2019 Rutgers Governmental Accounting and Auditing Update Conference

GASB Update

December 5, 2019

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

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New Process for Collecting Information about Implementation

Invitation to Participate

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Issues with the Post-Implementation Review (PIR) Process

A key activity in the PIR process is collecting information about staff hours and non-staff costs required to implement major Statements

That information is essential to weighing the costs and benefits of standards

GASB does not issue standards unless the expected benefits justify the perceived costs

But it is difficult to obtain usable data

Governments generally don't track the effort related to a particular Statement

Persons who implemented the standards may have changed jobs or retired

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New PIR Process

Recruit participants in advance of implementation

Large random sample of various types and sizes of governments

Invite other governments to volunteer (including field test participants)

Conduct teleconferences to answer questions about how to participate

Collect information from governments at three stages

Year prior to implementation

First year that the standards are first applied

Second year of applying the standards

Special recognition of governments that complete the process by the GASB

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Get More Information and Sign Up

- Two-page article explains the new process

https://bit.ly/2ZkfOke

https://bit.ly/2xhjDdS

- Volunteer to take part in the PIR for Statement 84 on fiduciary activities

- Answer the call if you are randomly selected to participate in two other PIR efforts under the former process

Statement 72 (fair value) and Statement 75 (OPEB)

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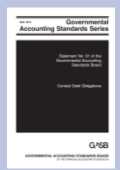
Presentation Overview



Pronouncements currently being implemented

Projects currently being deliberated by the Board

Pre-agenda research activities

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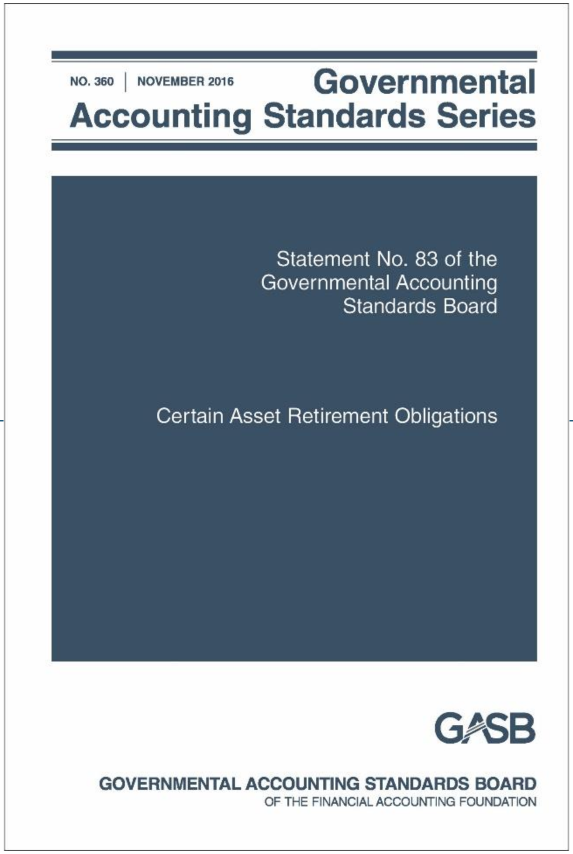
Pronouncements Currently Being Implemented

Certain Asset Retirement Obligations

Statement No. 83


NO. 360 | NOVEMBER 2016 Governmental Accounting Standards Series

Statement No. 83 of the Governmental Accounting Standards Board

Certain Asset Retirement Obligations

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Certain Asset Retirement Obligations

What?

The Board issued Statement 83 to establish accounting and financial reporting standards for legal obligations to retire certain capital assets, such as decommissioning nuclear power plants and removing sewage treatment plants

Why?

Statement 18 addressed only municipal landfills but governments have retirement obligations for other types of capital assets; diversity exists in practice

When?

Effective for periods beginning after June 15, 2018

Earlier application is encouraged

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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

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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.

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Measurement Exception for a Minority Owner of a Jointly Owned Capital Asset

Minority share (less than 50 percent) of ownership interest in an undivided interest arrangement is one of the following:

- A nongovernmental entity is the majority owner
- No majority owner, but a nongovernmental owner has the operational responsibility

Initial and Subsequent Measurement Exception

- The governmental minority owner should report its minority share of ARO using the measurement produced by the nongovernmental joint owner

The measurement date of such an ARO should be no more than one year and one day prior to the government's financial reporting date

Specific disclosure requirements in this circumstance

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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

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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

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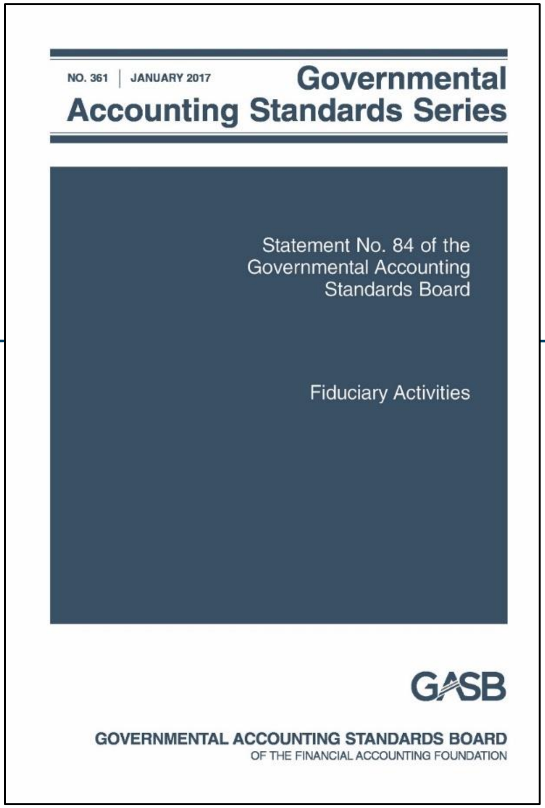
Fiduciary Activities

Statement No. 84


NO. 361 | JANUARY 2017
Governmental Accounting Standards Series

Statement No. 84 of the Governmental Accounting Standards Board

Fiduciary Activities

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Fiduciary Activities

What?

The Board 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; BTAs are uncertain about how to report fiduciary activities

When?

Effective for periods beginning after December 15, 2018

Earlier application is encouraged

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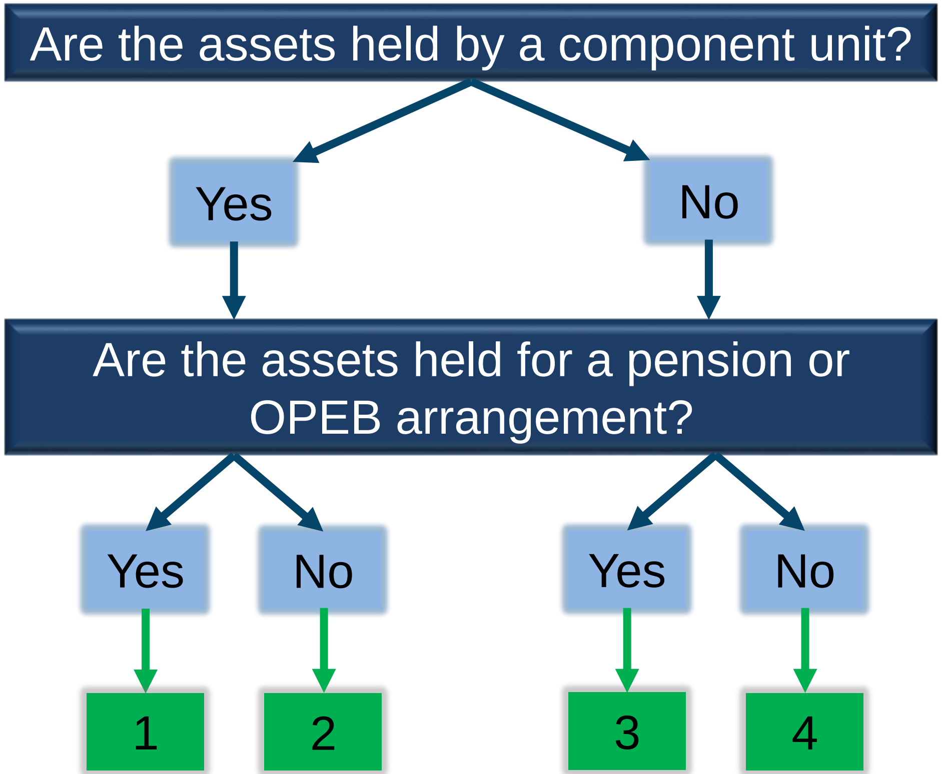
When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:



