GASB Update
April 23, 2020
Deborah Beams, Supervising Project Manager
Presentation Overview

- New project to consider postponing effective dates of certain guidance
- Recent pronouncements
- Proposals for public comment
- Projects currently being deliberated by the Board
- Pre-agenda research activities
Postponement of the Effective Dates of Certain Authoritative Guidance

Exposure Draft
Effective Date Postponement Project

**What?**
In response to numerous stakeholder requests prompted by the Covid-19 pandemic, the Board has proposed postponing the effective dates of certain Statement and Implementation Guide provisions.

**Why?**
The Board has tentatively decided to focus on provisions that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**When?**
- The comment deadline is April 30
- The Board will consider a final Statement for issuance on May 7
Those provisions are in the following pronouncements:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2019-2, *Fiduciary Activities*
## Project Timeline

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Added to Current Technical Agenda</td>
<td>March 2020</td>
</tr>
<tr>
<td>Deliberations Began</td>
<td>April 2020</td>
</tr>
<tr>
<td>Exposure Draft Approved</td>
<td>April 14, 2020</td>
</tr>
<tr>
<td>Comment Deadline</td>
<td>April 30, 2020</td>
</tr>
<tr>
<td>Final Statement to Be Considered</td>
<td>May 7, 2020</td>
</tr>
</tbody>
</table>
Potential Effective Dates: December 31

Fiscal Year 2020
- Statement 83 – asset retirement obligations
- Statement 84 – fiduciary activities
- Statement 88 – debt disclosures
- Statement 90 – majority equity interests
- IG 2018-1 – Update
- IG 2019-2 – fiduciary activities

Fiscal Year 2021
- Statement 87 – leases
- Statement 89 – construction-period interest
- Statement 93 – interbank offered rates (except LIBOR removal and lease modifications)
- IG 2019-1 – update
- IG 2019-3 – leases

Fiscal Year 2022
- Statement 91 – conduit debt
- Statement 92 – omnibus (multiple effective dates)
- Statement 93 – LIBOR removal and lease modifications

Fiscal Year 2023
- Statement 94 – public-private partnerships
## Potential Effective Dates: June 30

<table>
<thead>
<tr>
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<td>• IG 2018-1 – Update</td>
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<tr>
<td>• Statement 91 – conduit debt</td>
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<td>• Statement 94 – public-private partnerships</td>
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</table>
Recent Pronouncements
Certain Asset Retirement Obligations

Statement No. 83
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.
Fiduciary Activities

Statement No. 84
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 periods beginning after December 15, 2018. Earlier application is encouraged.
When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:

1. Are the assets held by a component unit?
   - Yes
   - No

2. Are the assets held for a pension or OPEB arrangement?
   - Yes
   - No

3. Yes
   - 1
   - 2

4. Yes
   - 3
   - 4
When Is There a Component Unit?

Legally separate? Yes | No

Voting majority? Yes | No

Financial benefit/burden or imposition of will? Yes | No

Fiscal dependency and financial benefit/burden? Yes | No

Component Unit

Component Unit

Component Unit
Component Units That Are Postemployment Benefit Arrangements Are Fiduciary if…

They are one of the following arrangements:

1. Pension plan administered through a trust that meets criteria
   - St. 67 ¶3

2. OPEB plan administered through a trust that meets criteria
   - St. 74 ¶3

3. Assets from entities not part of the reporting entity accumulated for pensions
   - St. 73 ¶116

4. Assets from entities not part of the reporting entity accumulated for OPEB
   - St. 74 ¶59
Other Component Units Are Fiduciary if…

They have one or more of the following characteristics:

- 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

- Assets are:
  - for the benefit of individuals
  - not derived from government’s provision of goods or services to the individuals AND
  - Government does not have administrative involvement or direct financial involvement with the assets

- 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
Arrangement is one of those in 1 AND

The government **controls** the assets of the arrangement
- (control will be explained in two slides)
All Other Activities Are Fiduciary if...

