APPA Accounting & Finance Spring Meeting

GASB Update

April 26, 2019

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

FINANCIAL ACCOUNTING FOUNDATION FINANCIAL ACCOUNTING STANDARDS BOARD GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Presentation Overview

- Pronouncements currently being implemented
- Projects currently being deliberated by the Board
- Pre-agenda research activities

Pronouncements Currently Being Implemented

Effective Dates—June 30

2019

- Statement 83—asset retirement obligations
- Statement 88—debt disclosures
- Implementation Guide 2018-1

2020

- Statement 84—fiduciary activities
- Statement 90—majority equity interests

2021

- Statement 87—leases
- Statement 89—interest cost

Effective Dates—December 31

2018

- Statement 75—OPEB (employers)*
- Statement 85—omnibus*
- Statement 86—debt extinguishment issues*
- Implementation Guide 2017-1*

2019

- Statement 83—asset retirement obligations
- Statement 84—fiduciary activities
- Statement 88—debt disclosures
- IG2018-1
- Statement 90—majority equity interests

2020

- Statement 87—leases
- Statement 89—interest cost

* Not covered in this presentation

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Certain Asset Retirement Obligations

Statement No. 83

Certain Asset Retirement Obligations

What:	Why:	When:
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	Statement 18 addressed only municipal landfills but governments have retirement obligations for other types of capital assets; diversity exists in practice	Effective for fiscal years beginning after June 15, 2018 Earlier application is encouraged

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Definitions and Scope

Asset retirement obligation	Retirement of a tangible capital asset	Examples
Legally enforceable liability associated with the retirement of a tangible capital asset	The permanent removal of a capital asset from service (such as from sale, abandonment, recycling, or disposal)	• Nuclear power plant decommissioning • Coal ash pond closure • Contractually required land restoration, such as removal of wind turbines • Other similar obligations

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Definitions (continued)

Current value

- The amount that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the current reporting period

Contamination

- An event or condition normally involving a substance that is deposited in, on, or around a tangible capital asset in a form or concentration that may harm people, equipment, or the environment due to the substance's radiological, chemical, biological, reactive, explosive, or mutagenic nature

Scope—Included

Legally enforceable liabilities that result from **normal** operation of a tangible capital asset, whether acquired or constructed, and associated with any of the following:

- Retirement of tangible capital assets
- Disposal of a replaced part that is a component of a tangible capital asset
- Environmental remediation associated with asset retirement activities resulting from normal operations
- Legally enforceable liability of a lessor in connection with the retirement of its leased property that meet the definition of an ARO

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Scope—Excluded

- Obligations arising *solely* from a *plan to sell or dispose of a tangible capital asset*
- Obligations to prepare a tangible capital asset for an alternative use
- Obligations for pollution remediation, such as asbestos removal, that result from the other-than-normal operation of a tangible capital asset

Scope—Excluded (continued)

- Maintenance obligations not associated with asset retirement
- The cost of a replacement part that is a component of a tangible capital asset
- Landfill closure and postclosure care obligations, including those *not* covered by Statement 18
- *Conditional* obligations to perform asset retirement activities
  - For example, conditional obligation to remove and remediate asbestos is conditional and is scoped out

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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Internal Obligating Events

- For contamination-related AROs
  - The occurrence of contamination
- For non-contamination-related AROs
  - Placing the capital asset into operation
    - If liability based on usage—placing the capital asset into operation and consuming a portion of the usable capacity by the normal operations
    - If liability not based on usage—placing the asset into operation
  - Permanent abandonment
    - If a capital asset is permanently abandoned before being placed into operation—permanent abandonment itself
- AROs related to acquired capital assets
  - Acquisition of the related tangible capital asset

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

Fiduciary Activities

What:	Why:	When:
The Board issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements	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	Effective for fiscal years beginning after December 15, 2018 Earlier application is encouraged