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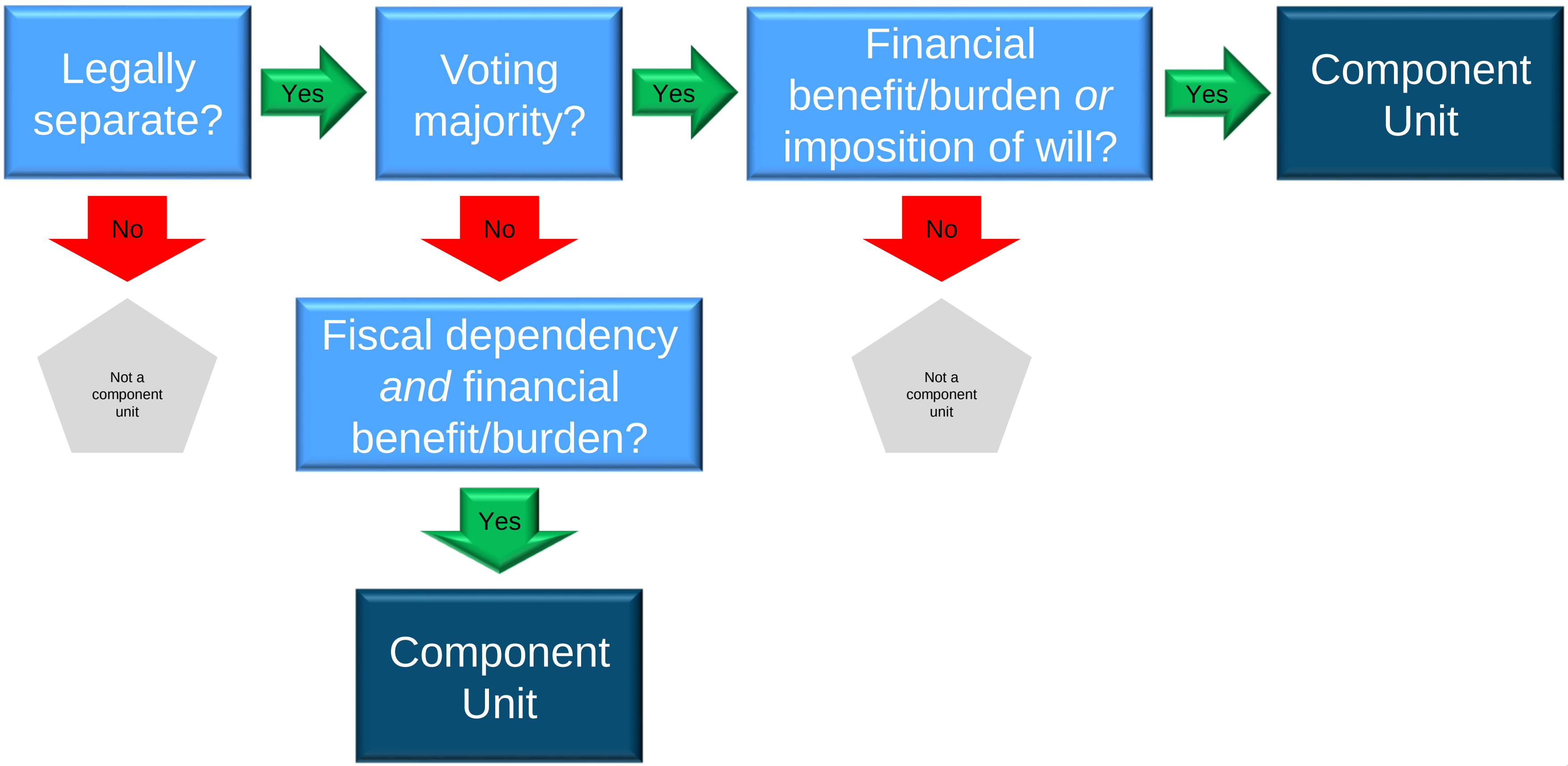
When Is There a Component Unit?



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Component Units That Are Postemployment Benefit Arrangements Are Fiduciary if…

1

They are one of the following arrangements:

- **St. 67 ¶3** Pension plan administered through a trust that meets criteria
- **St. 74 ¶3** OPEB plan administered through a trust that meets criteria
- **St. 73 ¶116** Assets from entities not part of the reporting entity accumulated for pensions
- **St. 74 ¶59** Assets from entities not part of the reporting entity accumulated for OPEB

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Other Component Units Are Fiduciary if…

They have one or more of the following characteristics:

2

- Assets are:
- Administered through a trust in which government is *not* a beneficiary
- Dedicated to providing benefits, AND
- Legally protected from the creditors of government

or

- Assets are for the benefit of individuals
- Assets are *not* derived from government's provision of goods or services to the individuals AND
- Government does *not* have administrative involvement or direct financial involvement w/ the assets

or

- Assets are for the benefit of organizations/ governments *not* part of the reporting entity AND
- Assets are *not* derived from government's provision of goods or services to them

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Postemployment Benefit Arrangements That Are Not Component Units Are Fiduciary if…

3

- Arrangement is one of those in 1 AND
- The government **controls** the assets of the arrangement
  - (control will be explained in two slides)

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All Other Activities Are Fiduciary if… 4

Arrangement meets one or more of the criteria in 2

and

The government **controls** the assets

and

Those assets are *not* derived either:

- Solely from the government's own-source revenues, or
- From grants, with the exception of pass-through grants for which the government does not have administrative or direct financial involvement

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Control of Assets

- Control means one or both of the following is true:
  - Government *holds* the assets
  - Government has ability to *direct* the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended beneficiaries

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Fiduciary Fund Classes

Pension and other employee benefit trust fund	Investment trust fund	Private-purpose trust fund	Custodial fund

Trust agreement or equivalent arrangement should be present

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Stand-Alone Business-Type Activities

A stand alone BTA’s fiduciary activities should be reported in separate fiduciary fund financial statements.

Exception: 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

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Statement of Changes in Fiduciary Net Position

All fiduciary funds should be included in the statement of changes in fiduciary net position

Additions should be disaggregated* by source and, if applicable, separately display investment earnings, investment costs, and net investment earnings

Deductions should be disaggregated* by type and, if applicable, separately display administrative costs

*Disaggregation requirement applies to all fiduciary funds *except* custodial funds held for three months or less

- For those custodial funds, governments may report total additions and total deductions in the aggregate, as long as the descriptions of the totals are sufficient to indicate the nature of the resource flows

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Implementation Guide 2019-2

52 questions and answers, including:

- Classifying fiduciary activities
- Applying the criteria for control and own-source revenues
- Applying the clarified definitions of fund classes, including determining eligibility for the custodial fund exception for BTAs
- Fiduciary fund financial statements, including the determining eligibility for the exception to disaggregating certain additions and deductions
- Reporting fiduciary component units

Revisions to 3 existing questions and answers

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Key Issues about Fiduciary Activities and Component Units

Legally Separate	Voting Majority and Financial Burden or Imposition of Will
• Questions 4.1-4.3 intended to clarify whether pension or OPEB plans (both defined benefit and defined contribution) that are administered through a trust or an equivalent arrangement are legally separate	• Statement 84, paragraph 7: A primary government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the pension plan or OPEB plan. • Statement 14, paragraph 26: The primary government has the ability to impose its will if it can significantly influence programs, projects, activities, or level of services performed or provided.

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Key Issues about Fiduciary Activities and Component Units (continued)

Statement 14, paragraph 26 (continued)

Existence of any one of the following meets the imposition of will criteria:

- Ability to remove appointed members of the organization's governing board at will
- The ability to modify or approve the budget of the organization
- The ability to modify or approve rate or fee changes affecting revenues
- The ability to veto, overrule or modify other decisions of the organization's governing body
- The ability to appoint, hire, reassign or dismiss management of the organization

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Key Issues about Fiduciary Activities and Component Units (continued)

Financial Accountability	Financial Burden
• Q4.4-Q4.6: appointment of majority of board • Q4.5: lack of board is equivalent to appointment of a majority if government performs the duties that the board normally would	• Q4.7: being legally obligated or otherwise assuming the obligation to make contributions to a pension or OPEB plan constitutes a financial burden

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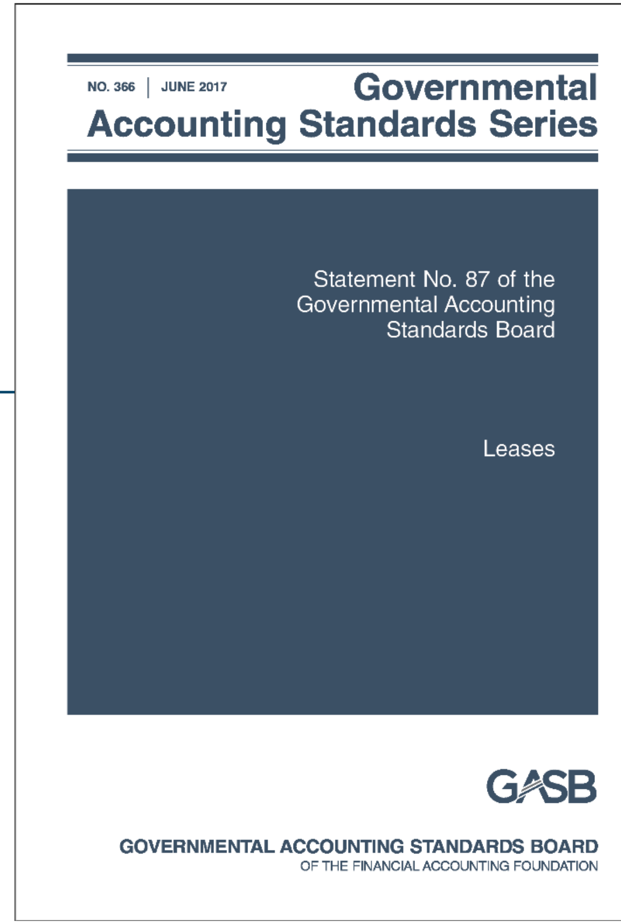
Leases

Statement No. 87


NO. 366 | JUNE 2017

Governmental Accounting Standards Series

Statement No. 87 of the Governmental Accounting Standards Board

Leases

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Leases

What?