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
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
<table>
<thead>
<tr>
<th>Fiduciary Fund Classes</th>
<th>Pension and other employee benefit trust fund</th>
<th>Investment trust fund</th>
<th>Private-purpose trust fund</th>
<th>Custodial fund</th>
</tr>
</thead>
</table>

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.
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.
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
Leases

Statement No. 87
Leases

<table>
<thead>
<tr>
<th>What?</th>
<th>Why?</th>
<th>When?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board issued Statement 87 to improve lease accounting and financial reporting.</td>
<td>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.</td>
<td>Effective for fiscal years beginning after December 15, 2019. Earlier application is encouraged.</td>
</tr>
</tbody>
</table>
## Statement 87 Implementation Guide

<table>
<thead>
<tr>
<th>Implementation Guide 2019-3: 77 questions and answers, including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope and applicability issues</td>
</tr>
<tr>
<td>Determining the term of the lease</td>
</tr>
<tr>
<td>Eligibility for exception for short-term leases</td>
</tr>
<tr>
<td>Recognition, measurement, and disclosure for lessees and lessors</td>
</tr>
<tr>
<td>Lease incentives</td>
</tr>
<tr>
<td>Contracts with multiple components and contract combinations</td>
</tr>
<tr>
<td>Terminations and modifications</td>
</tr>
<tr>
<td>Sale-leasebacks, lease-leasebacks, and intra-entity leases</td>
</tr>
</tbody>
</table>
Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

Statement No. 88
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.
Accounting for Interest Cost Incurred before the End of a Construction Period

Statement No. 89
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.
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
Majority Equity Interests

Statement No. 90
**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.
<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report as an investment</td>
<td>Report as a component unit</td>
</tr>
<tr>
<td>Measure the investment by applying the equity method prescribed in Statement 62, paragraphs 205–209</td>
<td>Recognize an asset for the majority equity interest and measure by applying the equity method prescribed in Statement 62, paragraphs 205–209</td>
</tr>
</tbody>
</table>

*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

Applied prospectively only
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.
Conduit Debt Obligations

Statement No. 91
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?
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.
Generally, issuers’ commitments are **limited** to the resources provided by the third-party obligor.

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

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

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

- Do *not* recognize a conduit debt obligation as a liability
- May have a related liability arising out of an additional or voluntary commitment

**Additional commitment**: report a liability when qualitative factors indicate it is *more likely than not* that the issuer will support debt service payments for a conduit debt obligation

**Voluntary commitment**: if a certain event or circumstance has occurred, evaluate likelihood, then report a liability if it is *more likely than not* that the issuer will support debt service payments

**Voluntary commitments for which a liability is recognized and all additional commitments**: At least annually reevaluate whether recognition criteria are met while conduit debt is outstanding
Arrangements and Capital Assets

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

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

*Often characterized as “leases”
Arrangements and Capital Assets (continued)

Accounting by the issuer:

- Do not report those arrangements as leases
- Do not recognize a liability for the related conduit debt obligations
- Do not recognize a receivable for the payments related to those arrangements
- If the arrangement meets the definition of a service concession arrangement, follow Statement 60
## Arrangements and Capital Assets (continued)

<table>
<thead>
<tr>
<th>Does title pass to third-party obligor at end of arrangement?</th>
<th>Does the issuer recognize a capital asset?</th>
<th>Does the issuer recognize a deferred inflow of resources?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>No, and third party has exclusive use of <em>entire</em> capital asset</td>
<td>Yes, when the arrangement ends</td>
<td>No</td>
</tr>
<tr>
<td>No, and third party has exclusive use of only <em>portions</em> of the capital asset</td>
<td>Yes, at the inception of the arrangement</td>
<td>Yes, at the inception of the arrangement; deferred inflow recognized as revenue over the term of the arrangement</td>
</tr>
</tbody>
</table>
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
Omnibus 2020

