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.
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

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

- Statement 87—leases
- Statement 89—interest cost

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

Effective Dates: June 30, 2019, 2020, 2021
Effective Dates—December 31

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

  2018

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

  2019

  • Statement 87—leases
  • Statement 89—interest cost

  2020

* Not covered in this presentation
Certain Asset Retirement Obligations

Statement No. 83
## Certain Asset Retirement Obligations

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>Statement 18 addressed only municipal landfills but governments have retirement obligations for other types of capital assets; diversity exists in practice.</td>
<td>Effective for fiscal years beginning after June 15, 2018. Earlier application is encouraged.</td>
</tr>
</tbody>
</table>
## Definitions and Scope

<table>
<thead>
<tr>
<th><strong>Asset retirement obligation</strong></th>
<th><strong>Retirement of a tangible capital asset</strong></th>
<th><strong>Examples</strong></th>
</tr>
</thead>
</table>
| 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 |
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
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

<table>
<thead>
<tr>
<th>Initial Recognition</th>
<th>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.</th>
<th>Deferred outflow of resources—same amount as the ARO liability</th>
</tr>
</thead>
</table>
| 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. |
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
Effects of Funding and Assurance

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

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

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

General description of ARO and associated tangible capital assets, including source of AROs (such as federal laws or regulations, contracts, court judgments)

Methods and assumptions used to measure ARO liabilities

Estimated remaining useful life of tangible capital assets

How financial assurance requirements, if any, are being met

Amount of assets restricted for payment of ARO liabilities, if not separately displayed in financial statements

If a government has an ARO (or portions of an ARO) that is incurred but not yet recognized because it cannot be reasonably estimated, that fact and the reasons therefor
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 fiscal years 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
   - 3
   - 4

4. No
   - 3
   - 4
Component Units That Are Postemployment Benefit Arrangements Are Fiduciary if…

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
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
  - 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

- 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…

- 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
All Other Activities Are Fiduciary if…

Arrangement meets one or more of the criteria in 2

The government controls the assets

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.
<table>
<thead>
<tr>
<th>Fiduciary Fund Classes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension and other employee benefit trust fund</td>
</tr>
<tr>
<td>Investment trust fund</td>
</tr>
<tr>
<td>Private-purpose trust fund</td>
</tr>
<tr>
<td>Custodial fund</td>
</tr>
</tbody>
</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.
Proposed Implementation Guide

**What:**
GASB cleared an Exposure Draft of Implementation Guide to Statement 84 on fiduciary activities

**Why:**
Guidance is needed by preparers and auditors for the implementation of Statement 84

**When:**
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
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
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)
<table>
<thead>
<tr>
<th>Lessee</th>
<th>Liability</th>
<th>Deferred Inflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
<td>Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.)</td>
<td>NA</td>
</tr>
<tr>
<td>Lessor</td>
<td>Lease receivable (generally includes same items as lessee’s liability)</td>
<td>NA</td>
</tr>
<tr>
<td>• Continue to report the leased asset</td>
<td>Equal to lease receivable plus any cash received up front that relates to a future period</td>
<td></td>
</tr>
</tbody>
</table>
## Subsequent Reporting

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Liability</th>
<th>Deferred Inflow</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lessee</strong></td>
<td>Amortize the intangible lease asset over shorter of useful life or lease term</td>
<td>Reduce by lease payments (less amount for interest expense)</td>
<td>NA</td>
</tr>
</tbody>
</table>
| **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 |

Copyright 2019 by Financial Accounting Foundation, Norwalk CT. For non-commercial, educational/academic purposes only.
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
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
# Short-Term Leases

<table>
<thead>
<tr>
<th>Definition</th>
<th>At beginning of lease, <em>maximum possible term</em> under the contract is 12 months or less</th>
</tr>
</thead>
</table>
| 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
Proposed Implementation Guide

What:
GASB has cleared for public comment an Exposure Draft of a freestanding implementation guide to Statement 87

Why:
GASB issues separate implementation guides for complex pronouncements to assist preparers and auditors to apply the standards

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

Statement No. 88
<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board issued Statement 88 to improve existing standards for disclosure of debt</td>
<td>A review of existing standards related to disclosures of debt found that debt disclosures provide useful information, but that certain improvements could be made</td>
<td>Effective for periods beginning after June 15, 2018</td>
</tr>
</tbody>
</table>
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.
New Disclosure Requirements

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

<table>
<thead>
<tr>
<th>New Disclosures about All Types of Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of unused lines of credit</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Copyright 2019 by Financial Accounting Foundation, Norwalk CT. For non-commercial, educational/academic purposes only.
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:**
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
Accounting and Financial Reporting for Majority Equity Interests

Statement No. 90
## Majority Equity Interests

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
<td>Stakeholders requested that the GASB examine diversity in practice and potential conflicts in the existing guidance</td>
<td>Effective for periods beginning after December 15, 2018</td>
</tr>
</tbody>
</table>
Does the Majority Equity Interest Meet the Definition of an Investment?