The Board issued Statement 87 to improve lease accounting and financial reporting

Why?

Existing standards in effect for decades without review in light of GASB's conceptual framework; FASB and IASB conducted a joint project to update their lease standards; opportunity to increase comparability and usefulness of information and reduce complexity for preparers

When?

Effective for periods beginning after December 15, 2019

Earlier application is encouraged

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Issues to Focus on as Soon as Possible

Debt limits and bond covenants

- All leases lasting more than a year will be reported by lessees as long-term liabilities
- Review state and local laws and agreements to determine whether that could impact compliance with debt limitations and bond covenants

Lease policies and procedures

- May need to consider changing policies and procedures for tracking and reporting leases, both as lessee and lessor
- May need better communication between departments that enter into leases and central accounting staff
- Need procedures that identify when lease agreements have been initiated and when existing leases are modified (such as changes in lease term or estimated payment amounts)
- Should review capital asset policies, such as the capitalization thresholds, especially in light of the need to report intangible right-to-use assets

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Issues to Focus on as Soon as Possible (continued)

Transition provisions

- Statement 87 requires that leases be recognized and measured using the facts and circumstances as of the beginning of the period of implementation
- For example:
  - As of January 1, 2020 for FYE December 31, 2020
  - As of July 1, 2020 for FYE June 30, 2021

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Statement 87 Implementation Guide

Implementation Guide 2019-3: 77 questions and answers, including:	Scope and applicability issues
	Determining the term of the lease
	Eligibility for exception for short-term leases
	Recognition, measurement, and disclosure for lessees and lessors
	Lease incentives
	Contracts with multiple components and contract combinations
	Terminations and modifications
	Sale-leasebacks, lease-leasebacks, and intra-entity leases

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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)

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Lease Term

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

2021…………………………………………………..2027……………………………………….2031

  - 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

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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	• 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

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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	• 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

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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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Contracts with Multiple Components

Statement 87	Implementation Guide 2019-3

• Generally, account for lease and non-lease components as separate contracts and multiple underlying assets as separate lease components in certain circumstances (paragraphs 64 and 65)
• Allocate contract price to different components (paragraph 66)
	• One component meets scope exclusions and one does not?
	  • Separate and account for them individually (Q4.59)
	• Separate utilities and janitorial costs of building lease?
	  • Yes, if practicable to do so (Q4.60)

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Other Topics Covered by Statement 87

- Disclosures
- Contract combinations
- Lease modifications & terminations
- Lease incentives
- Subleases
- Sale-leasebacks
- Lease-leasebacks

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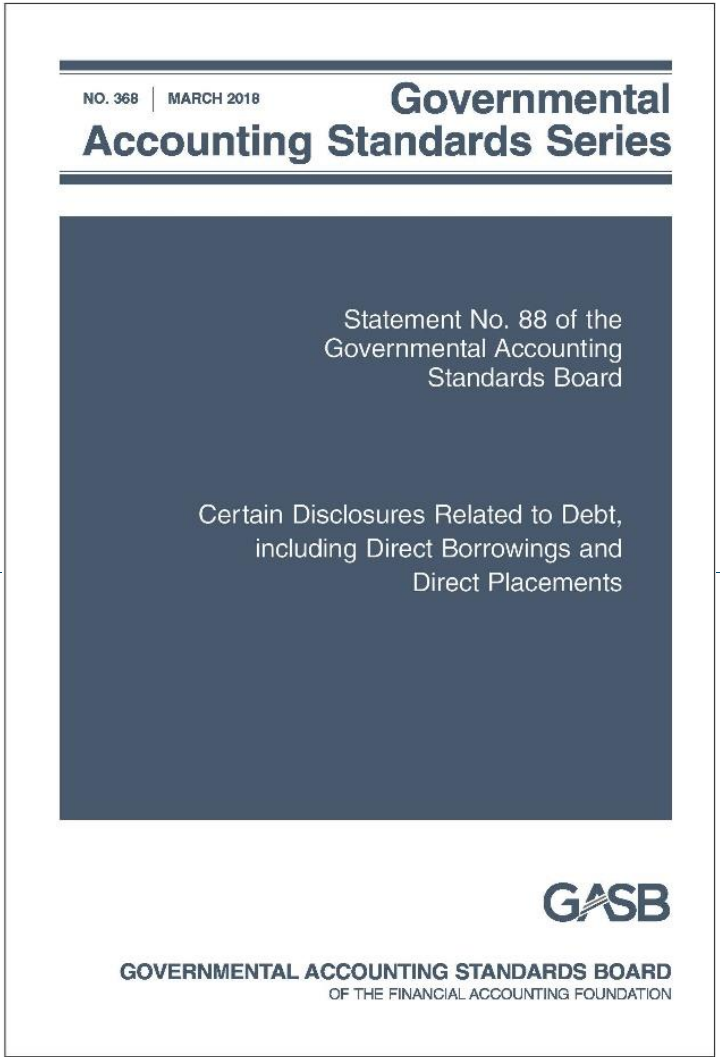
Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

Statement No. 88


NO. 368 | MARCH 2018 Governmental Accounting Standards Series

Statement No. 88 of the Governmental Accounting Standards Board

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

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Debt Disclosures

What?

The Board issued Statement 88 to improve existing standards for disclosure of debt

Why?

A review of existing standards related to disclosures of debt found that debt disclosures provide useful information, but that certain improvements could be made

When?

Effective for periods beginning after June 15, 2018

Earlier application is encouraged

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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.

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New 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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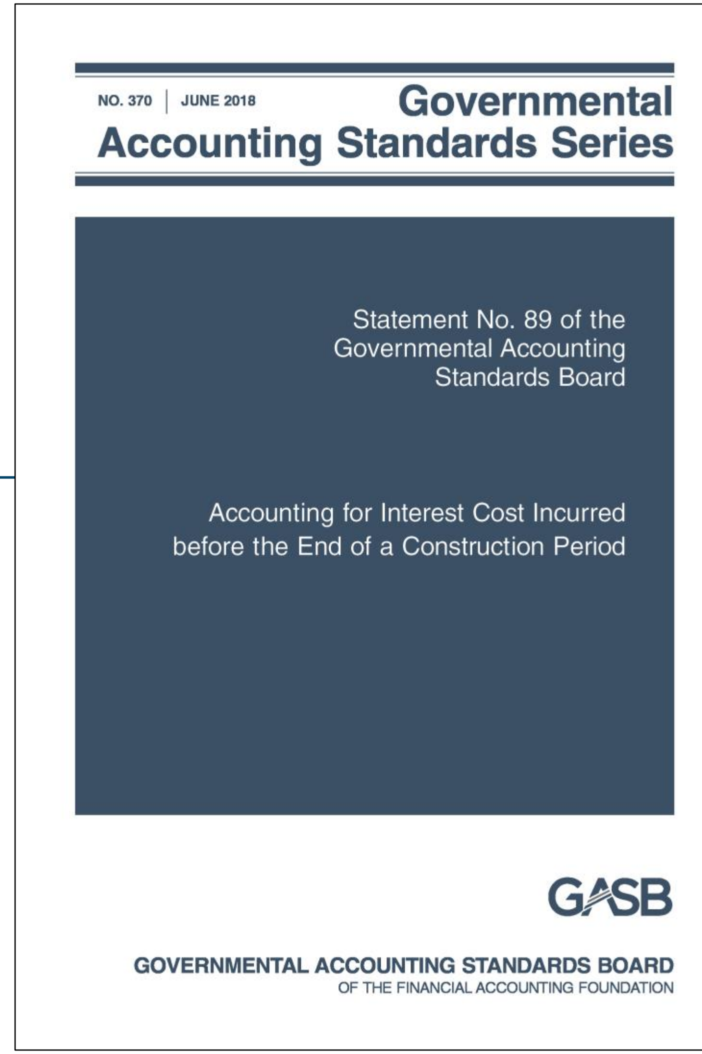
Accounting for Interest Cost Incurred before the End of a Construction Period

Statement No. 89



NO. 370 | JUNE 2018 Governmental Accounting Standards Series

Statement No. 89 of the Governmental Accounting Standards Board

Accounting for Interest Cost Incurred before the End of a Construction Period

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Interest Cost

What?

The Board issued Statement 89 to enhance the relevance of capital asset information and simplify financial reporting

Why?

Accounting guidance has been based on FASB Statements 34 and 62, which were incorporated into the GASB literature by GASB Statement 62 but were not reconsidered in light of GASB's Concepts Statements

When?

Effective for periods beginning after December 15, 2019

Earlier application is encouraged

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Recognizing Interest Cost

Financial statements prepared using the economic resources measurement focus:

- Interest cost incurred before the end of a construction period should be recognized as an expense in the period incurred.