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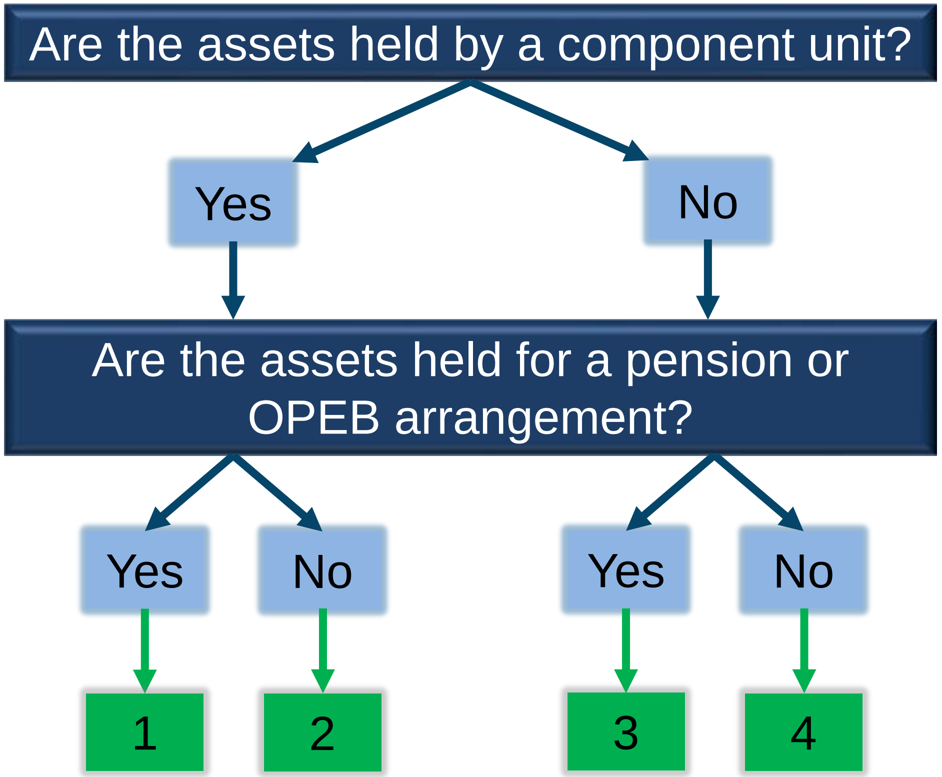
When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:



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

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 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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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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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

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

Proposed Implementation Guide

What:	Why:	When:
GASB cleared an Exposure Draft of Implementation Guide to Statement 84 on fiduciary activities	Guidance is needed by preparers and auditors for the implementation of Statement 84	Board expected to consider clearing a final for issuance in May 2019

Statement 84 Guide

53 proposed 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

Proposed revisions to five existing questions and answers

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Leases

Statement No. 87

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

Scope and Definition

- Capital/operating distinction is eliminated
- 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

Definition of a Lease

- Control requires both of the following:
  - (1) the right to obtain the present service capacity from use of the underlying asset, and
  - (2) the right to determine the nature and manner of use of the underlying asset
- Control applied to the right-to-use lease asset (a capital asset) “specified in the contract”
  - Control criteria NOT limited to contracts that convey substantially all of the present service capacity from use of the underlying asset
    - Right-to-use lease assets include rights to use underlying assets for portions of time, such as certain days each week or certain hours each day

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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)
- Assets financed with outstanding conduit debt, unless both the asset and the debt are reported by the lessor
- Supply contracts (such as power purchase agreements that do not convey control of the right to use the underlying generating facility)

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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Lease Term

- For *financial reporting,* when does the lease start and end?
  - Starts with the noncancelable period, plus periods covered by lessees' and lessors' options to:
    - Extend the lease, if the option is *reasonably certain* of being exercised
    - Terminate the lease, if the option is *reasonably certain* of NOT being exercised
  - Excludes "cancelable" periods
    - Periods for which lessee and lessor each have the option to terminate or both parties have to agree to extend
      - Rolling month-to-month leases
  - Fiscal funding/cancelation clauses ignored unless *reasonably certain* of being exercised

Lease Term — Example 1

- 3-year lease with lessee option to extend to 6 years and lessor option to cancel at end of year 4
- Assumptions:
  - Lessee is reasonably certain that it will extend lease to 6
  - Lessor is reasonably certain that it will *not* cancel at 4
- Lease term = 6 years

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Lease Term — Example 2

- 3-year lease with lessee option to extend to 6 years and lessor *and* lessee options to cancel at end of year 4
- Assumptions:
  - Lessee is reasonably certain that it will extend lease to 6
  - Lessor and lessee are reasonably certain that they will *not* cancel at 4
- Lease term = 4 years
  - Cancelable at end of 4th year because both lessee and lessor can cancel

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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