Statement No. 92
Omnibus 2020

What?
The Board has amended 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?
Effective dates vary by topic
Earlier application is encouraged and permitted by topic
Provisions of Statement 92

Leases

- Effective date of Statement 87 and Implementation Guide 2019-3 is changed to “fiscal years beginning after December 15, 2019, and all reporting periods thereafter”

Government combinations and disposals of operations

- Provides an exception to the use of acquisition value in the measurement of an acquired asset retirement obligation

Derivative instruments

- Amends NCGA and GASB pronouncements to standardize the terminology used to refer to derivative instruments
Provisions of Statement 92 (continued)

Application of Statement 84 to Postemployment Benefit Arrangements

- Limit the requirements of paragraphs 22 and 25 to defined benefit pension and OPEB plans
- Supersedes 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

Applicability of Statements 73 and 74

- 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

- Amends paragraph 81 of Statement 72 to adjust the example of nonrecurring fair value measurements
Provisions of Statement 92 (continued)

Intra-entity transfers of assets

- Amends 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.
- Clarifies that the provisions of paragraph 15 apply to all transfers of assets within a financial reporting entity.

Reinsurance recoveries

- Amends 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.
### Effective Dates for Statement 92

<table>
<thead>
<tr>
<th>Requirements related to:</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Leases</td>
<td>Upon issuance</td>
</tr>
<tr>
<td>2. Reinsurance recoveries</td>
<td></td>
</tr>
<tr>
<td>3. Derivative instruments</td>
<td></td>
</tr>
<tr>
<td>4. Intra-entity transfers of assets</td>
<td>Fiscal years beginning after June 15, 2020</td>
</tr>
<tr>
<td>5. Applicability of Statements 73 and 74</td>
<td></td>
</tr>
<tr>
<td>6. Application of Statement 84 to postemployment benefit arrangements</td>
<td>Reporting periods beginning after June 15, 2020</td>
</tr>
<tr>
<td>7. Fair value measurements</td>
<td></td>
</tr>
<tr>
<td>8. Government combinations and disposals of operations</td>
<td>For government acquisitions occurring in reporting periods beginning after June 15, 2020</td>
</tr>
</tbody>
</table>
Replacement of Interbank Offered Rates

Statement No. 93
Replacement of Interbank Offered Rates

**What?**
The Board has issued guidance to facilitate the transition from using IBORs in hedging derivative instruments and leases.

**Why?**
LIBOR in its current form is expected to effectively sunset at the end of 2021.

**When?**
- Provision related to LIBOR effective for reporting periods *ending after* December 31, 2021
- All other provisions are effective for reporting periods beginning after June 15, 2020
Continue to apply hedge accounting to an effective hedging derivative instrument with a variable payment based on an IBOR, if all criteria are met:

Hedging derivative instrument is amended or replaced to change the reference rate of its variable payment or add/change reference rate-related fallback provisions.

The new reference rate essentially equates the old rate by:
- Adjusting the new rate by a coefficient or constant, limited to what is necessary to essentially equate the rates, and/or
- An up-front payment, limited to what is necessary to essentially equate the rates.

The original hedging derivative instrument is ended and the replacement hedging derivative instrument is entered into on the same date.

Critical terms are identical, except for term changes that are necessary for reference rate replacement (see next slide).
Other Term Changes

Term changes that may be necessary for the replacement of the reference rate are limited to:

- 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
Two-Step Transition to a SOFR

A hedging derivative instrument may be amended or replaced in two steps: a transition from an IBOR to another rate (such as the effective federal funds rate) prior to transitioning to a secured overnight financing rate (SOFR).

Hedge accounting continues when all of the following criteria are met:

- The first step replaces an IBOR with another rate
- That interim rate is replaced by a SOFR in the second step
- All four of the criteria for a one-step transition are met
Effective Federal Funds Rate and SOFR are appropriate benchmark interest rates for taxable debt when applying the consistent critical terms method.