Financial statements prepared using the current financial resources measurement focus:

- Interest cost incurred before the end of a construction period should be recognized as an expenditure consistent with governmental fund accounting principles.

Prospective application at transition

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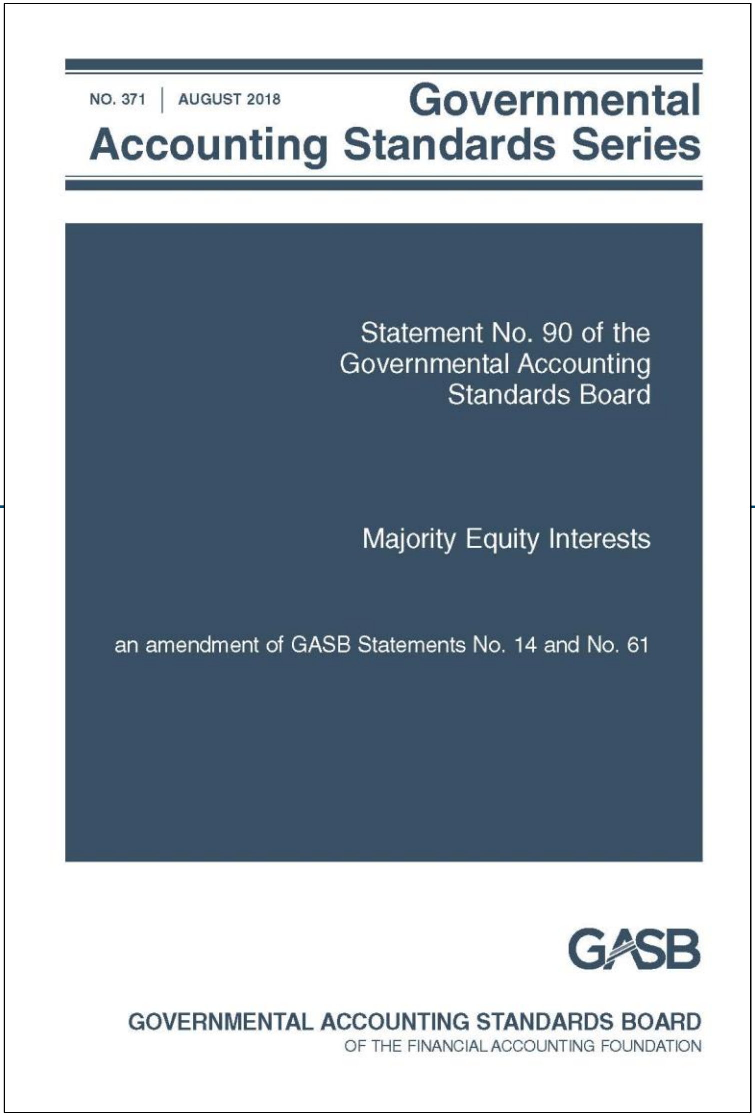
Majority Equity Interests

Statement No. 90


NO. 371 | AUGUST 2018

Governmental Accounting Standards Series

Statement No. 90 of the Governmental Accounting Standards Board

Majority Equity Interests

an amendment of GASB Statements No. 14 and No. 61

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Majority Equity Interests

What?

The Board issued Statement 90 to clarify whether a majority equity interest should be reported as an investment or as a component unit and to provide consistent measurement of elements of acquired organizations and 100% equity interests in component units

Why?

Stakeholders requested that the GASB examine diversity in practice and potential conflicts in the existing guidance

When?

Effective for periods beginning after December 15, 2018

Earlier application is encouraged

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Does the Majority Equity Interest Meet the Definition of an Investment?

YES	NO
Report as an investment	Report as a component unit
Measure the investment by applying the equity method prescribed in Statement 62, paragraphs 205–209 *Exception:* the following should apply fair value in accordance with Statement 72, paragraph 64: • Special-purpose governments engaged only in fiduciary activities • Fiduciary funds • Endowments (including permanent and term endowments) and permanent funds	Recognize an asset for the majority equity interest and measure by applying the equity method prescribed in Statement 62, paragraphs 205–209
Applied prospectively only	

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100% Equity Interest That *Does Not* Meet the Definition of an Investment

If a government acquires a 100% equity interest in a legally-separate entity that *does not* meet the definition of an investment

Component unit should remeasure assets, liabilities, and deferrals by applying acquisition value as described in Statement 69

Government holding the 100% equity interest would recognize an asset and measure by using acquisition value

These provisions would be applied prospectively only

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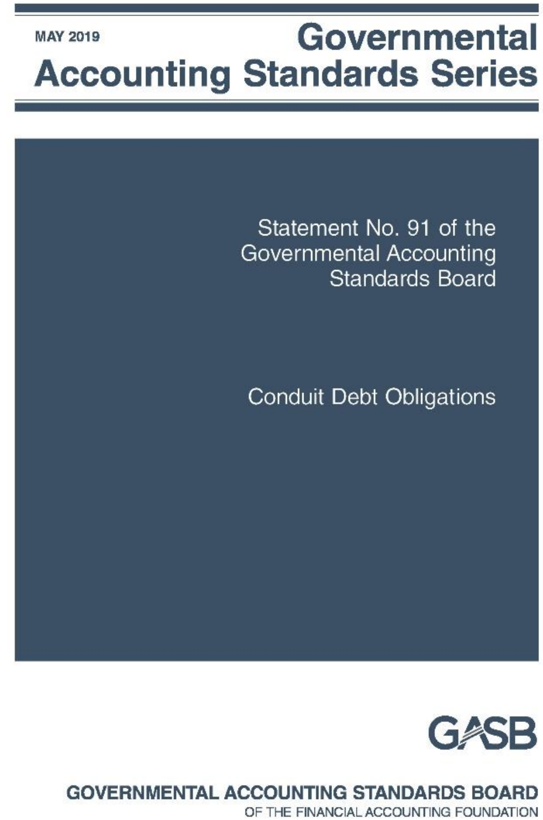
Conduit Debt Obligations

Statement No. 91


MAY 2019
Governmental Accounting Standards Series

Statement No. 91 of the Governmental Accounting Standards Board

Conduit Debt Obligations

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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Conduit Debt

What?

The Board improved the existing standards related to conduit debt obligations by providing a single reporting method for government issuers

Why?

Interpretation 2 had been in effect for 20 years before its effectiveness was evaluated; based on GASB research, improvements were needed to eliminate diversity in practice

When?

Effective for periods beginning after December 15, 2020

Earlier application is encouraged

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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.

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Limited, Additional & Voluntary Commitments Extended by Issuers

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.

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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

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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

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Arrangements and Capital Assets (continued)

Does title pass to third-party obligor at end of arrangement?	Does the issuer recognize a capital asset?	Does the issuer recognize a deferred inflow of resources?
Yes	No	No
No, and third party has exclusive use of *entire* capital asset	Yes, when the arrangement ends	No
No, and third party has exclusive use of only *portions* of the capital asset	Yes, at the inception of the arrangement	Yes, at the inception of the arrangement; deferred inflow 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

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Implementation Guidance Updates

2018-1 and 2019-1

APRIL 2019

Governmental Accounting Standards Series

Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*

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OF THE FINANCIAL ACCOUNTING FOUNDATION

NO. 369 | MAY 2018

Governmental Accounting Standards Series

Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*

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OF THE FINANCIAL ACCOUNTING FOUNDATION

Implementation Guidance Updates

What?

The GASB annually updates its Q&A implementation guidance

Why?

New guidance is added as new pronouncements are issued and new issues arise

When?

2018-1 is effective for periods beginning after June 15, 2018

2019-1 is effective for periods beginning after June 15, 2019

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Implementation Guide 2018-1

Adds new questions on standards regarding

- OPEB
- Pensions
- Regulated operations
- Statistical section
- Tax abatement disclosures

Updates existing Q&A guidance related to

- Capital assets
- Cash flows reporting
- Investment disclosures
- Net position
- Pensions
- Statistical section
- Tax abatement disclosures

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Implementation Guide 2019-1

Adds new questions on standards regarding

- Cash flows reporting
- Derivative instruments
- Fund balance
- Insurance recoveries
- Irrevocable split-interest agreements
- Intra-entity transfers of assets
- Nonexchange transactions
- Pensions and OPEB
- Tax abatement disclosures

Updates existing Q&A guidance related to

- Derivative instruments
- Financial reporting entity
- Pension and OPEB plan reporting

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Current Technical Agenda Projects

Conceptual Framework—
Notes to Financial Statements

Notes to Financial Statements

What?

The Board has added a conceptual framework project to further develop the concepts that guide standards-setting decisions regarding the information that should be disclosed in notes

Why?

The GASB reexamined existing note disclosure requirements and concluded that it was necessary to elaborate on the concept of "essential" as it relates to notes

When?

Deliberations began in October 2018

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Concepts Related to Note Disclosures

Concepts Statements guide the Board’s decisions when setting accounting and financial reporting standards

Concepts Statement 3 establishes criteria for what communication method should be used to report information – financial statements, notes to financial statements, required supplementary information, and supplementary information

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Tentative Decisions

The purpose of note disclosures is to provide information that explains, describes, or supplements the financial statements and is **essential** to users in making economic, social, and political decisions and assessing accountability.

