements

Assistant project manager: 5-9 years in government finance or auditing, public accounting, finance or accounting academia, standards setting, or using government financial statements

Senior technical advisor: 15-20 years of extensive experience with the application of GASB standards

Go to www.gasb.org → Mouse over "About Us" → Click on "Careers"

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Ask Me Anything

Hopefully, I'll be able to answer…