LIBOR is no longer an appropriate benchmark interest rate for taxable debt when applying the consistent critical terms method.

Replacing an IBOR as the reference rate of a hedged item does not terminate hedge accounting.

Uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.

The lease modifications guidance in Statement 87 should not be applied to when a lease contract is amended solely to replace an IBOR.
Effective Dates and Transition

The provision removing LIBOR as an appropriate benchmark rate is effective for reporting periods ending after December 31, 2021.

All other provisions are effective for reporting periods beginning after June 15, 2020.

Earlier application is encouraged.

Should be applied retroactively, if practicable (hedge accounting should be reestablished for terminations prior to the effective date of this Statement).
Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Statement No. 94
PPP, APAs, and SCAs

What?
The Board issued guidance 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?
Effective for reporting periods beginning after June 15, 2022.
Public-private 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 a nonfinancial assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction."

**Availability payment arrangements (APA):**
- Government contracts with another entity to operate or maintain the government’s nonfinancial asset
- Entity receives payments from the government based on the asset’s availability for use
- Asset’s availability may be based on the physical condition of the asset or the achievement of certain performance measures
- May include design, finance, construction, or service components
Other Provisions

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 unless (a) the underlying PPP assets are not existing assets of the transferor or (b) improvements are required to be made to those existing underlying PPP assets by the operator.

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.
For all PPPs, recognize:

- 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

If underlying PPP asset is a new asset or an existing asset that has been improved:

- …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
### Operator Reporting

**For all PPPs, recognize:**

- Liability for installment payments to be received, if any

**If underlying PPP asset is (a) existing asset or improvement or (b) new asset and the P3 is an SCA...**

- ...also recognize an intangible right-to-use asset

**If underlying PPP asset is a new asset and the PPP is not an SCA...**

- 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
Implementation Guidance Updates

2018-1, 2019-1, and 2020-1
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
- 2020-1: periods beginning after either June 15, 2021 or December 15, 2021, depending on the Q&A
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
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
Implementation Guide 2020-1

Adds new questions on standards regarding:
- Certain asset retirement obligations
- Conduit debt obligations
- External investment pools
- Fiduciary activities
- Financial reporting entity
- Leases

Updates existing Q&A guidance related to:
- External investment pools
- OPEB
- Pensions
- Deferral of certain Implementation Guide questions and answers
Questions?
Proposals for Public Comment
Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements

Exposure Draft
What?
The Board has proposed amendments to its concepts regarding what information 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?
Comment period extended to June 30, 2020
Public hearing rescheduled to July 28, 2020
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.
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.
## Project Timeline

<table>
<thead>
<tr>
<th>Event</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Pre-Agenda Research Started</td>
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<tr>
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<td>August 2018</td>
</tr>
<tr>
<td>Deliberations Began</td>
<td>October 2018</td>
</tr>
<tr>
<td>Exposure Draft Issued</td>
<td>February 2020</td>
</tr>
<tr>
<td>Comment Deadline</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td>Public Hearing</td>
<td>July 28, 2020</td>
</tr>
<tr>
<td>Final Concepts Statement Expected</td>
<td>May 2021</td>
</tr>
</tbody>
</table>
Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

Exposure Draft
The GASB has proposed changes to the criteria for including certain employee benefit plans as component units and improvements to Statement 32 on IRC Section 457 plans.

Some 457 plan characteristics have changed due, in part, to changes in the IRC; questions have been raised about whether certain employee benefit plans should be included as component units.

Comment deadline was April 10, 2020.
Paragraph 7 of Statement 84 amended Statement 14 to indicate that 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 a pension plan or OPEB plan.