Information that has one of the following characteristics is essential:

- Characteristic A: Evidence that the information is being utilized in users' analyses for decision making or assessing accountability.
- Characteristic B: Evidence that if the information becomes available, users would modify their analyses for decision making or assessing accountability to incorporate that information.

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Project Timeline

Pre-Agenda Research Started	April 2016
Added to Current Technical Agenda	August 2018
Deliberations Began	October 2018
Exposure Draft Expected	February 2020

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Conceptual Framework: Recognition

Preliminary Views: *Recognition of Elements of Financial Statements*

What?

The Board issued a Preliminary Views on concepts related to recognition of financial statement elements

Why?

Recognition concepts are one of the components needed to complete the conceptual framework

When?

Redeliberations and development of an Exposure Draft have commenced

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Recognition Concepts

The **measurement focus** of a specific financial statement determines *what* items should be reported as elements of that financial statement.

The related **basis of accounting** determines *when* those items should be reported.

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Proposal: Recognition Hierarchy

Follow a specific order when evaluating an item for recognition:

Does it meet the definition of an asset or liability?

Yes: Recognize asset or liability	No: go to next step

Does it meet the definition of a deferred outflow of resources or a deferred inflow of resources?

Yes: Recognize deferral	No: go to next step

Does it meet the definition of an outflow of resources or an inflow of resources?

Yes: Recognize inflow/outflow	No: Do not recognize the item

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Proposal: Recognition Framework

Two Measurement Focuses

Economic Resources	Short-Term Financial Resources
(applied in government-wide, proprietary fund, and fiduciary fund financial statements)	(would replace current financial resources in the governmental funds)

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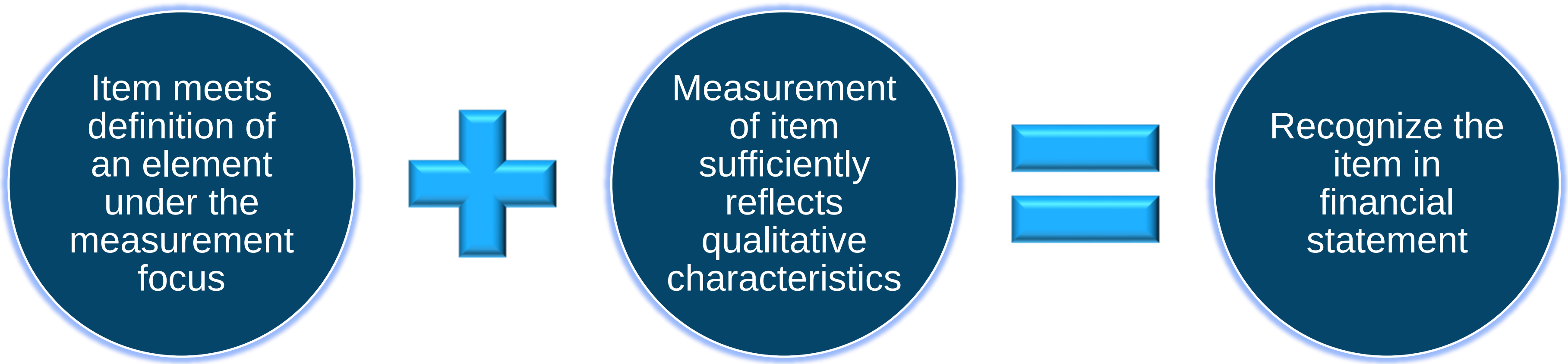
Proposal: Recognition Framework (continued)



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Project Timeline

Preliminary Views Issued	September 2018
Redeliberations Began	June 2019
Exposure Draft Expected	June 2020

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Deferred Compensation Plans

GASB Exposure Draft

June 24, 2019

Comments Due: September 27, 2019

Proposed Statement

of the Governmental Accounting Standards Board

Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement 32

This Exposure Draft of a proposed Statement of Governmental Accounting Standards is issued by the Board for public comment. Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 3-33

Governmental Accounting Standards Board

Deferred Compensation Plans

What?

The GASB proposed improvements to Statement 32 on IRC Section 457 plans, which became effective in 1999

Why?

Some plan characteristics have changed due, in part, to changes in the IRC

When?

Comment deadline was September 27, 2019

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Exposure Draft Proposals

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 would be valued as of the end of the reporting period (allowance to use the most recent report of the plan administrator would be eliminated)

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Project Timeline

Added to Current Technical Agenda	December 2018
Exposure Draft Approved	June 2019
Comment Deadline	September 27, 2019

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Exposure Draft, *Replacement of Interbank Offered Rates*

SOFR – LIBOR Replacement

What?

The Board has proposed amendments to facilitate the transition from using IBORs in derivative instruments and leases

Why?

LIBOR in its current form is expected to effectively sunset in 2021

When?

Comment deadline was November 27, 2019

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Exposure Draft Proposals

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

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

Any coefficient or constant applied to the rate is limited to what is necessary to essentially equate the replacement rate and the original rate

The original HDI is ended and the replacement HDI entered into on the same date

Terms that affect changes in fair values and cash flows in the original and replacement HDIs are **identical**, except for these term changes that may be necessary for the replacement of the reference rate:

- The frequency with which the rate of the variable payment resets
- The dates on which the rate resets
- The methodology for resetting the rate
- The dates on which periodic payments are made

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Exposure Draft Proposals (continued)

Add the Effective Federal Funds Rate and the Secured Overnight Financing Rate (SOFR) as appropriate benchmark interest rates for taxable debt when applying the consistent critical terms method for the purpose of hedge accounting

- Remove LIBOR as an appropriate benchmark interest rate for taxable debt when applying the consistent critical terms method
- Clarify the definition of *reference rate,* as it is used in Statement 53
- Clarify that replacing an IBOR as the reference rate of the *hedged item* would not terminate hedge accounting
- Clarify that uncertainty related to the continued availability of IBORs would not, by itself, affect the assessment of whether a hedged expected transaction is probable
- Provide an exception to the lease modifications guidance in Statement 87 for certain lease contracts that are amended to replace an IBOR upon which variable payments depend

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Project Timeline

Added to Current Technical Agenda	December 2018
Deliberations Began	April 2019
Exposure Draft Approved	September 2019
Comment Deadline	November 27, 2019

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Financial Reporting Model Reexamination

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Preliminary Views: *Financial Reporting Model Improvements*

What?

In September 2018, the Board proposed improvements to the financial reporting model—Statements 34, 35, 37, 41, and 46, and Interpretation 6

Why?

A review of those standards found that they generally were effective, but that there were aspects that could be significantly improved

When?

Redeliberations and development of an Exposure Draft have commenced

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Tentative Decisions: Key Factors in Recognition

Key Recognition Factors
Recognition Terms The applicable payment terms of the transaction or other event that are used in recognition
Recognition Method How transactions will be recognized; begins with determining whether a transaction or other event is short term or long term
Recognition Period Period associated with the recognized assets and liabilities

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Short-Term Financial Resources Measurement Focus

Recognition Terms

- *Contractual terms* – the specific applicable contractual terms (or statutory terms) of the transaction or other event
  - Estimated payments when there are no contractual or statutory terms

Recognition Method

- Items arising from *short-term* transactions or other events – recognize *when incurred*
- Items arising from *long-term* transactions or other events – recognize *when due*
  - The date at which payment is scheduled to be made (if not scheduled, expected) in accordance with the recognition terms

Recognition Period

Will be converted to or generate cash (or other financial assets) or require the use of cash (or other financial assets) *within one year* from the inception of the transaction or other event

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Proposal: Presentation of Governmental Funds

Financial statements presented in ***current and noncurrent activity*** format

Current activity— all other

Noncurrent activity— related to purchase and disposition of capital assets and issuance and repayment of long-term debt

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Statement of Short-Term Financial Resource Flows

Current and Noncurrent Activity Format

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
INFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES				
Taxes:				
Property tax	$ 20,322,167	$ 5,311,156	$ 2,015,047	$ 27,648,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Special assessments	-	-	41,500	41,500
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,192,493	20,787,512
Investment earnings	5,829	11,384	119,043	136,256
Transfers in	500,000	-	155,204	655,204
Miscellaneous	4,216,940	654,482	771,287	5,642,709
Total inflows of short-term financial resources for current activities	106,760,279	5,977,022	19,516,177	132,253,478
OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES				
General government	14,053,444	6,961,201	2,213,691	23,228,336
Public health and safety	70,880,913	-	590,383	71,471,296
Highway and streets	12,137,714	-	4,715,808	16,853,522
Culture and recreation	3,581,583	335,659	1,808,065	5,725,307
Economic development	496,141	-	3,374,045	3,870,186
Transfers out	155,204	-	500,000	655,204
Total outflows of short-term financial resources for current activities	101,304,999	7,296,860	13,201,992	121,803,851
Net flows of short-term financial resources for current activities	5,455,280	(1,319,838)	6,314,185	10,449,627
NET FLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR NONCURRENT ACTIVITIES				
Transfers in	-	-	10,651,605	10,651,605
Debt service	(2,434,544)	(366,412)	(9,198,505)	(11,999,461)
Capital outlay	(111,987)	(1,515)	(1,346,497)	(1,459,999)
Transfers out	(7,680,875)	(6,445)	(2,420,900)	(10,108,220)
Net flows of short-term financial resources for noncurrent activities	(10,227,406)	(374,372)	(2,314,297)	(12,916,075)
Net change in short-term financial resources fund balances	(4,772,126)	(1,694,210)	3,999,888	(2,466,448)
Short-term financial resources fund balances at beginning of year	9,319,621	9,776,474	27,892,592	46,988,687
Short-term financial resources fund balances at end of year	$ 4,547,495	$ 8,082,264	$ 31,892,480	$ 44,522,239