Other Topics Covered by Statement 87

- Disclosures
- Contracts with multiple components
- Contract combinations
- Lease modifications & terminations
- Lease incentives
- Subleases
- Sale-leasebacks
- Lease-leasebacks

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Proposed Implementation Guide

What:	Why:	When:
GASB has cleared for public comment an Exposure Draft of a freestanding implementation guide to Statement 87	GASB issues separate implementation guides for complex pronouncements to assist preparers and auditors to apply the standards	Comment deadline: April 30, 2019

Statement 87 Guide

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

Statement No. 88

Debt Disclosures

What:	Why:	When:
The Board issued Statement 88 to improve existing standards for disclosure of debt	A review of existing standards related to disclosures of debt found that debt disclosures provide useful information, but that certain improvements could be made	Effective for periods beginning after June 15, 2018

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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		
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

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

Statement No. 89

Interest Cost Incurred before the End of a Construction Period

What:	Why:	When:
The Board issued Statement 89 to enhance the relevance of capital asset information and simplify financial reporting	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	Effective for periods beginning after December 15, 2019. Earlier application is encouraged.

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

Accounting and Financial Reporting for Majority Equity Interests

Statement No. 90

Majority Equity Interests

What:	Why:	When:
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	Stakeholders requested that the GASB examine diversity in practice and potential conflicts in the existing guidance	Effective for periods beginning after December 15, 2018

Does the Majority Equity Interest 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

Implementation Guidance Update

2018-1

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Implementation Guidance Update

What:	Why:	When:
GASB annually updates its Q&A implementation guidance	New guidance is added as new pronouncements are issued and new issues arise	2018-1 is effective for periods beginning after June 15, 2018

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

Current Technical Agenda Projects

Conceptual Framework – Disclosure Framework

What:	Why:	When:
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	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	Deliberations began in October 2018

Preliminary Views: *Recognition of Elements of Financial Statements*

What:	Why:	When:
The Board issued a Preliminary Views on concepts related to recognition of financial statement elements	Recognition concepts are one of the components needed to complete the conceptual framework	Comment deadline was February 15, 2019

Conduit Debt

What:	Why:	When:
In July 2018, the Board proposed improvements to the existing standards related to conduit debt obligations that would provide a single reporting method for government issuers	Interpretation 2 had been in effect for 20 years before its effectiveness was evaluated; based on GASB research, the Board believes improvements are needed to eliminate diversity in practice	Final Statement expected to be considered for issuance in May 2018

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Deferred Compensation Plans

What:

The GASB has added a project to consider improvements to Statement 32 on IRC Section 457 plans

Why:

Statement 32 became effective in 1999 and the relevant portions of the IRC have changed significantly since then

When:

Deliberations are schedule to begin in April 2019

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Financial Reporting Model Reexamination

Preliminary Views: *Financial Reporting Model Improvements*

What:

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:

Comment deadline was February 15, 2019

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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 provided by another party or fund for the purpose of keeping the rates lower than otherwise would be necessary for the level of goods and services to be provided

	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 Proposals for the Exposure Draft: MD&A

Retain and Improve These Sections

- Brief discussion of the basic financial statements, including their relationships and significant differences – with additional clarification and structure
- Analysis of year-to-year changes – amended to emphasize the level of thoroughness of the analysis and the need to avoid unnecessary duplication
- Currently known facts, decisions, or conditions – requirements would be amended with examples, including:
  - Trends in economic data
  - Details of the subsequent year's adopted or approved 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 Tentative Proposals for the Exposure Draft

Special and Extraordinary Items

- 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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Implementation Guidance Update 2019

What:	Why:	When:
GASB cleared an Exposure Draft of implementation guidance update for public comment	Guidance is needed by preparers and auditors for the implementation of various standards	Comment deadline: January 31, 2019

Proposed Guidance

Would add new questions on standards regarding

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

Would update existing Q&A guidance related to

- Derivative instruments
- Majority equity interests
- Pensions and OPEB

Omnibus Project

What:

The Board added an Omnibus project in December 2018

Why:

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

When:

An Exposure Draft is expected to be considered in June 2019

Topics to Be Considered

Effective Date of Statement 87: Should the effective date of Statement 87 be changed from *reporting periods* beginning after December 15, 2019, to *fiscal years* beginning after that date?

Definition of Collections: Should the definition in Statement 34 of “collections” be amended to reflect the updates introduced by the American Alliance of Museums?