Implementation Guide 2019-2 provided guidance that in the absence of a governing board, a government performing the duties of a governing board for a defined contribution (DC) plan that is administered through a trust that meets the criteria in Statement 67 is effectively the same as appointment of a voting majority.
The implication of that existing and considered guidance is that many governments would be required to report DC plans and other employee benefit plans as component units in their fiduciary fund financial statements.

The Board directed the staff to conduct additional outreach on the structure of those types of arrangements and user needs for information about them.

Based on the outreach, the Board decided to expand the project and issue a new proposal including guidance on component units.
For purposes of determining whether a primary government is financially accountable, the absence of a governing board (when the government is perform the duties a governing board normally would perform) should be treated the same as the appointment of a voting majority of a governing board, except for DC pension plans, DC OPEB plans, or other employee benefit plans.

The criterion that a legal obligation to contribute (or otherwise assuming the obligation) would apply only to defined benefit plans.

The effective date for the relevant Q&As in Implementation Guide 2019-2 – 4.3, 4.5, and 4.6 – would be delayed until completion of this project.
Proposals for 457 Plans

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).
## Project Timeline

<table>
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</thead>
<tbody>
<tr>
<td>Original Project Added to Current Technical Agenda</td>
<td>December 2018</td>
</tr>
<tr>
<td>Original Exposure Draft Approved</td>
<td>June 2019</td>
</tr>
<tr>
<td>Expanded Project Approved</td>
<td>January 2020</td>
</tr>
<tr>
<td>New Exposure Draft Issued</td>
<td>March 2020</td>
</tr>
<tr>
<td>Comment Deadline</td>
<td>April 10, 2020</td>
</tr>
<tr>
<td>Final Statement Expected</td>
<td>June 2020</td>
</tr>
</tbody>
</table>
Questions?
Current Technical Agenda Projects
Compensated Absences: Reexamination of Statement 16
What?

The GASB’s evaluation of the effectiveness of Statement 16 determined that 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?

Deliberations began February 2020.
Topics to Be Considered

When should a liability be recognized for various types of leave?

How should the compensated absences liability be measured? Should governments continue to have an option for the method of measuring accrued sick leave?

Should guidance be provided on how to determine the portion of the liability that is due within one year?

What disclosures about compensated absences should be required?
## Project Timeline

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<tr>
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</tbody>
</table>
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.

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.
Proposal: Recognition Hierarchy

Follow a specific order when evaluating an item for recognition:

1. Does it meet the definition of an asset or liability?
   - Yes: Recognize asset or liability
   - No: go to next step

2. 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

3. 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
# Proposal: Recognition Framework

## Two Measurement Focuses

<table>
<thead>
<tr>
<th>Economic Resources</th>
<th>Short-Term Financial Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>(applied in government-wide, proprietary fund, and fiduciary fund financial statements)</td>
<td>(would replace current financial resources in the governmental funds)</td>
</tr>
</tbody>
</table>
Proposal: Recognition Framework (continued)

Item meets definition of an element under the measurement focus + Measurement of item sufficiently reflects qualitative characteristics = Recognize the item in financial statement
# Project Timeline

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Final Concepts Statement Expected</td>
<td>March 2022</td>
</tr>
</tbody>
</table>
Financial Reporting Model Reexamination
In September 2018, the Board proposed improvements to the financial reporting model—Statements 34, 35, 37, 41, and 46, and Interpretation 6.