Proposals: Proprietary Funds

Separate presentation of operating and nonoperating revenues and expenses

Operating	• Activities other than nonoperating activities
Nonoperating	• Subsidies received and provided • Revenues and expenses of financing • Resources from the disposal of capital assets and inventory • Investment income and expenses

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Proposals: Proprietary Funds (continued)

Add a new subtotal for *operating income (loss) and noncapital subsidies*

Subsidies are:

- 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
- 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

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		2016		2015
Operating revenues:				
Tuition and fees (net of discounts)	$	574,168	$	525,791
Grants and contracts		292,962		278,481
Sales and services		271,345		272,244
Other operating revenues		7,868		14,861
Total operating revenues		1,146,343		1,091,377
Operating expenses:				
[Natural or functional expenses]				
Total operating expenses		1,681,544		1,596,059
Income (loss) generated by operations		(535,201)		(504,682)
Noncapital subsidies:				
Appropriations		407,702		394,767
Taxes		8,026		7,660
Grants		42,978		37,567
Gifts		99,395		90,063
Total noncapital subsidies		558,101		530,057
Operating income (loss) and noncapital subsidies		22,900		25,375
Financing and investing activities:				
Investment income		235,820		138,649
Interest expense		(12,412)		(12,853)
Loss from the disposition of capital assets		(2,385)		518
Total financing and investing activities		221,023		126,314
Income before other items		243,923		151,689
Other items:				
Capital contributions		23,231		74,830
Increase (decrease) in net position		267,154		226,519
Net position—beginning		3,061,111		2,834,592
Net position—ending	$	3,328,265	$	3,061,111

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Tentative decisions: Management's discussion and analysis

Users of MD&A "have different levels of knowledge and sophistication about governmental accounting and finance," "may not have a detailed knowledge of accounting principles" (as in Concepts Statement 1, paragraph 63)

Move budgetary analysis and discussion of infrastructure assets (if applicable) to the relevant parts of RSI

Add clarification and structure to the requirement for brief discussion of the basic financial statements, including their relationships and significant differences

Emphasize the level of thoroughness required for the analysis of year-to-year changes and the need to avoid unnecessary duplication

Amend the requirements for currently known facts, decisions, or conditions with examples, such as economic trends; subsequent year's budget; actions government has taken on postemployment benefits, capital improvement plans, and long-term debt; actions other parties have taken that affect the government

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Other Proposals

Budgetary comparisons

- Would be presented as required supplementary information (no option for basic statements)
- Required variances would be final-budget-to-actual and original-budget-to-final-budget

Major component unit presentations

- If it is not feasible to present major component unit financial statements in separate columns in the reporting entity's financial statements, the financial statements of the major component units would be presented in the reporting entity's basic financial statements as combining financial statements

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Other Tentative Proposals for the Exposure Draft

Debt Service Funds	Special and Extraordinary Items
• Reporting requirements would not be changed to provide additional information because the expected benefits do not justify the perceived costs of providing and auditing the information	• Requirement to separately present them would be replaced with a requirement to separately present inflows and outflows of resources that are unusual in nature and/or infrequent in occurrence • Disclose additional information about those inflows and outflows, including the programs, functions, or identifiable activities to which they are related and whether they are within the control of management

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Project Timeline

Pre-Agenda Research Started	April 2013
Added to Current Technical Agenda	September 2015
Invitation to Comment Issued	December 2016
Preliminary Views Issued	September 2018
Redeliberations Began	April 2019
Exposure Draft Expected	June 2020

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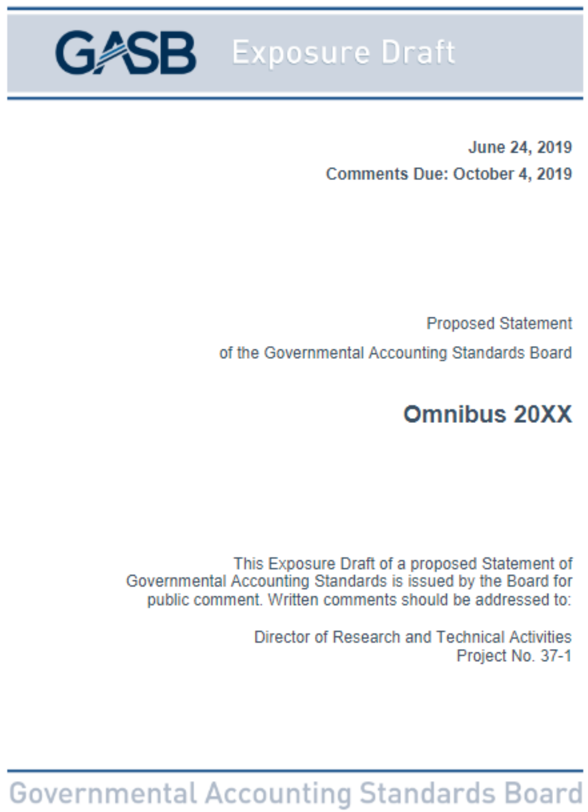
Omnibus


GASB Exposure Draft

June 24, 2019
Comments Due: October 4, 2019

Proposed Statement
of the Governmental Accounting Standards Board

Omnibus 20XX

This Exposure Draft of a proposed Statement of Governmental Accounting Standards is issued by the Board for public comment. Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 37-1

Governmental Accounting Standards Board

Omnibus Exposure Draft

What?

The Board proposed amendments to existing standards covering multiple topics

Why?

Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project

When?

Comment deadline is October 4, 2019

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Proposals

Leases

- Effective date of Statement 87 would be changed to “fiscal years beginning after December 15, 2019, and all reporting periods thereafter”

•Government combinations and disposals of operations

- Statement 69 would be amended to provide an exception to the use of acquisition value in the measurement of an acquired asset retirement obligation

•Derivative instruments

- Would amend NCGA and GASB pronouncements to standardize the terminology used to refer to derivative instruments.

•Fiduciary activities (Statement 84)

- Would limit the requirements of paragraphs 22 and 25 to defined benefit pension and OPEB plans

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Proposals (continued)

- Certain effects of Statement 84
  - Would supersede guidance in Statements 73 and 74 regarding recognition of a liability to employers and NECEs for the excess of assets over liabilities for benefits payments and administrative expenses in custodial funds in circumstances in which assets are accumulated for the pensions and OPEB of other employers and NECEs
  - Would amend Statements 73 and 74 to replace references to *control* of assets in those same circumstances, to avoid limiting the application of the associated requirements of those Statements
- Fair value measurements
  - Would amend paragraph 81 of Statement 72 to adjust the example of nonrecurring fair value measurements

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Proposals (continued)

- Intra-entity transfers of assets
  - Would amend paragraph 15 of Statement 48 to clarify that amounts associated with the transfer of capital or financial assets from an employer or NECE to a defined benefit pension or OPEB plan within the same financial reporting entity should be reported as contributions to the plan, in accordance with Statements 68 and 75
  - Would clarify that the provisions of paragraph 15 apply to <u>all</u> transfers of assets within a financial reporting entity
- Reinsurance recoveries
  - Would amend paragraph 37 of Statement 10 to clarify that amounts that are recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be.

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Project Timeline

Added to Current Technical Agenda	December 2018
Deliberations Began	January 2019
Exposure Draft Approved	June 2019
Comment Deadline	October 4, 2019

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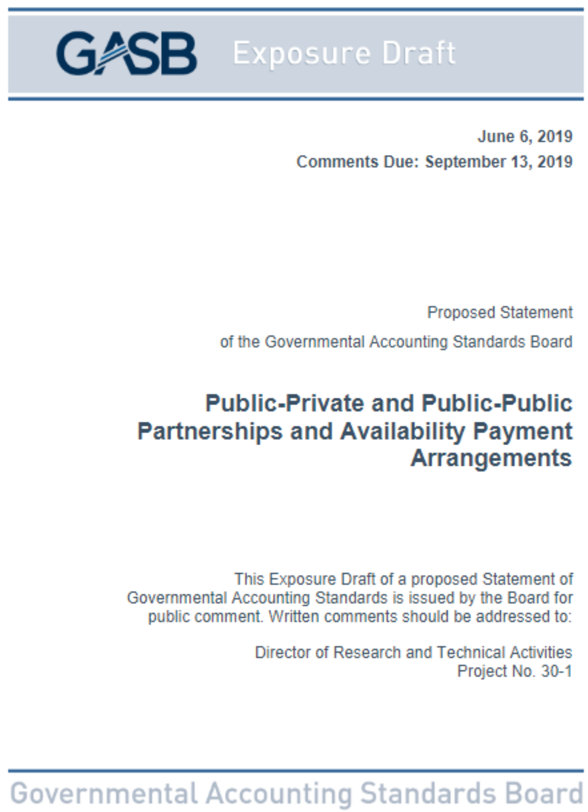
Public-Private and Public-Public Partnerships and Availability Payment Arrangements


GASB Exposure Draft

June 6, 2019
Comments Due: September 13, 2019

Proposed Statement
of the Governmental Accounting Standards Board

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

This Exposure Draft of a proposed Statement of Governmental Accounting Standards is issued by the Board for public comment. Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 30-1

Governmental Accounting Standards Board

PPPs, APAs, and SCAs

What?