<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
Implementation Guidance Update

2018-1
Implementation Guidance Update

**What:**
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
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

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
<td>Deliberations began in October 2018.</td>
</tr>
</tbody>
</table>
Preliminary Views: Recognition of Elements of Financial Statements

**What:**
The Board issued a Preliminary Views on concepts related to recognition of financial statement elements.

**Why:**
Recognition concepts are one of the components needed to complete the conceptual framework.

**When:**
Comment deadline was February 15, 2019.
## Conduit Debt

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
<td>Final Statement expected to be considered for issuance in May 2018.</td>
</tr>
</tbody>
</table>
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
Financial Reporting Model Reexamination
## Preliminary Views: Financial Reporting Model Improvements

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board proposed improvements to the financial reporting model—Statements 34, 35, 37, 41, and 46, and Interpretation 6</td>
<td>A review of those standards found that they generally were effective, but that there were aspects that could be significantly improved</td>
<td>Comment deadline was February 15, 2019</td>
</tr>
</tbody>
</table>
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 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
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
- Net position—beginning 3,061,111 2,834,592
- Net position—ending $3,328,265 $3,061,111
## 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
Other Tentative Proposals for the Exposure Draft

<table>
<thead>
<tr>
<th>Special and Extraordinary Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 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</td>
</tr>
<tr>
<td>• 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</td>
</tr>
</tbody>
</table>
# Implementation Guidance Update 2019

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>GASB cleared an Exposure Draft of implementation guidance update for public comment</td>
<td>Guidance is needed by preparers and auditors for the implementation of various standards</td>
<td>Comment deadline: January 31, 2019</td>
</tr>
</tbody>
</table>
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
<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board added an Omnibus project in December 2018</td>
<td>Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project</td>
<td>An Exposure Draft is expected to be considered in June 2019</td>
</tr>
</tbody>
</table>
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?
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

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
<td>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)</td>
<td>Deliberations began in May 2018</td>
</tr>
</tbody>
</table>
Revenue and Expense Recognition
## Revenue and Expense Recognition

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board is redeliberating stakeholder input on an Invitation to Comment as part of developing a comprehensive model for recognition of revenues and expenses</td>
<td>Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified</td>
<td>Redeliberations began in June 2018</td>
</tr>
</tbody>
</table>
Project Scope

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

<table>
<thead>
<tr>
<th>Topics with guidance developed considering the current conceptual framework</th>
<th>Topics related to financial instruments</th>
<th>Topics related to transactions arising from recognition of capital assets or certain liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>For example, pensions and other post-employment benefits</td>
<td>For example, investments, derivatives, leases, and insurance</td>
<td>For example, depreciation, asset retirement obligations, and pollution remediation obligations</td>
</tr>
</tbody>
</table>
Revenue and Expense Recognition Models

There 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)
## Exchange/Nonexchange Model

<table>
<thead>
<tr>
<th>Classification</th>
<th>Is the transaction an exchange?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recognition</strong></td>
<td></td>
</tr>
<tr>
<td>YES</td>
<td><strong>Earnings recognition approach:</strong></td>
</tr>
<tr>
<td></td>
<td>• Government controls a resource, or incurs an obligation to sacrifice a resource, <em>and</em></td>
</tr>
<tr>
<td></td>
<td>• The change in net assets is not applicable to a future period</td>
</tr>
<tr>
<td>NO</td>
<td><strong>Provisions of Statement 33:</strong></td>
</tr>
<tr>
<td></td>
<td>• Derived tax revenue</td>
</tr>
<tr>
<td></td>
<td>• Imposed nonexchange revenue</td>
</tr>
<tr>
<td></td>
<td>• Government-mandated nonexchange transaction</td>
</tr>
<tr>
<td></td>
<td>• Voluntary nonexchange transaction</td>
</tr>
</tbody>
</table>

*Measurement was not addressed in the Invitation to Comment but is expected to be addressed in a later due process document.*
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.
Performance Obligation/No Performance Obligation Model

<table>
<thead>
<tr>
<th>Classification</th>
<th>Does the transaction contain a performance obligation?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition</td>
<td>YES/NO</td>
</tr>
<tr>
<td><strong>Performance recognition approach:</strong></td>
<td><strong>Provisions of Statement 33:</strong></td>
</tr>
<tr>
<td>• Determine consideration</td>
<td>• Derived tax revenue</td>
</tr>
<tr>
<td>• Allocate consideration to performance obligation(s)</td>
<td>• Imposed nonexchange revenue</td>
</tr>
<tr>
<td>• 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)</td>
<td>• Government-mandated nonexchange transaction</td>
</tr>
<tr>
<td>Measurement</td>
<td>Measurement is not addressed in the Invitation to Comment but is expected to be addressed in a later due process document.</td>
</tr>
</tbody>
</table>

Copyright 2019 by Financial Accounting Foundation, Norwalk CT. For non-commercial, educational/academic purposes only.
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

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board is considering establishing standards related to reporting subscription-based information technology arrangements (SBITAs), such as cloud computing contracts</td>
<td>Stakeholders are concerned that these transactions may not be covered by the guidance in Statements 51 or 87; diversity exists in practice</td>
<td>Deliberations began in August 2018</td>
</tr>
</tbody>
</table>
Pre-Agenda Research Activities
The GASB is evaluating the effectiveness of Statement 16 and consider whether additional guidance needs to be developed.

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

The Board added the pre-agenda research in August 2018.
### Going Concern Disclosures

<table>
<thead>
<tr>
<th>What:</th>
<th>Why:</th>
<th>When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
<td>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</td>
<td>The Board added the pre-agenda research in April 2015</td>
</tr>
</tbody>
</table>
Prior-Period Adjustments, Accounting Changes, and Error Corrections

**What:**
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.

**Why:**
Much of the relevant guidance has been in effect without review by the GASB for decades.

**When:**
The Board added the pre-agenda research in August 2018.
Questions?

Visit www.gasb.org