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

Exposure Draft expected June 2020.
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
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
<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees (net of discounts)</td>
<td>$ 574,168</td>
<td>$ 525,791</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>292,962</td>
<td>278,481</td>
</tr>
<tr>
<td>Sales and services</td>
<td>271,345</td>
<td>272,244</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>7,888</td>
<td>14,861</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>1,146,343</td>
<td>1,091,377</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Natural or functional expenses]</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,681,544</td>
<td>1,696,069</td>
</tr>
<tr>
<td><strong>Income (loss) generated by operations</strong></td>
<td>(535,201)</td>
<td>(504,882)</td>
</tr>
<tr>
<td><strong>Noncapital subsidies:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations</td>
<td>407,702</td>
<td>394,767</td>
</tr>
<tr>
<td>Taxes</td>
<td>8,026</td>
<td>7,680</td>
</tr>
<tr>
<td>Grants</td>
<td>42,978</td>
<td>37,567</td>
</tr>
<tr>
<td>Gifts</td>
<td>99,395</td>
<td>90,083</td>
</tr>
<tr>
<td><strong>Total noncapital subsidies</strong></td>
<td>568,101</td>
<td>530,057</td>
</tr>
<tr>
<td><strong>Operating income (loss) and noncapital subsidies</strong></td>
<td>22,900</td>
<td>25,375</td>
</tr>
<tr>
<td><strong>Financing and investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>235,820</td>
<td>138,649</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(12,412)</td>
<td>(12,853)</td>
</tr>
<tr>
<td>Loss from the disposition of capital assets</td>
<td>(2,385)</td>
<td>518</td>
</tr>
<tr>
<td><strong>Total financing and investing activities</strong></td>
<td>221,023</td>
<td>126,314</td>
</tr>
<tr>
<td><strong>Income before other items</strong></td>
<td>243,923</td>
<td>151,689</td>
</tr>
<tr>
<td><strong>Other items:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital contributions</td>
<td>23,231</td>
<td>74,800</td>
</tr>
<tr>
<td><strong>Increase (decrease) in net position</strong></td>
<td>267,154</td>
<td>226,519</td>
</tr>
<tr>
<td><strong>Net position—beginning</strong></td>
<td>3,061,111</td>
<td>2,834,592</td>
</tr>
<tr>
<td><strong>Net position—ending</strong></td>
<td><strong>$ 3,328,265</strong></td>
<td><strong>$ 3,061,111</strong></td>
</tr>
</tbody>
</table>
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
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
### 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.
## Project Timeline

<table>
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<tr>
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<td>June 2020</td>
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<tr>
<td>Final Statement Expected</td>
<td>June 2022</td>
</tr>
</tbody>
</table>
Implementation Guidance Update
Implementation Guidance Updates

**What?**
The GASB is reviewing issues for the 2021 annual implementation guidance update.

**Why?**
New guidance is added as new pronouncements are issued and new issues arise.

**When?**
Deliberations expected to begin September 2020.
# Project Timeline

<table>
<thead>
<tr>
<th>Added to Current Technical Agenda</th>
<th>April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redeliberations to Begin</td>
<td>September 2020</td>
</tr>
<tr>
<td>Exposure Draft Expected</td>
<td>November 2020</td>
</tr>
</tbody>
</table>
Prior-Period Adjustments, Accounting Changes, and Error Corrections: Reexamination of Statement 62
Reexamination of Statement 62

What?
GASB’s review of the effectiveness of existing standards identified substantial need for improvement and clarification

Why?
The relevant guidance is based on several sources of accounting standards, some of which have been superseded, and much of which has been in effect without review by the GASB for decades

When?
Deliberations began February 2020
Topics to Be Considered

- What types of events constitute the different types of prior-period adjustments, accounting changes, and error corrections?
- What is the relationship between the existing requirements and other GASB requirements?
- Should terminology regarding reporting of accounting changes and error corrections (for example, terms including “restatement,” “reclassification,” and “prior-period adjustment”) be clarified?
- How useful are the required disclosures associated with each type of accounting change and error correction?
- How do the general requirements for accounting changes and the specific transition provisions for implementation of individual pronouncements interact?
- Should display requirements be established?
## Project Timeline

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<tr>
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<td>March 2021</td>
</tr>
</tbody>
</table>
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?**
Preliminary Views expected June 2020.
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
**Categorization Component**

Is there a binding arrangement?

- Yes → Out of scope of the project
- No → Is there mutual assent of the parties of capacity?