The Board proposed standards 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?

Comment deadline was September 13, 2019

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Proposed Definitions: PPPs and APAs

Public-private partnerships and **public-public partnerships (PPPs)** 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 or use infrastructure or other nonfinancial assets (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 infrastructure or other 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

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Other Proposals

A PPP that meets the definition of a lease in Statement 87 – but not the definition of a service concession arrangement (SCA) – would be reported under Statement 87.

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.

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Proposed Transferor Reporting

For all PPPs, recognize:	If underlying PPP 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 PPP term	• …and the PPP is an SCA: also recognize the capital asset at acquisition value when placed into operation • …and the PPP 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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Proposed Operator Reporting

For all PPPs, recognize:	If underlying PPP asset is (a) existing asset or (b) a new asset/improved existing asset and the P3 is an SCA…	If underlying PPP asset is a new asset/improved existing asset and the PPP is not an SCA…
• Liability for installment payments to be received, if any	• …also recognize an intangible right-to-use asset	• Also recognize the underlying PPP asset until ownership is transferred • And a liability for the underlying PPP asset, measured at the estimated carrying value as of the future date of the transfer

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Project Timeline

Pre-Agenda Research Approved	April 2017
Added to Current Technical Agenda	April 2018
Exposure Draft Approved	June 2019
Comment Deadline	September 13, 2019
Final Statement Expected	March 2020

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Revenue and Expense Recognition

Revenue and Expense Recognition

What?

The Board is redeliberating stakeholder input on an Invitation to Comment as part of developing a comprehensive model for recognition of revenues and expenses

Why?

Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified

When?

Redeliberations began in June 2018

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Revenue and Expense Recognition Model

Categorization

Identify the *type* of transaction

Recognition

Determine *what* element should be reported and *when*

Measurement

Determine the *amount* to report

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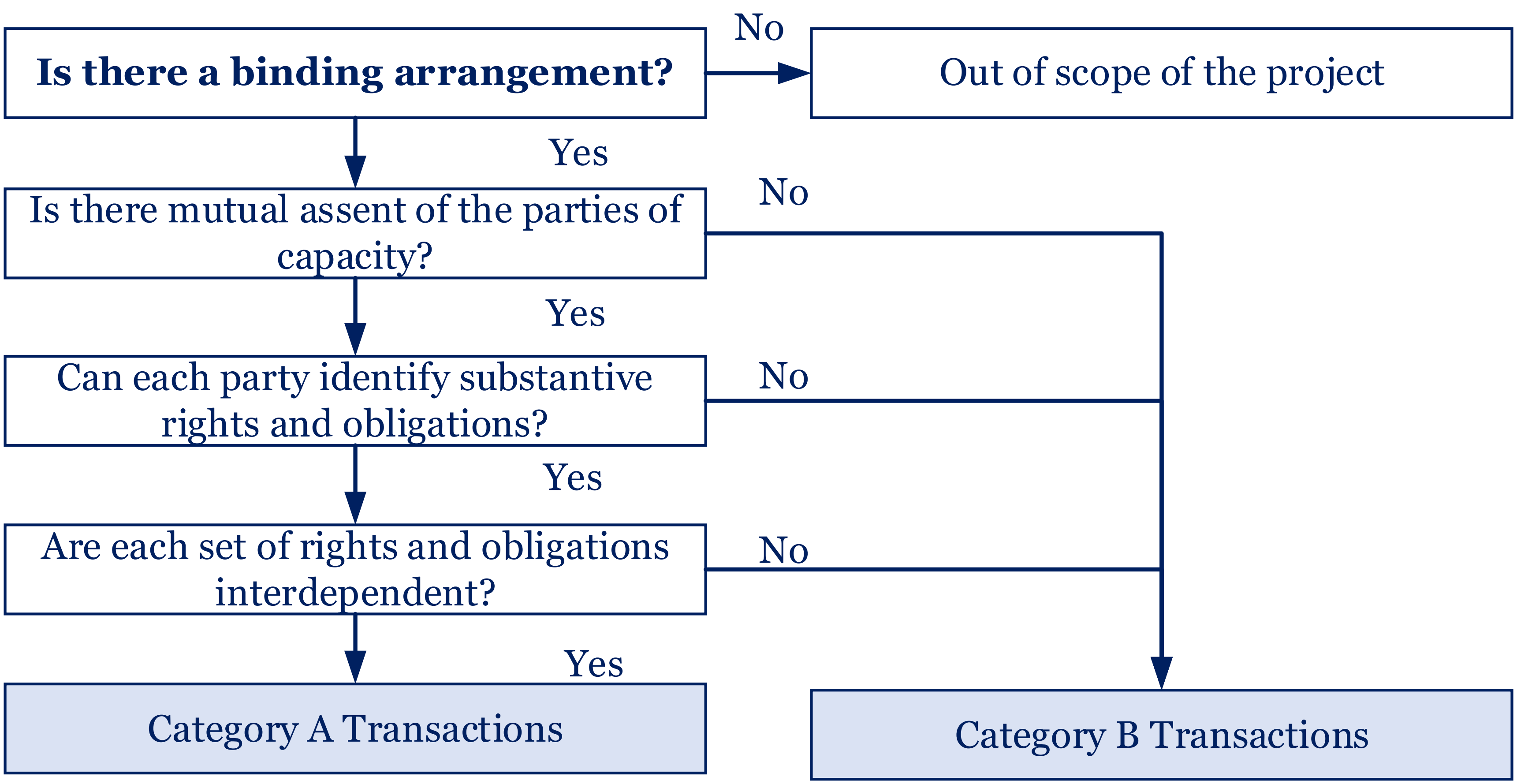
Categorization Component



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Categorization Details

Is there a binding arrangement?
- Economic substance
- Rebuttable presumption of enforceability

No → Out of scope of the project

Yes ↓

Is there mutual assent of the parties of capacity?
- Parties to the transaction have approved the terms and conditions of the binding arrangement

No → Category B Transactions

Yes ↓

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Categorization Details (continued)

Can each party identify substantive rights and corresponding substantive obligations?

No → Category B Transactions

Yes ↓

Are each set of rights and obligations dependent on the existence of each other, such that there is recourse for failure of either party?

- Rights are conditioned on obligations, and vice versa

No → Category B Transactions

Yes ↓

Category A Transactions

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Categorization Details (continued)

Category A Transactions		Category B Transactions	
Increase in net assets Category A revenue recognition	*Decrease in net assets* Category A expense recognition	*Increase in net assets* Category B revenue recognition	*Decrease in net assets* Category B expense recognition

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Model Outcomes*

Category A	Category B
Fees for service (water, electric, garbage)	Taxes (property tax, income tax, sales tax)
Eligibility-based grants	Punitive fees
Research grants and revolving loans	Special assessments
Medicaid fees for services	Donations
Tuition fees	Regulatory fees (drivers licenses, building permits, marriage licenses, professional licenses)
Most expenses	Purpose-restricted grants
	Capital fees (developer fees, PFCs)
	Medicaid supplementary payments

* Transactions highlighted in blue would have different outcomes than under current literature

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Project Timeline

Pre-Agenda Research Started	September 2015
Added to Current Technical Agenda	April 2016
Invitation to Comment Cleared	January 23, 2018
Redeliberations Began	June 2018
Preliminary Views Expected	May 2020

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Subscription-Based Information Technology Arrangements

GASB Exposure Draft

May 13, 2019
Comments Due: August 23, 2019

Proposed Statement
of the Governmental Accounting Standards Board

Subscription-Based Information Technology Arrangements

This Exposure Draft of a proposed Statement of Governmental Accounting Standards is issued by the Board for public comment. Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 38

Governmental Accounting Standards Board

SBITA Exposure Draft

What?

The Board proposed standards related to reporting subscription-based information technology arrangements (SBITAs), such as cloud computing contracts

Why?

Stakeholders are concerned that those transactions may not be covered by the guidance in Statements 51 or 87; diversity exists in practice

When?

Comment deadline was August 23, 2019

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Proposals

A subscription-based information technology arrangement (SBITA) "is a contract that conveys control of the right to use another party's (the vendor's) hardware, software, or a combination of both, including IT infrastructure (the underlying hardware or software) as specified in the contract for a period of time in an exchange or exchange-like transaction."

To determine whether a contract conveys control of the right to use the underlying hardware or software, a government would assess whether it has both:

- The right to obtain the present service capacity from use of the underlying hardware or software as specified in the contract
- The right to determine the nature and manner of use of the underlying hardware or software as specified in the contract.