Intra-Entity Transfers of Assets: Should the guidance in Statement 48 be clarified to address how the transfer of assets reported by the primary government at historical cost be reflected in the financial statements?

Certain Effects of Statement 84: Should the term “control” introduced by the Statement be replaced in instances when the guidance could be applied to the assessment of certain potential fiduciary component units associated with pensions and OPEB?

Topics to Be Considered (continued)

Available to Be Issued: Should the concept of a financial report being “available to be issued” be introduced in determining subsequent events?

Exceptions to Acquisition Value: Should Statement 69 be amended to exclude the use of acquisition value for measuring asset retirement obligations?

Technical Correction to Statement 72: Should Statement 72 be amended to correct a misidentified paragraph reference to Statement 62, as amended?

Reinsurance Recoveries: Should inconsistencies in how the insurance accounting standards refer to a netting provision for recoveries from reinsurers and excess insurers be resolved?

Public-Private Partnerships

What:	Why:	When:
The Board is considering (1) establishing standards for public-private and public-public partnerships (P3s) that are not subject to Statements 60 or 87 and (2) making improvements to Statement 60	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)	Deliberations began in May 2018

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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

Project Scope

The project scope broadly encompasses revenue and expense recognition but *excludes* the following:

Topics with guidance developed considering the current conceptual framework	Topics related to financial instruments	Topics related to transactions arising from recognition of capital assets or certain liabilities
For example, pensions and other post-employment benefits	For example, investments, derivatives, leases, and insurance	For example, depreciation, asset retirement obligations, and pollution remediation obligations

Revenue and Expense Recognition Models

The are three components of a revenue and expense recognition model

Classification is the process of identifying the *type* of transaction (for example, is the transaction exchange or nonexchange?)

Recognition is the process of determining *what* element should be reported and *when* (for example, recognize revenue when earned)

Measurement is the process of determining the *amount* to report for the element (not addressed in the Invitation to Comment)

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Exchange/Nonexchange Model

Classification	Is the transaction an exchange?	
	YES	**NO**
Recognition	**Earnings recognition approach:** • Government controls a resource, or incurs an obligation to sacrifice a resource, ***and*** • The change in net assets is not applicable to a future period	**Provisions of Statement 33:** • Derived tax revenue • Imposed nonexchange revenue • Government-mandated nonexchange transaction • Voluntary nonexchange transaction
Measurement	*Measurement was not addressed in the Invitation to Comment but is expected to be addressed in a later due process document.*	

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Performance Obligation Definition

A performance obligation is a promise in a *binding arrangement* between a government and *another party* to provide *distinct goods or services* to a *specific beneficiary*.

- A binding arrangement is a legally enforceable mutual understanding between a government and another party.
- Another party can be a customer, a vendor, a resource provider, an employee, and so on.
- Distinct goods or services are separately identifiable and can provide benefits on their own.
- A specific beneficiary would be identifiable and distinguished from the general public.

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Performance Obligation/ No Performance Obligation Model

Classification	Does the transaction contain a performance obligation?	
	YES	**NO**
Recognition	**Performance recognition approach:** • Determine consideration • Allocate consideration to performance obligation(s) • Recognize revenue or expense as each performance obligation is satisfied (at a point in time or over time) and the transaction is applicable to the reporting period(s)	**Provisions of Statement 33:** • Derived tax revenue • Imposed nonexchange revenue • Government-mandated nonexchange transaction • Voluntary nonexchange transaction
Measurement	*Measurement is not addressed in the Invitation to Comment but is expected to be addressed in a later due process document.*	

SOFR – LIBOR Replacement

What:

The Board added a project to consider amending existing standards that reference LIBOR

Why:

LIBOR – which is included as a reference rate in billions of dollars of financial instruments, including derivatives – effectively sunsets in 2021

When:

Deliberations will begin in April 2019

Subscription-Based IT Arrangements

What:

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

Why:

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

When:

Deliberations began in August 2018

Pre-Agenda Research Activities

Compensated Absences

What:

The GASB is evaluating the effectiveness of Statement 16 and 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

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

Prior-Period Adjustments, Accounting Changes, and Error Corrections

What:	Why:	When:
The 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	Much of the relevant guidance has been in effect without review by the GASB for decades	The Board added the pre-agenda research in August 2018

Questions?

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