Is there mutual assent of the parties of capacity?

- Yes → Can each party identify substantive rights and obligations?
- No → Category B Transactions

Can each party identify substantive rights and obligations?

- Yes → Are each set of rights and obligations interdependent?
- No → Category B Transactions

Are each set of rights and obligations interdependent?

- Yes → Category A Transactions
- No → Category B Transactions
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
Can each party identify substantive rights and corresponding substantive obligations?

- 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?
    - Yes: Category A Transactions
    - No: Category B Transactions

- No: Category B Transactions
Categorization Details (continued)

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

**Category B Transactions**
- **Increase in net assets**
  - Category B revenue recognition
- **Decrease in net assets**
  - Category B expense recognition
<table>
<thead>
<tr>
<th>Category A</th>
<th>Category B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees for service (water, electric, garbage)</td>
<td>Taxes (property tax, income tax, sales tax)</td>
</tr>
<tr>
<td>Eligibility-based grants</td>
<td>Punitive fees</td>
</tr>
<tr>
<td>Research grants and revolving loans</td>
<td>Special assessments</td>
</tr>
<tr>
<td>Medicaid fees for services</td>
<td>Donations</td>
</tr>
<tr>
<td>Tuition fees</td>
<td>Regulatory fees (drivers licenses, building permits, marriage licenses, professional licenses)</td>
</tr>
<tr>
<td>Most expenses</td>
<td>Purpose-restricted grants</td>
</tr>
<tr>
<td></td>
<td>Capital fees (developer fees, PFCs)</td>
</tr>
<tr>
<td></td>
<td>Medicaid supplementary payments</td>
</tr>
</tbody>
</table>

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

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</table>


Subscription-Based Information Technology Arrangements
The Board proposed standards related to reporting subscription-based information technology arrangements (SBITAs), such as cloud computing contracts.

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

Final Statement expected May 2020.
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.
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
Proposals (continued)

**Preliminary project stage**
- Outlays would be expensed as incurred

**Initial implementation stage**
- 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

**Post-implementation/operation stage**
- Outlays would be expensed as incurred
## Project Timeline

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Questions?
Pre-Agenda Research Activities
Capital Assets
The GASB is evaluating existing guidance related to capital assets and the usefulness of information reported by governments.

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

The Board added the pre-agenda research in August 2019.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>What choices do governments make with respect to their capital asset-related accounting policies? Why do they select those policies?</td>
<td>How do governments determine when outflows enhance the service capacity or extend the useful life of an asset?</td>
</tr>
<tr>
<td>How do governments determine when outflows enhance the service capacity or extend the useful life of an asset?</td>
<td>How do governments report exchanges of capital assets?</td>
</tr>
<tr>
<td>How do governments report exchanges of capital assets?</td>
<td>How do depreciation and estimated useful lives compare with the actual diminution of service capacity?</td>
</tr>
<tr>
<td>How do depreciation and estimated useful lives compare with the actual diminution of service capacity?</td>
<td>What has been the experience with the modified approach to reporting infrastructure? How has it affected comparability of statement information?</td>
</tr>
<tr>
<td>What has been the experience with the modified approach to reporting infrastructure? How has it affected comparability of statement information?</td>
<td>Should changes in the condition of capital assets be reflected as flows of resources in the financial statements? How would it be measured?</td>
</tr>
<tr>
<td>Should changes in the condition of capital assets be reflected as flows of resources in the financial statements? How would it be measured?</td>
<td>What information do governments collect and report about deferred maintenance? How is it estimated?</td>
</tr>
</tbody>
</table>
Going Concern Disclosures: Reexamination of Statement 56
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.
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?
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.
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?
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.
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?
Questions?

Visit www.gasb.org
Financial Reporting Model Reexamination

In September 2018, the GASB issued a Preliminary Views in its Financial Reporting Model project. The Board has also proposed new concepts for developing standards on recognition in financial statements.
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