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Proposals (continued)

An SBITA would 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 would include certain capitalizable implementation costs based on stages like those for internally developed software in Statement 51:

- Preliminary project stage
- Initial implementation stage
- Post-implementation/operation stage

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Proposals (continued)

Preliminary project stage	Initial implementation stage	Post-implementation/ operation stage
• Outlays would be expensed as incurred	• In general, outlays would be capitalized • However, if no subscription asset is recognized (such as for a short-term SBITA), outlays would be expensed as incurred	• Outlays would be expensed as incurred

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Project Timeline

Pre-Agenda Research Approved	April 2017
Added to Current Technical Agenda	April 2018
Deliberations Began	August 2018
Exposure Draft Approved	May 2019
Comment Deadline	August 23, 2019
Final Statement Expected	May 2020

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Pre-Agenda Research Activities

Capital Assets

Capital Assets

What?

The GASB is evaluating existing guidance related to capital assets and the usefulness of information reported by governments

Why?

Stakeholders have asked the GASB to review various aspects of capital asset reporting; the most relevant standards have been in effect 15-20 years

When?

The Board added the pre-agenda research in August 2019

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Topics to Be Considered

What choices do governments make with respect to their capital asset-related accounting policies? Why do they select those policies?

How do governments determine when outflows enhance the service capacity or extend the useful life of an asset?

How do governments report exchanges of capital assets?

How do depreciation and estimated useful lives compare with the actual diminution of service capacity?

What has been the experience with the modified approach to reporting infrastructure? How has it affected comparability of statement information?

Should changes in the condition of capital assets be reflected as flows of resources in the financial statements? How would it be measured?

What information do governments collect and report about deferred maintenance? How is it estimated?

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Compensated Absences: Reexamination of Statement 16

Compensated Absences

What?

The GASB is evaluating the effectiveness of Statement 16 to consider whether additional guidance needs to be developed

Why?

The GASB routinely reviews whether existing standards are meeting their intended objectives; Statement 16 became effective in 1994

When?

The Board added the pre-agenda research in August 2018

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Topics to Be Considered

To what extent do governments continue to separate vacation and sick time in their employment policies?

What method(s) do governments use to calculate the liability for sick leave and similar compensated absences: the t*ermination payment method* or the *vesting method* (as described in paragraph 8 of Statement 16)?

Should there continue to be a choice regarding how to calculate the liability? Should one method be eliminated?

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Going Concern Disclosures: Reexamination of Statement 56

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Going Concern Disclosures

What?

The GASB is reviewing existing standards related to going concern considerations, which were incorporated into GASB literature mostly as-is from the AICPA literature in Statement 56

Why?

As it is currently defined, going concern may not be meaningful for governments, which hardly ever go out of business; AICPA and others have asked the GASB to examine the issue

When?

The Board added the pre-agenda research in April 2015

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Topics to Be Considered

Are the current going concern indicators presented in note disclosures appropriate for state and local governments, in light of the fact that, even under severe financial stress, few governments cease to operate even when encountering such indicators?

What other criteria might better achieve the objective of disclosing severe financial stress uncertainties with respect to governments?

What information do financial statement users need with respect to the disclosure of severe financial stress uncertainties?

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Investment Fees

Investment Fees

What?

The GASB is studying how governments report investment costs and what related information users need

Why?

Stakeholders have asked the GASB to review current practice with respect to reporting investment-related fees

When?

The Board added the pre-agenda research in August 2019

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Topics to Be Considered

What information do governments report regarding fees associated with investments? What fees are netted against investment income rather than recognized as expense?

What information about investment fees is made available to governments by the general partners or funds managing alternative investments? Can additional information be obtained if necessary?

What information do financial statement users need regarding investment fees? Do they need additional information about fees related to alternative investments? What characteristics of alternative investments, if any, would justify additional disclosure?

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Interim Financial Reporting

Interim Financial Reporting

What?

The GASB is assessing the need for guidance on how to report on a GAAP basis for periods of less than a year

Why?

There is no guidance in the GASB literature for preparing interim financial statements

When?

The Board added the pre-agenda research in August 2019

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Topics to Be Considered

What is current practice with respect to interim financial reporting?

Do interim GAAP financial reports of general purpose or business-type governments provide users with valuable information?

Should specific recognition and measurement standards be developed for interim GAAP reporting?

Should separate reporting entity standards be developed for interim GAAP reporting?

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Prior-Period Adjustments, Accounting Changes, and Error Corrections: Reexamination of Statement 62

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Reexamination of Statement 62

What?

GASB is reviewing existing standards related to prior-period adjustments, accounting changes, and error corrections, which are based on several sources of accounting standards, some of which have been superseded

Why?

Much of the relevant guidance has been in effect without review by the GASB for decades

When?

The Board added the pre-agenda research in August 2018

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Topics to Be Considered

How prevalent are prior-period adjustments, accounting changes, and error corrections in state and local government financial statements?

What is the nature of those that are being reported? How large are the amounts involved?

Are users aware of their reporting? Do users understand what they mean?

Is the reported information valuable to users for making decisions and assessing accountability? How is it used?

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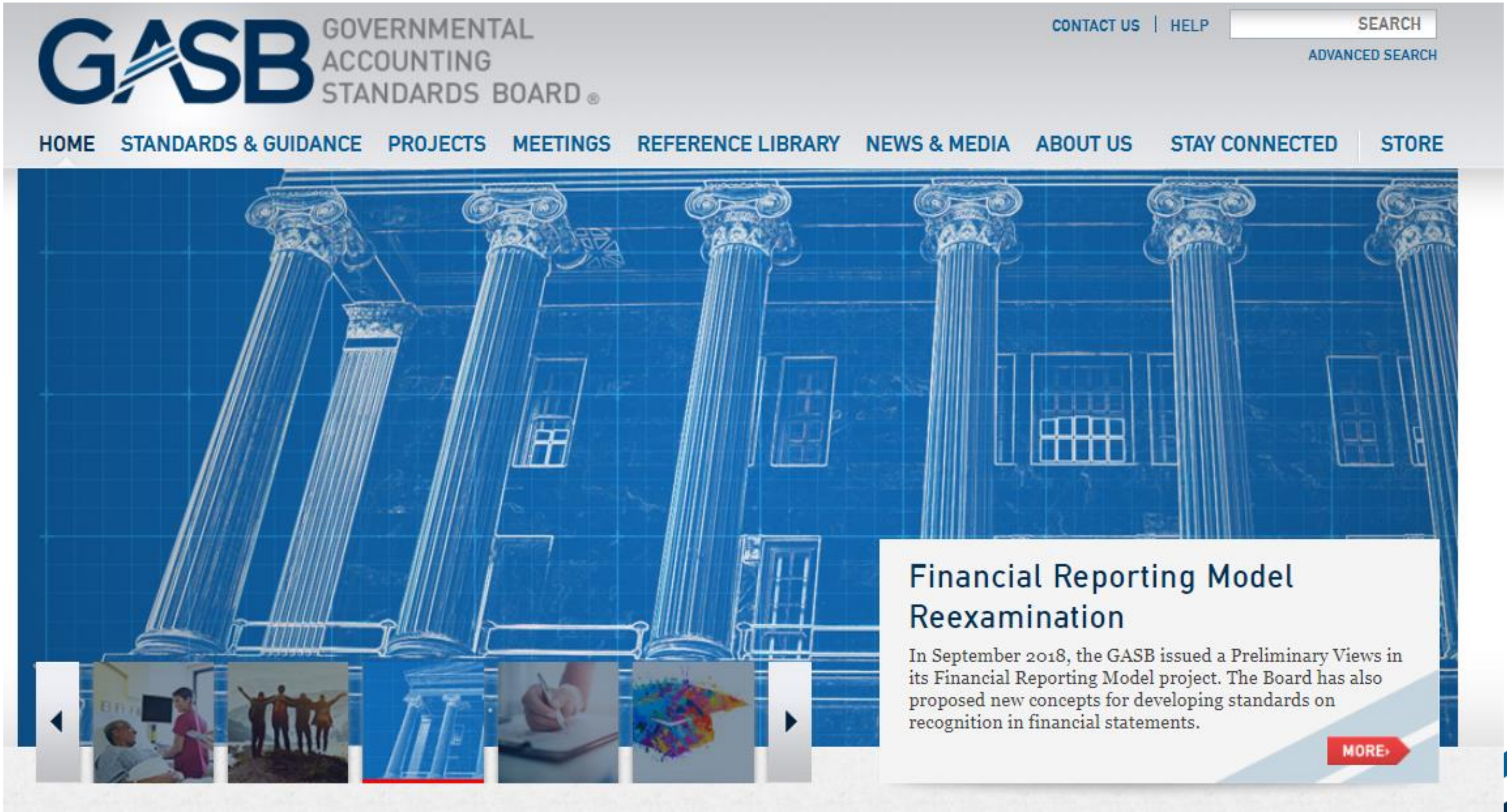
www.gasb.org



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Website Resources

- Free download of Statements, Implementation Guides, Concepts Statements and other pronouncements
- Free access to the basic view of Governmental Accounting Research System (GARS)
- Free copies of proposals
- Up-to-date information on current projects
- Form for submitting technical questions
- Educational materials, including podcasts

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